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Business Growth Ambitions amongst
SME leaders – changes over time and
links to growth (Final report)

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RESEARCH

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Executive summary

Aims and objectives

This study is a follow up to a report published in 2012 which examined the level and determinants of growth ambition amongst leaders of UK Small and Medium Enterprises (SMEs)¹. The purpose of this research is to resurvey the respondents to the 2012 study in order to generate new data which, in combination with secondary data on business performance, will provide answers to the following key research questions:

- How does ambition change over time and what influences this?
- What is the relationship between ambition and business growth?

The 2012 survey was conducted in January-February whilst the 2014 survey was conducted in October-November. Comparisons between the two surveys therefore reflect changes over an approximate 30 month period, whilst secondary data on business performance was captured for 2012, 2013 and 2014.

This report sets out full findings from the 2014 study. It builds on the previous Interim Report (BIS Research Paper 215) through the inclusion of additional analysis of the links between ambition and growth as well as findings from case studies of SMEs in the cohort.

The study was delivered by TBR, a leading economic research consultancy, working in partnership with Professor Jonathan Levie of the University of Strathclyde and Dr Ron Botham, an independent consultant. Fieldwork was delivered by Qa Research.

Methodology

A telephone survey targeted at the 1,250² respondents of the previous survey was undertaken and this generated 503 complete responses. The survey was designed to support a direct comparison between responses in 2012 regarding the respondents' level of ambition and behaviours that are driven by that ambition. New questions were introduced which focused on change in ambition and the reasons for any observed change. In addition to the survey, research was undertaken to track the outcomes of all the businesses that were not surveyed.

The 2012 study established a typology of ambition which categorised SME leaders as having substantive ambition, low ambition or moderate ambition, which are broadly defined as follows (note: the descriptions below are abbreviated; precise definitions can be found in the Appendix):

- **Substantive ambition** – where SME leaders rated themselves as having the highest level of personal desire for business growth (ten out of ten on a Likert scale)

¹ Business Growth Ambitions Amongst SMEs (2012); BIS, Scottish Enterprise, Invest NI and Welsh Government

² Note that 162 previous respondents opted out of future research and a total of 88 had ceased trading, reducing our potential sample to just over 1,000.

and stated they intend to grow their business to a point where it is significantly larger than its current size

- **Low ambition** – where SME leaders rated themselves as having a low level of personal desire for business growth (seven or lower on a Likert scale) and stated they are not intending to grow their organisation and viewed the ideal size of their business as being no higher than current size. Respondents were also included in the low ambition category if they scored themselves five or lower on a Likert scale of personal ambition for growth, regardless of their responses to the other questions.
- **Moderate ambition** – where SME leaders fit neither into the substantive ambition category or the low ambition category. Such individuals might espouse high levels of personal desire for business growth but are not intending to act on that stated desire, or they might be intending to grow their business but have low levels of personal desire for business growth.

This typology has been carried forward into the 2014 survey to allow for direct comparisons to be made.

Major findings

Change in ambition

- At an individual level, among the resurveyed firms, SME leaders' growth ambition was not completely constant over time.
- On the surface the overall level of ambition of the resurveyed SME leaders looked relatively stable. But this hid a significant amount of movement into and out of the moderate ambition level whilst very few individuals showed evidence of significant swings in ambition.
- Much of the change in ambition was relatively minor. Whilst more than four in ten SME leaders changed ambition level between 2012 and 2014, only one in forty changed their ambition level substantially.

Ambition and behaviour

- SME leaders re-surveyed in 2014 that had substantive growth ambition in 2012 were more likely to report they had taken part in a range of growth related behaviours between 2012 and the 2014 survey than re-surveyed SME leaders with low growth ambition.
- These behaviours included: investment, exporting, training, improved efficiency (a proxy for productivity) and innovation and management decisions (e.g. setting new strategic goals).

Characteristics of re-surveyed growth firms

- Re-surveyed SME leaders of businesses that grew demonstrated similar behaviours to SME leaders that had high ambition. These included: investment,

exporting, training, innovation and management decisions (e.g. setting new strategic goals).

Ambition and growth

- Growth was not restricted only to businesses of SME leaders with the highest ambition level. Many businesses grew whose leaders had expressed low or moderate ambition levels.
- Whilst more businesses whose leaders had substantive ambition grew in employment and sales terms than businesses whose leaders had moderate or low ambition, these differences were only marginally statistically significant.
- The analysis suggests an important and previously unreported distinction in the relationship between stated ambition and growth between men and women. For men, there is a positive relationship between both employment and sales growth outcomes and level of ambition. For women, this relationship is negative for employment growth and an inverted U shape for sales growth.
- In addition to its direct effects on growth, ambition has a number of indirect effects, most of which are different for men and women. This helps to explain why the link between ambition and growth is rather weak in the full sample.
- For both men and women, the relationship between prior sales growth and realised employment growth is significantly higher with higher levels of ambition.
- The observed differences between the effects of ambition on growth between men and women respondents could be driven by factors related to the language and terminology of growth, inner drive versus sensitivity to context, expressed levels of confidence, and previous experience amongst others. The language used in survey instruments to measure ambition may thus have influenced this result.
- Case study evidence suggests there may be considerable ‘noise’ in the measure of ambition. For three out of four alternative measures of ambition, the negative effect of stated ambition on growth for females and the positive interaction effect of ambition and prior sales growth on realised growth for both males and females were confirmed.
- Finally, it is absolutely not a conclusion of this study that female-led SMEs are less likely to grow. On the contrary, the proportion of male-led and female-led businesses that achieved growth in employment and in sales was virtually identical. Rather, the results suggest that ambition as defined in the study may be a gendered concept; as a result responses to questions related to ambition may have been different from men and women on the one hand and from different groups of women on the other, due to differences in both socialisation of gendered expectations and the social context of these men and women.

Supporting findings

Change in ambition

Quantitative research findings

- Approximately one in four re-surveyed SME leaders (41%) show a change in ambition between 2012 and 2014. However, there was little difference between the proportion with rising ambition and the proportion with falling ambition (17% compared with 24%).
- Whilst more than four in ten re-surveyed SME leaders changed ambition level between 2012 and 2014, much of this movement was very marginal. In fact only one in forty (2.4%) changed their ambition level substantially (i.e. from low ambition to substantial or substantial to low). The case studies confirmed that changes in SME ambition are, in general, marginal.
- Among the re-surveyed businesses, over the period from 2012 to 2014 the proportion of SMEs in the substantive ambition segment declined from 20% to 15% while the number in the low ambition segment increased marginally from 17% to 20%. This shows that whilst many SME leaders have changed their individual level of ambition, there has been little change in overall levels of ambition.
- It should be noted that growth ambition was expected to be lower among re-surveyed SME leaders in the 2014 survey because most of the respondents were three years older, as were their businesses. The evidence suggests that younger leaders and leaders of younger businesses had the higher levels of ambition on average. Note that it was not the intention of this study to reassess the ambition 'benchmark' for UK SMEs and these results should not be interpreted as indicating an overall decline in SME growth ambition in the UK.
- It should also be noted that, because only businesses that survived the three year period were included in the 2014 re-survey, the sample of re-surveyed SME leaders was biased towards those with surviving businesses. However, a comparison of the re-surveyed sample with the full cohort of all 1250 SMEs surveyed in 2012 found minimal evidence of survivor bias.
- Re-surveyed SME leaders who had changed ambition level were asked which key factors explained their change in ambition. A wide range of answers were given, but the most widely quoted factor for both respondents that increased and respondents that reduced their ambition was a change in market conditions. This was cited by 36% of those whose ambition had increased and by 28% of those whose ambition had decreased. Ownership change is thought to explain the change of ambition in 6% of those who increased their ambition. A deteriorating environment for raising finance accounts for 4% of those who reduced their ambition.
- We examined whether business growth or decline affected ambition among re-surveyed SME leaders. It appears that any effect of business growth/decline is at best minimal. However, there is a hint that SME leaders whose businesses grew in

terms of employment in the three years (2012-14) were marginally more likely to have reduced ambition.

Case study findings

- Changes in ambition levels were often subtle. Some case study respondents did not recognise a change in ambition registered through their responses to the 2012 and 2014 surveys.
- Levels of ambition were most likely to be influenced by issues such as a change in business ownership, a change in a management team, 'time of life' issues (e.g. nearing retirement) and wider economic and market conditions.
- These drivers of change were equally likely to stimulate positive and negative effects on the stated level of ambition – i.e. they drove increases in ambition and decreases in ambition.
- Significant changes in ambition levels identified through the survey were driven by 'business context' issues (e.g. economic and market conditions) or 'time of life' issues (e.g. retirement).
 - Those who moved from substantive ambition to low ambition stated that the change was driven by 'time of life' issues or an unforeseen major event (e.g. illness of a key individual in the business)
 - Those who moved from low ambition to substantive ambition did so as a response to opportunities. For example, a change in ambition could be encouraged by a perception that the market for the firm's products/services was more responsive and attractive, leading to the respondent feeling that 'the time is right' to increase growth ambition and to act on that ambition.
- Ambition, as measured by this study, often reflects the 'innate' level of ambition that an individual holds and/or the level of ambition they have for their business at that moment in time. 'Innate' ambition (the underlying ambition that an individual feels in their life) within individuals is more constant but the stated ambition level for the business is often moderated by a consideration of the context (e.g. external market conditions). Some respondents, however, simply identify their 'innate' ambition level without consideration of the business context.
- This makes the accurate and consistent measurement of ambition through time and across different businesses a significant challenge.

Ambition and behaviour

- A greater proportion (85%) of re-surveyed SME leaders with substantive growth ambition said they had taken active steps to achieve growth than those with low growth ambition (61%).

- Re-surveyed SME leaders with substantive ambition were more likely to have experienced a major investment recently (45% compared with 34% of SME leaders with low growth ambition).
- The prevalence of product and process innovation in re-surveyed businesses was related to the level of growth ambition of their leaders. Sixty per cent of SME leaders with substantive ambition in 2012 reported product innovation and 40% reported process innovation between 2012 and 2014 compared with just 39% and 22% of SME leaders who had low growth ambition in 2012.
- 19% of re-surveyed SME leaders with substantive growth ambition set up at least one new business between 2012 and 2014 compared with eight per cent and ten per cent of those with moderate and low growth ambition respectively.
- Of those re-surveyed SME leaders with substantive growth ambition in 2014, 39% achieved at least some exports compared with 22% of those with low growth ambitions.
- Re-surveyed SME leaders with substantive growth ambition in 2014 were much more likely to have set new strategic goals: 51% of those with substantive growth ambition said they had changed their strategic goals by 2014, compared with just 37% and 19% of those with moderate and low growth ambition, respectively.
- Re-surveyed SME leaders with substantive growth ambition in 2014 were more likely to have invested in management and leadership training and to have invested in off-the-job training for employees. They were also more likely to have taken strategic advice about running the business, used a business mentor and participated in formal training.

Characteristics of re-surveyed growth businesses

Having identified that ambition is associated with certain behaviours among re-surveyed SME leaders, we then examined whether business growth was associated with these behaviours over the study period.

- Re-surveyed growth businesses were more likely to currently export than non-growth businesses. They were also more likely to innovate.
- In terms of further enterprise activity outside their existing business, re-surveyed businesses that grew were both more likely to have acquired, invested, sought to acquire or sought to invest in another business in the previous three years.
- Re-surveyed businesses that grew were generally more inclined to invest in human resource development than businesses that did not.

Ambition and growth

Quantitative research findings

- Employment growth across the full sample of 1250 businesses is strongly concentrated: of the 476 businesses making job gains in the unweighted sample, just 6% provided 75% of the jobs. Only 8% of these were low ambition businesses, while 24% were substantive ambition businesses.
- Employment decline is also strongly concentrated: of the 535 businesses that reduced employment in the unweighted data, only 7% were responsible for 75% of job losses. These high job loss businesses were distributed across the three ambition levels in the same proportion as for the total sample (18:63:18), i.e. they were not concentrated in businesses of a particular ambition level.
- In the weighted data (which controlled for different sample sizes and proportions across industry sector, employment size class and nation) 41% of businesses with substantive ambition and 39% of businesses with moderate ambition experienced employment growth, compared with 32% of businesses with low ambition. While suggestive, this difference is only marginally statistically significant.
- Many businesses of SME leaders with low and moderate ambition levels also grow: therefore, growth is not restricted only to those businesses of SME leaders with the highest ambition levels.
- The analysis of the weighted data suggests an important and previously unreported distinction in the relationship between stated ambition and growth between men and women. For men, there is a positive relationship between both employment and sales growth outcomes and level of ambition, for women this relationship is negative for employment growth and an inverted U shape for sales growth.
- Among men, ambition interacted strongly with education such that the businesses of male SME leaders who had both higher levels of education and higher levels of ambition were more likely to grow in employment. Among women, some businesses, for example those of younger SME leaders and of external appointees, were more likely to grow if their leaders had higher levels of ambition. For both men and women, ambition interacted with prior sales growth: if their businesses had prior sales growth and they had higher levels of ambition, they were more likely to grow in employment.
- Because the case study analysis suggested that there was considerable measurement error, or 'noise', in the primary measure of ambition used in the quantitative analysis, four alternative measures of ambition were created using different questions to test the robustness of the findings. The two results that were consistently significant across three out of four of these alternative measures were a significant negative effect of ambition on realised employment growth for female SME leaders and a positive interaction effect of ambition on the effect of prior sales growth on realised employment growth. The observed difference between men and women are likely to be driven by a number of factors, including recognition that

business growth ambition is a social construct that has developed primarily with male business leaders in mind. Many, though not all, female business leaders may react to requests to rate their personal desire for business growth differently to men because of gender socialisation.

Case study findings

- The case studies support the survey finding that a feedback loop exists between past business performance and ambition levels, but they also suggest that the influence of that feedback can be both positive (i.e. growth or decline can stimulate an increase in ambition) and negative (i.e. growth or decline can stimulate a decline in ambition).
- Ambition is often highly bounded – SME leaders categorised as having substantive ambition can have relatively modest growth goals for their business.
- Experience and knowledge gained through operating a business moderates ambition levels.
- Some growth is ‘random’ – respondents stated that business performance was independent of their ambition levels, especially when ambition is low. It was not uncommon for respondents to articulate that view that growth ‘just happened’.
- Some SME leaders actively seek to prevent growth. This could reflect a general approach to running their business or could reflect a change in position following the achievement of a particular goal (e.g. reaching a level of turnover that makes the business profitable or sustainable).
- The case studies demonstrate the limitations of classifying ambition within a rigid system, due to issues associated with measuring the nature and extent of ambition and our finding that desire for growth can be moderated by the ambition of others and by perceived growth potential of the business. Given these limitations it is perhaps not surprising that the differences in performance between SME leaders classified as having high ambition and those with lower ambition are not more stark.
- Case study evidence suggests that at least some of the explanation of the observed difference in the relationship between ambition and growth between male and female SME leaders is that ambition may be a function of the ambition levels of others in the team, and that this link may operate differently (on average) for male and female SME leaders. In four of five female respondents who had low ambition but whose businesses grew and were re-interviewed a third time to try to understand this finding, it transpired that they had ambitious male business partners, and toned their ambition levels down as a way of steadying the ambition of the owner/management team for the business to what they saw as realistic levels. Thus in studying ambition and growth, it is important to understand the ambition of all members of the management team and how this can affect individual ambition levels.

Contribution to the evidence base

This study makes several novel contributions to the international literature on ambition and growth. The first is methodological: it combines a quantitative, longitudinal large scale study with 21 case studies that seek to understand the apparent patterns in the quantitative data. By combining these two different research methods, a richer explanation of the link between ambition and growth was possible than if either method was used on its own. For example, the quantitative data can reveal patterns that case respondents might not realise were significant. On the other hand, the case study data can reveal issues of measurement of constructs that might not be obvious from analysing survey data.

Two results that appear to be robust to alternative measures of ambition and that have not been reported in the literature previously can be considered to be significant contributions to the evidence base. The first is that, in the absence of interaction effects involving ambition, stated ambition has a positive effect for male SME leaders and a negative effect for female SME leaders. The second is that for both male and female SME leaders, ambition has a significant indirect effect on employment growth: the higher the ambition level, the greater the positive effect of prior sales growth on realised growth.

By combining quantitative longitudinal survey data with case study data – a rare combination in the literature on ambition and growth – a possible explanation for these patterns was uncovered, which chimes with the wider literature on ambition and gender.

It is important to emphasise that the performance of the SMEs in the sample did not differ by the sex of the respondent. In addition, when industry sector was controlled for, female respondents were not less likely to report higher levels of ambition than male respondents. What was uncovered was a different relationship between stated ambition level and subsequent growth for male and female respondents.

One explanation for this requires the understanding that biologically-determined sex differences (male and female) and socially-determined gender differences (masculine and feminine) do not perfectly map on to each other: some men may adopt what are currently perceived as feminine traits and some women may adopt some masculine traits. While we measured sex rather than gender in this study, our explanation for this sex-based finding focuses more on gender socialization and the expectations that current society has of men and women in general and SME leaders in particular. Thus, sex acts mainly as a somewhat imperfect proxy measure for gender socialization in this study.

The main gender-related explanation for the findings is that the concept of ambition in relation to business growth is itself a gendered one: because most SME leaders are men, the prevailing image of ambition for business growth is a masculine one of “the self-made man”, of competitiveness, and of striving for power and recognition (Harrison et al., 2015). As a result, it is assumed that ambition for growth along these lines is desirable. But this image of ambition conflicts with societal gender-based norms of femininity (Gupta et al, 2008). As a result, some female SME leaders may feel conflicted when asked to rate their “personal desire for business growth” (Langowitz and Minniti, 2007).

Introduction

In early 2012, TBR completed a study for the UK government which measured growth ambition amongst UK Small and Medium-sized Enterprises (SMEs) and investigated the relationship between growth ambition of SME leaders and growth performance of their businesses³. This project revisits that research, brings it up-to-date and provides a unique opportunity to examine in more detail the relationship between ambition and growth in this sample of SMEs. For example, it capitalises on the opportunity to identify changes in ambition over time, the drivers of change in ambition and the relationship between ambition and subsequent business growth.

The project was delivered by TBR in partnership with Professor Jonathan Levie (of the Hunter Centre for Entrepreneurship at the University of Strathclyde) and Dr Ron Botham (an independent consultant). Qa Research delivered the primary research fieldwork.

Aims, objectives, purpose of the study

This project builds directly upon the 2012 research study. The aim of this project is to revisit the 2012 research and analyse changes in the ambition of SMEs that participated in the 2012 project. Revisiting previous respondents provides an invaluable opportunity to understand how ambition changes over time, what influences ambition and to explore the relationship between ambition and subsequent business growth.

The key aim of the study is to provide answers to the following research questions:

- How does ambition change over time and what influences this?
- What is the relationship between ambition and business growth?

In order to achieve this aim, a number of objectives were also set. The primary objectives of this project were to:

- i. Provide up-to-date data on business growth that can be related to the levels of ambition recorded in 2012.
- ii. Document and analyse any changes in ambition since 2012.
- iii. Explore how and why has ambition changed and what are the implications for business activity and growth.

³ Business Growth Ambitions amongst SMEs (2012), BIS, Scottish Enterprise, InvestNI and Welsh Government. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/187058/12-1169-business-growth-ambitions-amongst-smes.pdf

The project was also configured with a view to addressing three further, secondary, objectives:

- iv. Extend the analysis to consider effects on productivity as well as employment growth and consider the potential to include metrics relating to, for example, investment, innovation, exporting, training and the development of management and leadership skills.
- v. Produce metrics that will help define a segmentation model based on levels of ambition and businesses' potential for future productivity gains and growth.

Methodology

The 2012 study generated primary data that explored the level of ambition across 1,250 UK SMEs. The primary data were manipulated to create typologies that categorised respondents into one of three groups based on their responses to the telephone survey: those with substantive growth ambition, those with moderate growth ambition and those with low growth ambition. Further details can be found in Appendix I.

This study tracked changes in ambition by resampling as many of the original sample as possible (recognising that some will have closed and others will have declined to take part in further research, when asked in 2012). This re-survey generated up-to-date primary data on ambition levels and recent performance. Furthermore, the causes of ambition were examined along with the causes of observed changes in ambition levels at the business level. A copy of the questionnaire can be found in Appendix III.

The study also examined the link between ambition and subsequent growth within this group of 1,250 SMEs by drawing upon a range of secondary quantitative data sources. These include TBR's in house business dataset (TCR) and other commercial business data (Hoovers) in addition to official sources such as Companies House and the London Gazette.

The primary data collection methodology employed a CATI-driven telephone survey achieved 503 responses from the original sample of 1,250 respondents from 2012. The previous sample was reduced to 1,088 when businesses were removed which had indicated that they would not be willing to take part in future research (in 2012). A total of 80 businesses were confirmed as dead through secondary sources (see Appendix II); respondents from seven of these were included in the final re-survey sample. Thus the effective sample size of "live" SMEs (some of which had been taken over or temporarily ceased trading by the time of the re-survey) was 1,008, and respondents in a total of 495 or 49% of these were surveyed in 2014.

Furthermore, some 442 respondents (88%) in the 503 re-surveyed businesses in 2014 were the same individuals as in 2012.

The questionnaire was constructed to enable direct comparison across particular indicators and an identical process of classification based on responses to that which was adopted in 2012.

Following analysis of the survey data, the project team were instructed to supplement the quantitative analysis with a series of qualitative case study interviews. These interviews were included to develop a more detailed understanding of some of the business challenges particular SME leaders had faced alongside the determinants of their ambition level. The interviews have been written up as case studies. Case studies were selected from the groups of SME leaders that had demonstrated either some change in the level of ambition between 2012 and 2014 or in their business performance during this period.

Nature of the study

This project used the dataset developed in 2012 as its basis for longitudinal research. Repeating the 2012 methodology with a randomised group of businesses would have generated time-series data that could be compared to identify macro trends in ambition levels within SMEs. However, the 2012 method was not repeated. Instead, this project revisited the list of 1,250 businesses that participated in the 2012 survey, surveyed 503 of these, and also identified the survival and growth status of all 1,250 businesses using secondary sources. This longitudinal data enabled changes in ambition among the re-surveyed SME leaders and also subsequent performance of the whole cohort of 1,250 businesses.

As a consequence, this project does not present an update of the overall level of growth ambition among SME leaders. Instead it is a detailed study into changes in ambition between 2012 and 2014 across a sample of surviving businesses, and a study of how the whole cohort fared in terms of performance.

It is important to bear in mind the potential influence of survivor bias when considering the results presented here for the re-surveyed businesses, but also when comparing the growth performance of the cohort as a whole in 2014 with its growth performance in 2012 - not least because in this cohort of 1,250 businesses, both new and young business owners were significantly more ambitious⁴.

Typology definition

As part of the 2012 study, a set of ambition typologies were created to categorise telephone survey respondents into three groups based on their survey responses – those with substantive growth ambitions, those with moderate growth ambitions and those with low growth ambitions. A full explanation of these typologies and the characteristics of businesses allocated to them is provided in Appendix I. Broadly, the typology categories are defined as follows:

- **Substantive ambition** – where SME leaders have the highest level of personal ambition for business growth (10 out of 10 on a Likert scale) and where they intend to grow their business to a point where it is significantly larger than its current size.
- **Low ambition** – where SME leaders have a low level of personal business growth ambition (7 or lower on a Likert scale) and state they are not intending to grow their

⁴ Based on the weighted sample, for age of business in quartiles, Design-based $F(5.83, 6540.14) = 2.365$, $p = 0.029$; for age of respondent in four categories, Design-based $F(5.09, 5713.88) = 2.750$, $p = 0.017$.

organisation and view the ideal size of their business as being no higher than current size.

- **Moderate ambition** – where other SME leaders fit neither into the substantive ambition category or the low ambition category. Such individuals might display high levels of ambition for growth but are not intending to act on that ambition, or they might be intending to grow their business but have low levels of ambition for growth.

It is worth noting that the majority of SME leaders fall into the middle ‘moderate’ ambition category. These typologies have been carried forward into the present study to provide continuity of analysis and a basis for comparison. Many of the comparisons made in the study have focused on the substantive and low categories, as these provide the greatest contrast.

Report structure

The remainder of this document is structured as follows:

Previous study findings: This section provides a review of the main findings from the 2012 study. It also provides a high level review of other research which has been published within relevant subject areas since the 2012 study was published.

Changes in ambition: This chapter examines the extent to which stated growth ambition changed between 2012 and 2014 in our sample of resurveyed SME leaders and why any change has occurred.

Behaviour and ambition: This chapter examines the effects of ambition on firm/owner SME leader behaviour by contrasting the behaviour of SME leaders in the re-surveyed sample against their stated level of ambition in 2012.

Links between ambition and growth: This chapter examines the ‘outcomes’ in 2014 for the 1,250 businesses surveyed in 2012 and relates this back to the previously stated ambition levels of the SME leaders in 2012.

Conclusions and contribution to the evidence base: Here we summarise the study conclusions and the contribution that it makes to the evidence base associated with growth ambition.

Appendices: These include a description of the typology definitions, the process for assigning 2014 outcomes to the original 1,250 businesses, and a copy of the telephone survey script.

Previous study findings

Introduction

By reviewing and summarising the main findings of our 2012 study and other recently published research, this chapter summarises what is known about the two central questions addressed in this study i.e. 1) how does ambition change over time and what influences this, and 2) what is the relationship between ambition and business performance?

Ambition and SME Growth

The 2012 Study⁵

The 2012 study surveyed 1,250 UK SMEs with the main aim of discovering the extent and potential determinants of SME leaders' growth ambition. However, it also made an attempt to explore the relationship between the level of growth ambition and SME growth. To begin to assess whether growth ambition influences subsequent SME growth, the survey explored three issues:

- Growth performance over the past three years. Data were collected on current employment and turnover and respondents' recollection of these three years previously. Answers were used to produce estimates of SME growth/decline.
- Growth ambition (both current and three years previously). SME leaders were asked to score their desire for growth on a linear scale of 1 to 10 both currently and three years previously. An initial analysis of ambition based on this one score alone was then undertaken (rather than a combination of variables, as in the Ambition Typology described in the next bullet).
- The development of an Ambition Typology based on three categories: substantive ambition, moderate ambition and low ambition (see Appendix I for a description of how the typology was designed).

These data enabled an examination of the relationship between SME leaders' growth ambition in 2008 and estimated business growth (employment and turnover) between 2008 and 2012.

The data is far from ideal. It depends on the respondents' knowledge and memory of history, and is therefore likely to contain inaccuracies and potential bias. The sample may also suffer from survivor bias, which has been shown to be significant in previous research on the effect of growth ambition on subsequent growth (Delmar and Wiklund, 2008). Bearing this in mind, the main findings (relevant to the current study) of this analysis were:

⁵ Business Growth Ambitions amongst SMEs (2012), BIS, Scottish Enterprise, InvestNI and Welsh Government. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/187058/12-1169-business-growth-ambitions-amongst-smes.pdf

- Businesses whose respondents reported substantive ambition were much more likely to be proactive in seeking growth.
- Businesses whose respondents reported in 2012 that they had substantive growth ambition in 2008 were more likely to grow than businesses with reported low growth ambition. For example, 32% of those with respondents reporting substantive growth ambition subsequently increased employment compared with 14% of those with respondents reporting low growth ambition.
- Those with substantive growth ambition were much more likely to grow very substantially/rapidly. However, only a small percentage of businesses with substantive growth ambition achieved rapid growth subsequently.
- While businesses whose leaders had substantive growth ambition were more likely to grow, at the same time they had an above average probability of decline in both employment and turnover. The performance of the group of substantive ambition businesses, taken as a whole, was more variable (volatile) than businesses with lower growth ambition.
- Far from all SME leaders with growth ambition actually achieved business growth and some leaders with low ambition did achieve business growth.
- The net economic impact of businesses whose leaders had substantive ambition was positive (compared with negative net employment and turnover economic impacts of businesses with leaders who had moderate or low growth ambition).

While the report emphasises the positive effects of growth ambition on SME performance and the wider economy, it also notes that the relationships are complex, not necessarily causal and that more businesses whose leaders had substantive ambition (29.9%) actually declined in employment terms than increased employment (23.1%) subsequently.

Research into ambition since 2012

There is limited research literature on the links between SME growth ambition and actual growth. The thirteen published articles which relate ambition to subsequent growth performance (using some form of multiple regression) were reviewed by Levie and Autio (2013). None of the studies were based on UK evidence. The definition of growth ambition varied between studies and included intentions, aspirations, willingness to grow, a comparison between the ideal and actual size of the business and the need for achievement. The measurement of business growth was equally variable. Nevertheless the review found consistent evidence that growth ambition had small to medium positive effects on sales and employment growth of established SMEs and that at least some of the effects were via the influence of ambition on pro-activeness (taking action), innovation and willingness to take risks. None of the studies demonstrated a statistically insignificant relationship or a negative relationship.

With only a few exceptions (reviewed below) the primary focus of these studies was not on the effects of growth ambition on SME actual growth but on, for example, the effects of research and development (R&D), innovation, skills etc. on business growth and the development of SME growth models. A variable for growth ambition was usually included

simply as a control variable. While it was a statistically significant variable in all the regressions, as a control variable, it was rarely analysed or discussed further. It is also of note that the level of explanation (r^2) in all the studies is fairly low. Consequently the amount of growth explained by growth ambition as a direct effect must be limited.

One relevant example, by Wiklund and Shepherd (2003), included a study of 326 Swedish SMEs with between 10 and 50 employees, which responded to a survey in 1996 and the follow-up survey in 1999. Using a business growth variable made up of employment and turnover and a 'sophisticated' index of growth ambition, the regression found the statistically significant variables to be: ambition, access to capital and the interaction effects between ambition and education, experience and a dynamic business environment. It concluded that growth ambition is a key driver of SME growth but greater growth occurred when ambition is combined with education, experience and/or a dynamic business environment. The interactive effects between ambition and other factors increased the level of explanation substantially (in this case to 24%)⁶.

At least in the Swedish context, the study provides strong evidence that SME growth ambition really matters and is a key driver of growth. The caveats noted are that the findings could be affected by survivor bias and that 'It is possible that higher growth aspiration is also associated with greater risk propensity. Risk taking, in turn, may be associated with higher chance of failure.' This possibility is not explicitly examined. Notably, age, ambition, education and experience, but not the biological sex of the respondents was included in this study.

In a second study using two large samples of Swedish SMEs surveyed in 1994/98 and 1996/99 (with usable responses from over 800 firms), Delmar and Wiklund (2008) confirm that growth ambition at Time T1 is positively related (and statistically significant) to actual growth in period T2 (in both employment and turnover). While the effect appears relatively limited, growth ambition is a better predictor of growth than is past growth. They also assess the stability of individual growth ambition over time and estimate the feedback effect of firm growth (period T1) on growth motivation (at T2). These estimates are commented on in the discussion of changes in ambition (below). As with the previous study, while age and education of the owner was included, their biological sex was not.

A final exception worthy of an explicit comment is a study of the growth performance of new starts in the Netherlands between 1994 and 2000 by Stam and Wennberg (2009). As in most other studies, growth ambition is included in their growth model simply as a control variable with the main concern being to develop a model testing the role of R&D and innovation on small firm growth. However, R&D and innovation variables were only statistically significant for a subset of high tech and the most rapidly growing firms. For high tech firms, growth ambition was not statistically significant (and indeed had a negative sign). On the other hand, for the vast majority of small firms (i.e. which are not high tech) R&D and innovation were not significant. The only statistically significant variable for these firms was growth ambition. It is concluded that for the vast majority of small firms, growth ambition is the critical factor making for growth. The respondent's biological sex was included in this model, but as a control variable, not as an interaction variable. It was not significant in the model.

⁶ This is a substantially higher level of explanation than achieved in SME growth models which do not include such effects in which r^2 rarely exceeds 0.15

Only one paper not covered in the Levie and Autio meta-analysis which uses growth ambition as an explanatory variable for subsequent SME growth has been found. In an unpublished report Stam and Gibcus (2012) examined the growth performance of 200 new starts in the Netherlands. The firms were surveyed at start-up then at intervals of two, four and six years later. The main focus was on dynamic capability. But none of the variables measuring dynamic capability proved to be explanations of SME growth. Growth intentions (a widely used proxy for growth ambition) at start-up was used as a control variable. It was statistically significant for each of the two year periods examined and was the only consistent driver of SME growth. (Other variables were significant for some time periods but not others.) As with the previous paper, the respondent's biological sex was included as a control variable and was not significant in the model.

Finally, it is worth highlighting three observations based on recent research aiming to explain small business growth which have potential implications for understanding the link between ambition and subsequent growth. The first is the potential importance of interactive effects (i.e. the influence of ambition when an individual simultaneously has growth ambition and some other variable such as higher education, resources or skills as demonstrated by the Wiklund and Shepherd (2003) study of Swedish SMEs). While not specifically applied to ambition, several other SME growth studies have found that factors in combination can have a greater impact on growth than when only the direct effects of each are considered (see, e.g., Delmar and Wiklund, 2008). Ideally it is important to consider the growth performance when the owner-manager has ambition and relevant skills etc. rather than just growth ambition.

The second observation relates to the possibility that ambition is subject to diminishing returns. Increasing growth ambition may lead to growth up to a point after which further increases in ambition have an adverse effect on growth (or even lead to business failures). While such a possibility is noted by some authors, it has not been tested empirically. However, it has been shown that increasing Entrepreneurial Orientation within a SME initially increases growth but is eventually subject to diminishing returns and results in declining growth (Wales et al, 2013a,b). It is expected that Entrepreneurial Orientation is correlated with growth ambition. Perhaps it is possible to have too much growth ambition, at least when it is not combined with other important ingredients which enable SME growth, that does not lead to greater growth but perhaps too much reckless risk taking and failure.

Finally, it is important to recognise that growth can be viewed as having different qualitative meaning to different individuals, beyond or instead of the increase of a quantitative measure such as employment, sales, or assets. For example, growth to some individuals may mean growth in reputation or value delivered to customers rather than growth in sales. These different meanings may be heavily socialized and context-dependent. Thus, the meaning, or purpose, of growth may also change over time within the same individual (Dalborg, 2015; Dalborg et al., 2012). This perspective recognises a variety of growth platforms for different purposes, rather than a spectrum of growth from low to high.

A number of the relationships identified in the review above are examined in this study and are presented throughout the report. The chapter on links between ambition and growth (page 48) is the most important chapter in this respect.

Changes in Growth Ambition

The 2012 Study

The main concern of the 2012 study was to establish the level of ambition, defined as individual desire for business growth, among leaders⁷ of UK SMEs and to begin to identify potential determinants of it. In addition, an initial attempt was made to obtain an estimate of the extent of change in individual ambition and what might account for any observed change. To do this respondents to the survey were asked to rate their individual desire for business growth on a scale of 1 to 10 three years previously (i.e. in 2008). This was then compared with how they had rated their current desire for growth.

The comparison of their then current (i.e. 2012) score with their 2008 score found that 75% rated their desire exactly the same in both years (i.e. 25% rated their score differently.) Of those rating their growth desire differently, 57% rated their current growth desire higher than previously. In other words 14% of SME leaders in the sample had increased their desire for growth over a three year period. Forty three per cent of those whose ambition had changed believed it had declined (i.e. 11% of the sample had experienced a decline in ambition). On balance it appears growth ambition increased somewhat over the three years.

The study did not use the data on past performance and changes in ambition to explore the feedback of SME growth performance on their level of ambition. Instead, it explored this question in the survey by asking SME leaders who had changed their desire for growth to score their opinion on why their ambition had increased/decreased. The main reasons given for reduced ambition included the current economic climate (approximately 50% of those who had reduced their ambition) while many of the remaining respondents gave reasons related to an inability to grow or an absence of the need to grow. Just under 10% of those who had reduced ambition cited the impact of personal issues (such as ill health) as the reason. A series of company case studies found that ambition could be reduced through a bad experience, or hassle, of trying to grow the firm. The hassle could arise from, for example, regulations, planning policies or problems with staffing. Others had achieved their previous growth targets so no longer desired further growth. The reduction in ambition on occasion seemed to reflect a rational decision based on their assessment of the risk/reward trade-off. However, it should be emphasised that these observations were based on a handful of case studies of businesses which had reduced ambition.

The main reasons given for increasing ambition were the economic climate and the need to get back to where they were previously, accounting between them for just over 50% of responses. Many of the remaining comments related to the need to survive or to make more money because the business had begun to perform better. The case studies did not identify additional possible explanations. Nevertheless, it appears there is a feedback from past growth/decline onto growth ambition. But for some SME leaders it is a positive feedback while for others it is a negative one.

⁷ All respondents agreed they were “an individual within the organisation who is best placed to answer questions about the future plans of the organisation, and someone who has the ability to influence these?”

The obvious limitations of the analysis are that it is based on a simple definition of ambition and depends on the respondents' memory of their desire for growth three years previously. Nor does it attempt to estimate the extent of change in the economy arising from:

- Changes in the structure of the small business population. For example, it might be expected that aggregate SME ambition would increase if the groups found to have above average ambition (e.g. business service sector businesses, owner-managers with an annual income over £159k) increased their presence in the economy. Similarly it could decline if groups found to have below average ambition (e.g. female owner-managers over 55 years, older businesses over 10 years old) increase their importance in the economic structure.
- Change in the determinants of growth ambition. For example, ambition was found to be associated with (and possibly determined by), inter alia, attitudes to making money. Should owner-managers become more concerned with their income, growth ambition would be expected to increase.

Nor has there been any attempt in the research literature to estimate changes in the level of ambition brought about by such structural change. Indeed there has been almost no discussion of how and why small business growth ambition might change over time.

Research into change in ambition since 2012

The absence of interest in examining whether or not growth ambition is stable over time may reflect the belief (largely from psychology) that ambition is stable over time or changes only slowly over prolonged time scales. It is essentially assumed to be a stable, non-changing characteristic. In the psychology literature ambition is assumed to be more or less constant throughout an individual's life (Judge and Kammeyer-Mueller, 2012). Defined as 'the persistent and generalized striving for success, attainment and accomplishment' (Judge and Kammeyer-Mueller, 2012, p.759), ambition is not compartmentalised to just a single domain (an individual is ambitious in several walks of life) and it does not cease when a goal is reached (new higher ones are set). Ambition is not about a single goal (i.e. the intention to grow the business in the next two to three years). When applied to a specific goal or domain such as business growth it is accepted that this introduces the prospect of some change throughout life. It may also be assumed that change in growth ambition due to structural change in the economy (as discussed above) can only occur over a prolonged time scale. The extent to which individual or aggregate ambition is stable over time has not been tested extensively empirically.

However, Delmar and Wiklund (2008) have estimated the effect of past SME growth on growth motivation in the Swedish context. They explain growth motivation at time T2 with independent variables including growth motivation at time T1 and growth in period T1. Growth motivation at T2 is found to be related to the age of the owner/manager, education, past motivation (i.e. at T1) and past growth. The findings, it is argued, suggest that growth ambitions are stable over time and that a virtuous circle exists with SME growth leading to greater growth motivation (or decline leading to lower growth ambition). However, the relationships are relatively weak. It is important to note that it does not examine explicitly whether past growth is related to (affects) change in growth ambition. While statistically significant, the ability of growth ambition at T1 to produce growth ambition at T2 is fairly limited. It would be very surprising if there were not a statistically significant relationship

between growth ambition at T1 and T2. While the relationship is interpreted as demonstrating that growth ambition is reasonably stable, that the relationship is not stronger could be interpreted as illustrating that there are substantial changes in individual ambition over a period of a few years. Nor does the study consider or test for a negative feedback from growth onto growth ambition and vice-versa (e.g. growth reduces ambition and SME decline increases growth ambition.)

In addition, there are some other limited indications that ambition, and especially small business growth ambition, is less stable than generally assumed. For example, while testing the influence of psychological traits on growth, Bellu and Sherman (1995) provide almost an incidental test of whether traits which underpin ambition are stable over time. Comparing entrepreneurs' need for achievement in 1989 and 1994 they find a correlation of $r = 0.52$. From this they comment that the need for achievement is fairly stable. However this figure could be interpreted as showing a fair degree of change over a relatively short time period.

Finally, the proportion of SMEs planning to grow over the next two or three years also appears to vary from year to year (BMG Research, 2015). This evidence, although far from conclusive, perhaps at least suggests that individual growth ambition is amenable to change possibly brought about by policy intervention.

Moving forward from the 2012 study

The 2012 study established an important baseline for the level of ambition across UK SMEs. It also created a cohort of businesses that had identified their willingness to take part in future research. The sample of 1,250 surveyed businesses therefore provides a highly useful resource from which to generate additional research intelligence.

The 2014 study was designed to capitalise on two important opportunities that the 2012 study had presented:

- To gather up-to-date performance and 'outcome' data to establish how each of the 1,250 business has fared since the 2012 study. These data can then be cross-referenced with levels of ambition in 2012 to support an analysis of the relationship between ambition and performance. Whilst the 2012 study investigated this to some extent, it did so using a limited data set (i.e. solely the self-reported responses to questions about the performance of their business in the previous three years). The 2014 study therefore presents the opportunity to bring together secondary data (from government as well as commercial sources) along with new primary data (collected through a second survey) and more accurate primary data (by asking for current absolute employment and turnover data which can be compared with similar data captured in 2012) to provide a more robust and extensive analysis of the relationship between ambition and performance.
- To re-survey a sample of businesses from the original group of 1,250 businesses in order to measure changes in levels of ambition and the causes of any observed changes. The 2012 survey explored this to some extent, by asking questions about whether respondents perceived any changes in ambition since 2009. However, this approach is limited since we also established in the 2012 study that the creation of a measure of ambition requires a more sophisticated examination of growth intent

and plans as well as stated ambition levels. Therefore to simply ask whether ambition had increased or decreased in the last three years is highly limiting. The 2014 survey provided the opportunity to ask all questions which contribute to the assignment of each SME leader to a growth ambition typology category, and to then ask relevant questions regarding change in ambition to those that demonstrated a change in ambition based on their responses to five questions, rather than one.

The 2014 study therefore represented an opportunity to explore the key research questions in a more robust and sophisticated way.

Change in ambition

Chapter summary

- This chapter examines the extent to which SME growth ambition changed between 2012 and 2014 in our sample of re-surveyed SMEs and why any change occurred. It is based on the 503 SMEs which responded to both our original 2012 survey and our 2014 follow-up survey.
- **A key finding is that at an individual level, SME growth ambition is not completely constant over time.**
- **On the surface the overall level of ambition among the studied SME leaders looked relatively stable. But this hid a significant amount of movement into and out of the moderate ambition level whilst very few SME leaders showed evidence of significant swings in ambition.**
- **Of the 503 respondents, the majority (59%) remained unchanged within the same ambition category. However, 85 (17%) increased their ambition (i.e. they moved to a higher ambition segment) and 123 (24%) reduced ambition.**
- **Whilst more than four in ten SME leaders changed ambition level between 2012 and 2014, only one in forty (2.4%) changed their ambition level substantially (i.e. from low ambition to substantial or substantial to low).**
- **Over the three years the proportion of re-surveyed SME leaders with substantive ambition declined from 20% to 15% while the proportion with low ambition segment increased from 17% to 20%.**
- It should be noted that growth ambition is expected to be lower in the 2014 survey because most of the respondents are three years older as are their businesses. Given that ambition tends to decline with age, some decline in aggregate ambition is expected. Over 30% of our respondents were aged over 55 in 2012 and potentially approaching retirement. This decline in ambition cannot be taken as meaning that growth ambition has declined in the UK's small business population.
- Respondents who had changed ambition were asked for their view on the key factors which explained the change in ambition. The most widely quoted factor for both respondents that increased and reduced their ambition was 'change in market conditions', cited by 54% that have reduced ambition and 39% that have increased ambition. The positive impact of success leading to an increase in confidence was cited as a reason for change in ambition by 15% of those who had increased ambition. Ownership change contributed to a change in ambition for 6% of those who increased their ambition. A deteriorating environment for raising finance was cited by for 5% of those who reduced their ambition.

- When respondents were asked whether they had experienced a number of specific events between 2012 and 2014 and this was cross-referenced to change in ambition, it can be concluded that a significant change in the market, a problem with a major customer, the departure of a key member of staff, a business life threatening crisis, a serious staff shortage and the emergence of a dominant player are events which have an effect on ambition in SMEs. Those experiencing these events were more likely to both increase or reduce their level of ambition.
- There is an interesting feedback/feed forward relationship between past growth and ambition levels. Past business performance has a feedback effect on growth ambition in a substantial number of SMEs. However, in some businesses the feedback increases growth ambition while in others, it reduces it. Consequently the net effect on growth ambition is small but negative (i.e. during this time period it has marginally reduced growth ambition in our sample of re-surveyed surviving SMEs).

Introduction

This chapter examines the extent to which SME growth ambition changed between 2012 and 2014 in our sample of SMEs and why any change has occurred. It is based on the 503 SMEs which responded to both our original 2012 survey and our 2014 follow-up survey. Consequently, it is an examination of how ambition has changed (and why) among SME leaders in a surviving sample of UK SMEs. As such it is not an assessment of change in SME leaders' growth ambition in the UK's population of SMEs. Between 2012 and 2014 some SMEs have exited the SME population while a substantial number of new businesses have entered it. The turnover (or churn) in the SME sector is considerable. Consequently, observed change in growth ambition in our sample of existing surviving SMEs cannot be assumed to be representative of aggregate (i.e. economy wide) change.

Since the 2012 study was based on a sample of 1,250 respondents and this 2014 study is based on a sub-sample of 503 respondents, the results should be interpreted with caution and consideration of issues arising. For example, survivor bias and self-selection could be issues dependent on the analysis being presented, as could sampling error.

Aggregate change in SME growth ambition (in the re-surveyed sample)

Table 1 summarises the overall change in ambition level between 2012 and 2014 across the re-surveyed sample, by ambition change category. Of the 503 respondents, the majority (59%) remained unchanged within the same ambition category. However, 85 businesses (17%) increased their ambition (i.e. they moved to a higher ambition segment) and 123 businesses (24%) reduced ambition.

Table 1: Changes in individual ambition between 2012 and 2014

| | Number (<i>Proportion</i>) |
|--------------------|------------------------------|
| Increased ambition | 85 (17%) |
| Stasis | 295 (59%) |
| Reduced ambition | 123 (24%) |
| Total | 503 (100%) |

Source: TBR 2014 (TBR ref: W1/S5)

Base: Respondents to 2014 survey, 503 responses (unweighted)

It is worth noting that these findings contrast with those of the 2012 study, where it ambition was estimated to have increased within the 1,250 respondents in the three years leading up to 2012.

Over the two years the proportion of SME leaders in the substantive ambition segment declined from 20% to 15% while the number in the low ambition segment increased from 17% to 20%. Growth ambition declined marginally in our sample of SME leaders. A key finding is that at an individual level, SME leaders' growth ambition is not completely constant over time.

A more detailed examination of the levels of change is provided in Table 2, which presents a matrix of ambition levels and compares ambition in 2012 with ambition in 2014. This supports a number of important findings. It demonstrates that much of the change in ambition levels can be identified as incremental shifts from one ambition level to the adjacent category above or below. A total of 196 SME leaders can be described in this way (39% out of the 41% that have changed ambition level). Much of the change in ambition is therefore centred around the 'middle' category and very few SME leaders change their ambition level sufficiently to cross the 'middle' and take up a position in one extreme ambition level or the other. In fact, only 12 SME leaders (2.4%) have changed ambition level significantly, moving either from substantive ambition to low or vice versa.

Table 2: Shifts in ambition classification between 2012 and 2014

| 2014 \ 2012 | Low | Moderate | Substantive | Total |
|--------------|-----------------|------------------|------------------|-------------------|
| Low | 42 (8%) | 52 (10%) | 9 (2%) | 103 (20%) |
| Moderate | 43 (9%) | 221 (44%) | 62 (12%) | 326 (65%) |
| Substantive | 3 (1%) | 39 (8%) | 32 (6%) | 74 (15%) |
| Total | 88 (17%) | 312 (62%) | 103 (20%) | 503 (100%) |

Source: TBR 2014 (TBR ref: W1/S1)

Base: Respondents to 2014 survey, 503 responses

NB. The percentage distribution of SME leaders by ambition level in 2012 does not match the published proportion in the previous study report. This is because this is a subsample of the original sample, and also because the 2012 published ambition levels were based on weighted survey data, whereas the data presented here are unweighted.

The analysis of change in ambition therefore provides some important findings. From the surface, the level of ambition looks relatively calm and constant with little change between 2012 and 2014. However, if we examine the components of change which deliver this aggregate change, we can see there is a large amount of churn, with four in ten businesses having changed their level of ambition between 2012 and 2014. Finally, we also see that the proportion of SME leaders that change their ambition levels significantly is very small (one in forty).

Structural change or sampling error

An important question is whether or not the observed change is due to a change in the structure of the sample in 2014 compared with the 2012 sample. For example, recalling the findings from the previous study, ambition was found to be lower amongst women, older people (over 55), owners who inherited the business, senior managers recruited from

outside the company, respondents with an income under £100k, owner/managers with no qualifications or who believe they cannot grow the company even if they wished to and businesses older than ten years of age, located in Wales or in the transport and construction sectors. These characteristics were identified as associated with ambition. Should SME leaders and businesses with these characteristics have a greater presence in the 2014 survey than in the 2012 survey the effect would be to reduce ambition across the sample. Such individuals/businesses could also be over-represented because of chance sampling error or because the structure of the population of businesses from which the sample has been drawn has changed (e.g. the surviving businesses might include a greater proportion of businesses in which the owner inherited the business, are run by women or externally recruited managers with an income under £100k in construction etc.).

The converse of course is that ambition could appear to increase if the 2014 sample contains a disproportionately large number of respondents from groups which had well above average ambition in 2012. These include respondents with a degree, aged under 35 or with an annual income over £100k and businesses in hospitality, business services and under 10 years of age. Again such respondents could be over represented because of random sampling error or survivor bias.

Table 3 compares a selection of the characteristics of the sample of 503 responding to the 2014 survey with the 1,250 who responded to the survey in 2012. On the majority of variables the samples are very similar. With regard to personal characteristics, the obvious exception is the reduction in the proportion of managers who were recruited externally; however this difference is not statistically significant. Given this group had below average ambition in 2012, this might be expected to increase ambition in the total sample. Groups with below average ambition in 2012 do not appear to have a greater representation in the 2012 sample. Consequently, there is no evidence that sampling error or a change in the structure of the population from which the sample is drawn (due to survivor bias) is responsible for the observed reduction in SME growth ambition.

Chi-squared tests of significance have been undertaken here to test whether there are statistically significant differences in the samples for 2012 and 2014.

The only two characteristics that show a statistically significant difference are age and the proportion of respondents with incomes under £35k, which is lower in the 2014 sample. The difference in age is not surprising as two years have passed. It can be demonstrated that this difference is due to the passage of time rather than sampling bias. When the proportion of those aged under 55 in 2012 is compared between those that were re-surveyed and those that were not, no statistically significant difference can be seen. Of those that were re-surveyed 32% were aged over 55 in 2012, this compared to 29% of respondents that were not resurveyed ($X^2=1.21$, $p=0.270$).

The other characteristic to show a difference between the two samples was the proportion of individuals with income under £35k ($X^2=9.79$, $p=0.002$) which fell from 49% in 2012 to 40% in 2014. This does not seem to have been caused by sampling bias as when the proportion of those earning under £35k in 2012 is compared between those that were re-surveyed and those that were not, no significant difference is observed (50% if those that were re-surveyed earned less than £35k compared to 49% of those that were no re-surveyed: $X^2=0.09$, $p=0.770$). The difference therefore seems to be caused by a shift in income among survey respondents across the time period. This could be due to a variety

of factors such as wage inflation or that fact that business are likely to be at a more mature stage by 2014 and therefore may be generating more income and consequently paying higher salaries.

Table 3: Characteristics of SME leaders in 2012 and 2014 sample (% SME leaders)

| | 2012 | 2014 |
|--|------|--------|
| | % | % |
| Male | 76.9 | 78.3 |
| Aged under 35 | 9.3 | 7.0 |
| Aged over 55 | 31.2 | 36.8** |
| Founder | 37.4 | 39.8 |
| Inherited Business | 10.8 | 9.1 |
| Manager recruited from outside | 27.5 | 20.5 |
| Highest qualification is at least a Degree | 33.2 | 35.8 |
| No Qualifications | 6.9 | 5 |
| Annual Income Over £100k | 6.2 | 5.4 |
| Annual Income Under £35k | 49.3 | 40.1** |

Source: TBR 2014 (TBR Ref: W5/S3)

Base: 2012 survey is 1,250; 2014 survey is 503

Chi squared test, * p<0.05, **p<0.01, ***p<0.001.

It should be noted that growth ambition is expected to be lower in the 2014 survey because the respondents and businesses are now two years older. Given that ambition tends to decline with both, some decline in aggregate ambition is expected.

Effect of ownership change

This section examines the effect of ownership change and this is done to explore whether there is evidence that a significant change ‘at the top’ has an effect on ambition.

Almost nine per cent of the respondents said that the business had experienced a change in ownership over the past three years. The review of SME leaders who increased their ambition substantially (see below) suggests that change of ownership can bring about a substantial increase in growth ambition (especially in SME leaders with low growth ambition in 2012).

If enterprises with low growth ambition are the businesses subject to most ownership change, change of ownership might be expected to have a positive impact by increasing the number of SMEs with greater growth ambition. However, Table 4 shows that a greater proportion of businesses with substantive growth ambition experienced a change in ownership than businesses with moderate or low growth ambition. Given that change in ownership was not concentrated amongst businesses with low growth ambitions, change in ownership is perhaps not responsible for a substantial increase in the number of SMEs with substantive growth ambitions. This is confirmed in Table 4 which shows that only 20% of SMEs which experienced a change in ownership increased ambition while 25% actually reduced their growth ambitions. The net effect of change in ownership is reduced SME growth ambition in our sample.

Table 4: Influence of ownership change on change in ambition (2014 survey - % businesses)

| | 2012 Ambition Level | | |
|---|--------------------------|-----------------|---------|
| | Substantive | Moderate | Low |
| % of businesses that experienced ownership change | 15% | 7% | 6% |
| | | | |
| | Change in Ambition level | | |
| | Increased | Stayed the same | Reduced |
| % of businesses that experience ownership change | 20% | 20% | 25% |

Source: TBR 2014 (TBR Ref: W1/S2)

Base: 2014 survey, 44 responses

Effects of senior management change

Just over 18% of respondents report that they experienced a change in senior management since the 2012 survey. Changes in senior management could have increased growth ambitions and this possibility is examined in Table 5. As can be seen, changes in management were most frequent in businesses whose SME leaders had substantive and moderate growth ambition in 2012 and least common in businesses whose SME leaders had low ambition. Management change increased ambition in 16% of the SME leaders who experienced management change and reduced it in 25%. It left growth ambition unchanged in the majority of businesses which experienced a change in senior management. However, the net effect of change in senior management is reduced SME growth ambition in our sample.

Absolute numbers of businesses experiencing a change in senior management have been included in Table 5 below in order to indicate that whilst the percentages are similar, the moderate category is significantly larger than either the low ambition or substantive ambition category.

Table 5: Management change and change in ambition (2014 survey - % businesses)

| | 2012 Ambition Level | | |
|---|---------------------|-----------------|---------|
| | Substantive | Moderate | Low |
| % of businesses experiencing a change in senior management | 17% | 21% | 19% |
| Number of businesses experiencing a change in senior management | 18 | 65 | 9 |
| | | | |
| | Increased | Stayed the same | Reduced |
| % of businesses which have changed senior management by ambition change | 16% | 59% | 25% |

Source: TBR 2014 (TBR Ref: W1/S3)

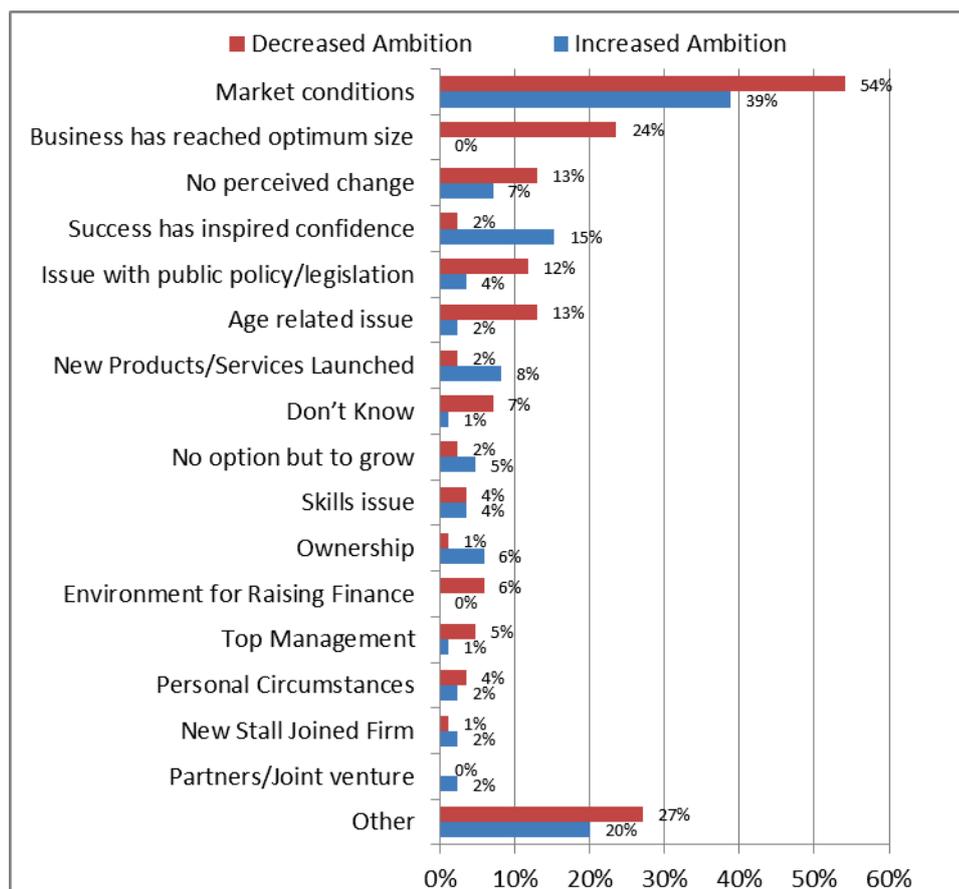
Base: 2014 survey, 92 responses

However, it should be noted that to some extent this reflects the way in which ambition is measured. Those classified as being in the substantive ambition segment cannot further increase their level of ambition.

Self-explanation of individual change in ambition

During the administration of the 2014 survey, whether or not the respondent had increased or decreased the level of ambition was calculated in real time.⁸ SME leaders with increased or reduced ambition were then asked to identify the key factors which explained the change in ambition. The results are summarised in Figure 1.

Figure 1: Reasons for change in ambition



Source: TBR 2014

Base: 2014 survey, 208 responses. Businesses with increased or decreased ambition

As can be seen the only widespread explanation offered is changes in market conditions which respondents reported being responsible for both increased ambition (39% of businesses that had increased ambition cited this reason) and reduced ambition (54%). Beyond this, the other findings which emerge from Figure 1 are:

- The business reaching its optimum size is influential in reducing ambition and is reported by almost one quarter (24%) of those businesses that have reduced ambition.

⁸ This was defined as a movement from one ambition segments (low, moderate, substantive) to any other.

- The launch of a new product/service (i.e. innovation) increased ambition amongst a few individuals/.
- Ownership change is thought to explain increased ambition of 6% of those who increased their ambition.
- A deteriorating environment for raising finance was identified by 6% of those who reduced their ambition.
- In a number of cases, the individual did not believe their level of ambition had in fact changed since 2012.
- Previous success can inspire confidence and this is cited by 15% of those who have increased their ambition as a reason behind that change.
- There is a long list of additional reasons cited by a very small number of SME leaders, which demonstrates how diverse the drivers of change in ambition can be.

Specific events and changes in growth ambition

Our earlier study examining the determinants of ambition suggested that major events affecting a business or its leader (e.g. a death in the family, business 'hassle' due to bureaucracy, problems raising finance, loss or problems with a major customer) could have an impact on ambition. While most of the issues identified were found to have a negative effect on growth ambition, it is obviously possible for major events (especially improved market conditions, a change in ownership and/or senior management) to have a positive effect on SME growth ambition.

To examine these possibilities, respondents were asked if either they or the business had experienced any of a number of specific events in the past three years. It was expected that those experiencing such events were more likely to have increased/reduced ambition than those not experiencing major business or personal events. The results are summarised in Table 6.

Taking first the resurveyed sample as a whole, the majority of SMEs (74%) have experienced at least one of the specified events in the past three years. The most common events are a major change in market conditions (36%), a problem (late payment, bad debt) with an important customer (27%), with around one fifth saying they have experienced serious staff shortages, the departure of a key member of staff, a life threatening event for the business, a serious problem with their premises (sometimes planning related) and a significant event in their private life. Ten per cent of SMEs say they have had an application for finance rejected in the past three years. Obviously some of these events may be related or refer to the same event (e.g. the business life threatening event could be the rejection of an application for finance or a problem with an important customer).

Table 6: Influence of events on ambition levels (2014 survey - % businesses)

| Event | Change in ambition level | | | All Firms |
|----------------------------------|--------------------------|------|----------|-----------|
| | Increased | Same | Declined | |
| | % | % | % | % |
| Significant Change in Market | 44 | 32 | 39 | 36 |
| Problem with Major Customer | 33 | 23 | 25 | 27 |
| None of These | 19 | 28 | 26 | 26 |
| Departure of Key Member of Staff | 27 | 21 | 18 | 21 |
| Serious Staff Shortage | 25 | 20 | 22 | 21 |
| Major Event in Private life | 18 | 29 | 22 | 20 |
| Business Life Threatening Crisis | 20 | 17 | 21 | 18 |
| Change in Management Personnel | 17 | 18 | 16 | 17 |
| Problem with Premises | 13 | 19 | 12 | 17 |
| Emergence of Dominant Player | 17 | 13 | 8 | 13 |
| Finance Application Rejected | 12 | 9 | 11 | 10 |
| Any Other (Write in) | 13 | 8 | 6 | 8 |

Source: TBR 2014 (TBR Ref: W1/S5)

Base: 2014 survey, 503 responses

Turning to how these events might affect the level of ambition, there is some evidence in Table 6 that a significant change in the market, a problem with a major customer, the departure of a key member of staff, a business life threatening crisis, a serious staff shortage and the emergence of a dominant player are events which have an effect on ambition in SMEs. Those experiencing these events are more likely to both increase or reduce their level of ambition.

Those experiencing these events are marginally over represented amongst those both increasing and reducing their growth ambition. With the exception of an event which threatens the life of the business (which appears to have a greater negative rather than positive effect on ambition), all the other events on balance appear to have a net positive effect on growth ambition among the resurveyed SME leaders.

Business performance and effects on ambition

There is some evidence from the literature that past business performance feeds forward to influence growth ambition: it has been found that recent growth marginally increases SME growth ambition. On the other hand our earlier study⁹ suggested that recent growth could also reduce SME growth ambition while recent business decline could produce an increase in growth ambition as the entrepreneur seeks to at least return to the firm's previous level of performance. It also found that in some businesses recent growth had a positive effect on growth ambition. The implication is that recent growth and/or decline can

⁹ TBR (2012), Business Growth Ambitions amongst SMEs BIS, Scottish Enterprise, InvestNI and Welsh Government. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/187058/12-1169-business-growth-ambitions-amongst-smes.pdf

have a variable effect (either positive or negative) on growth ambition at individual business level (perhaps dependant on circumstances). This possibility is explored in Table 7.

Table 7: Association between employment growth/decline and ambition (% businesses)

| Employment | Change in Ambition level | | | All Firms |
|-----------------|--------------------------|------|----------|-----------|
| | Increased | Same | Declined | |
| | % | % | % | % |
| All Businesses | 17 | 59 | 24 | 100 |
| Grown | 14 | 61 | 25 | 100 |
| Stayed the same | 18 | 57 | 25 | 100 |
| Declined | 20 | 57 | 23 | 100 |

Source: TBR 2014 (TBR Ref: W1/S6)

Base: 2014 survey, 503 responses

Table 7 shows:

- The proportion of businesses in the entire sample in which ambition has increased (17%), remained unchanged (59%) and declined (24%).
- The proportion of businesses which have grown, remained the same and declined (measured as employment change 2012-2014) in which ambition has increased, remained unchanged and declined between 2012 and 2014.

Note that the employment change categories are based on the respondent's own estimate (i.e. in response to the survey question "Has employment increased, declined or stayed the same compared with 2012").

Whilst this analysis helps us understand the relationship between change in ambition and past performance, it is important to recognise its limitations. Employment change is a limited measure of growth/decline, for example. The data is for the simultaneous change in business growth and ambition (i.e. 2012-2014) rather than change in ambition as a lagged variable for business growth and the sample could be affected by survivor bias. Therefore, this analysis should be seen as offering an initial assessment of whether business growth/decline has an effect on changing ambition within the firm, rather than definitive findings.

The most obvious observation is that any net effect of business growth/decline on ambition is at best minimal. However, there is a hint that:

- Businesses which have grown measured by employment in the three years 2012-14 are marginally more likely to have reduced ambition. Of these businesses 14% increased ambition while 24% reduced their growth ambition.
- However, in the majority of SMEs which have grown (59%) growth ambition has remained unchanged.

- Within businesses which reduced employment, 20% of SME leaders increased growth ambition while 23% reduced growth ambition. The net effect of business decline appears to be the reduction of growth ambition. (However it increased it in a substantial minority of businesses).

A further limitation of this analysis requires identification. Within the group of businesses recording the same level of ambition between 2012 and 2014 will be those with substantive ambition in both years. Clearly there is no scope for these businesses to increase their ambition over the time period. A similar point should be made regarding businesses registering low ambition in both years, in that they cannot reduce their ambition level within this framework. A total of 32 businesses (6%) from the 503 sampled in 2014 had substantive ambition in both years, whilst 42 (8%) had low ambition in both years.

Notwithstanding the data limitations, it is expected that the approach would be capable of picking up evidence of any substantial feedback effect of business performance on SME growth ambition.

The best conclusions that can be drawn for the sample as a whole are that:

- Past business performance has a feedback effect on growth ambition in a substantial number of SMEs.
- However, in some businesses the feedback increases growth ambition while in others, it reduces it.
- Consequently the net effect on growth ambition is small but negative (i.e. during this time period it has marginally reduced growth ambition in our sample of rfe-surveyed SMEs).

This later conclusion is at odds with the findings in our earlier study and in the limited Swedish literature which estimates such feedback effects. It should be noted, however, that causality has not been tested in this analysis. It should also be recognised that the change in ambition and change in business size could potentially be simultaneous. The existing literature talks about a change in size influencing a subsequent change in ambition, and this may explain why the results appear contradictory with other research findings and other results reported in this study.

Substantial change in ambition

Very few (less than three per cent) individuals/companies (responding to both surveys) changed ambition between 2012 and 2014 dramatically. Three respondents increased ambition from Low into the Substantive ambition segment and nine decreased ambition from Substantive ambition in 2012 to the Low ambition segment in 2014. While such substantial change affects only a small number of SME leaders, it might be expected that these businesses would illustrate most clearly the factors which cause substantial change in SME growth ambition. Consequently, the three businesses which increased ambition substantially and those in which ambition declined substantially are examined below. Note that at this stage, the results reported are drawn from the survey data, not the case studies (which are reported in detail in Appendix V, Box 1 and Box 2). Attempts were made to

interview as many of these firms as possible in the case study process, but it was only possible to engage one firm in a case study interview. Therefore, the findings below are important as a 'window' into the drivers of change in ambition for those respondents where the change has been the most significant. This evidence should therefore be considered alongside the wider evidence drawn from case studies and presented in the later chapter (page 76).

Substantial increase in growth ambition

In all three cases a different individual responded to the two surveys. The respondent to the 2012 survey had left the business by 2014. In all cases there had been a change in senior management brought about by a change in ownership. The new owner/manager perceived improved market conditions for the company or perceived opportunities that the company had not previously exploited. No other factors emerge from the survey responses which might explain a substantial increase in growth ambition within the firm.

Substantial decline in growth ambition

In all these cases the same individual responded to both the 2012 and 2014 surveys (i.e. there was little change in ownership or senior management). In only one case was there a change in ownership with the new owner (who had been previously employed as the manager in the company) not interested in growth - discouraged by the perceived difficulty and headaches of employing staff. This issue was not mentioned by any of the other cases. While the reasons for substantial declining ambition vary from case to case, several common themes can be identified:

- Several experienced a life threatening event for the business and/or a serious problem with a major customer. The 'problem' was generally associated with a view that market conditions had further deteriorated with little recovery (in their local market) from the recession.
- A couple noted specific problems with regard to premises (which were constraining growth) and the difficulty of overcoming the problem largely because of local planning authorities. Two of the companies specifically said that dealing with local planning had sapped their enthusiasm (ambition) to grow the business.
- In three companies ambition may have declined in part because there had been a major event (change of circumstances) in the owner/manager's private life.

Compared to what would be expected from the overall sample, these companies were more likely to have experienced a major business life threatening event and a major event in the respondent's private life.

In a couple of cases, the company had experienced no business or personal event which could account for the decline in ambition. Rather in these cases, the respondent said previous plans/objectives had been achieved and that the business was now at its optimum size with little room for further expansion.

Concluding comments

The proportion of SME leaders with substantive growth ambition within the population of re-surveyed SMEs declined marginally and the proportion with low growth ambition increased marginally. Given that the businesses by definition are two years older along with most of the owner-managers this is perhaps not surprising. The effect of owner-manager ageing is perhaps further emphasised when it is noted that over 30% of our respondents were aged over 55 in 2012 and potentially approaching retirement.

It may be that growth ambition in the population of existing SMEs tends to decline over time (particularly as owner managers approach retirement and/or founders are replaced by externally hired managers). However, in the economy as a whole the stock of SMEs is gradually renewed by new business formation. Such businesses have been found to have above average growth ambition with a positive impact on growth ambition in the UK's population of SMEs. The net effect on growth ambition of the negative impacts of ageing and the positive impacts of new business entry is unknown.

Whilst the overall level of ambition in the re-surveyed businesses has not changed significantly, there has been much churn below the surface with 41% of businesses changing ambition level. The most common cause for a change in ambition level, whether up or down, is a change in market conditions. So clearly some owner/managers regulate their ambition based on their assessment of external conditions. Ownership change is thought to explain increased ambition of 6% of those who increased their ambition, whilst a deteriorating environment for raising finance accounts for 4% of those who reduced their ambition.

When we examined changes in ambition alongside changes in business size, we saw that any net effect on ambition of growth and decline is at best minimal. Businesses that have grown measured by employment in the three years 2012-14 are marginally more likely to have reduced ambition. However, the majority of SMEs that grew (59%) have demonstrated very stable ambition levels. This suggests that there is a minimal link between experience of growth and decline and levels of ambition for future growth. However, it should be acknowledged that these results may be influenced by the fact that change in ambition and change in business size were examined simultaneously, rather than sequentially and this may explain why the feedback relationships appear weak in this study.

Ambition and behaviour

Chapter Summary

- The level of ambition among SME leaders is expected to influence their behaviour such as decisions about strategy, investment or innovation which in turn will impact business growth performance. This chapter examines the effects of ambition in 2012 on subsequent behaviour. Data is available only for the 503 SMEs which responded to both the 2012 and 2014 surveys.
- **Among the re-surveyed businesses, respondents with substantive growth ambition in 2012 were more likely to have reported taking part in a range of growth related behaviours between 2012 and the 2014 survey than respondents with low growth ambition.**
- **These behaviours include: investment, exporting, training, improved efficiency (a proxy for productivity) and innovation and management decisions (e.g. setting new strategic goals).**
- A greater proportion (85%) of those with substantive growth ambition in 2012 said in the 2014 survey that they have taken active steps to grow the business than those with low growth ambition (61%). In addition, sixty-one per cent of those with low ambition in 2012 said in the 2014 survey that they have experienced no major changes in their business: this is true for just 21% of those with substantive growth ambitions.
- Major investments were more likely in businesses with SME leaders who had substantive than moderate or low ambition (45% of those with substantive ambition compared with 34% of those with low growth ambition).
- **SME leaders with substantive growth ambition were much more likely to have set new strategic goals.** For example, while 51% of those with substantive growth ambition said they had changed their strategic goals by 2014, the equivalent figure for those with moderate growth ambition was 37% and with low growth ambition was 19%.
- Businesses whose leaders had substantive growth ambition were more likely (especially compared to those with low growth ambition) to have invested in **management and leadership training** and to have invested in **off-the-job training for employees**. They were also more likely to have taken **strategic advice** about running the business, used a **business mentor** and participated in **formal training**.
- Both **product and process innovation** were related to the level of growth ambition. Sixty per cent of SME leaders with substantive ambition in 2012 reported product and 40% process innovation compared with just 39% and 22% of SME leaders with low growth ambition in 2012. Eleven per cent of those with substantive

ambition stated they had introduced a radical innovation compared with two per cent of those with moderate and five per cent of those with low ambition.

- Although they accounted for 50% of radical product innovators, **high growth ambition businesses do not account for the majority of innovative businesses overall.**
- Those with substantive growth ambition in 2012 were more likely to believe the business was, in 2014, now a lot **more efficient** (38%) than those with less growth ambition (and especially than those in the Low Ambition segment (14%)).
- In the 2012 survey 12% of the sample said they intended to set up a new business in the next three years. This emphasised the idea that some individuals seek to realise their growth ambitions via new business formation rather than (or in addition to) growth of an existing SME. **Indeed just over 11% of respondents to the 2014 survey have personally set up at least one new business and almost 4% have set up two or more.**
- **The likelihood of setting up a new business was higher in those businesses with substantive ambition.** Nineteen per cent of those with substantive growth ambition **set up at least one new business** in the past three years compared with eight per cent and ten per cent of those with moderate and low growth ambition. Whilst the major focus of this report has been the performance of an individual business, it should be recognised that entrepreneurship and indeed growth can be realised through other mechanisms than simply the performance of a single business.
- Of those with substantive growth ambition, 39% had at least some **exports** compared with 22% of those with low growth ambitions. A greater proportion of SME leaders expressing substantive growth ambition also exported over 25% of their turnover.

Introduction

The level of ambition is expected to influence management behaviour such as taking active decisions about strategy, investment or innovation which in turn will impact business growth performance. Prior to examining the relationship between ambition and SME growth, this chapter examines the effects of ambition on SME leader behaviour. While the analysis of the link between ambition and SME growth will be based on records from all businesses responding to the 2012 survey, less information is available to analyse the effect of ambition on business behaviour. Data is available only for the 503 SMEs which responded to both the 2012 and 2014 surveys. This enables an analysis of SME behaviour since 2012 related to their ambition in 2012 (whether they were categorised as having substantive, moderate or low growth ambition).

Ambition and management action

Four out of five of our 503 respondents (80%) said in the 2014 survey that they had taken active steps to try to achieve growth (as defined by the respondent) since 2012. As shown

in Table 8, this applies regardless of their level of ambition in 2012. However a greater proportion (85%) of those with substantive growth ambition in 2012 said they had taken active steps than those with low growth ambition (61%).

In substantive ambition businesses it is more likely there has been a major investment (45% compared with 34% in businesses with low growth ambition). Interestingly there is little evidence that the sources of finance vary depending on growth ambition. Regardless of the level of ambition, the investment was mainly financed (in just over 50% of cases) by equity from the businesses' existing owners. The only other widespread source was debt from a financial institution (for approximately 30% of businesses regardless of their level of ambition in 2012).

Table 8: Active steps and investment (% businesses)

| Action since 2012 | Ambition level 2012 | | | % of all businesses |
|--------------------------------------|---------------------|----------|-----|---------------------|
| | Substantive | Moderate | Low | |
| | % | % | % | % |
| Taken Active Steps to Achieve Growth | 85 | 81 | 61 | 80 |
| Major Investment in Company | 45 | 39 | 34 | 39 |

Source: TBR 2014 (TBR Ref: W1a/S7)

Base; 2014 survey, 503 responses

Those with substantive growth ambition in 2012 were, not surprisingly, more active and had done more to achieve growth. This is reflected in the observation, drawn from Table 9, that while 61% of those with low ambition in 2012 said they had undertaken or undergone any major changes (i.e. responded 'none of the above'), this is true for just 27% of those with substantive growth ambitions (in 2012).

Table 9: Management action and growth ambition (% businesses)

| Action since 2012 | Ambition level 2012 | | | % of all businesses |
|------------------------------------|---------------------|----------|-----|---------------------|
| | Substantive | Moderate | Low | |
| | % | % | % | % |
| Changed Market Focus | 31 | 21 | 11 | 21 |
| Set New Strategic Goals | 51 | 37 | 19 | 36 |
| Experienced a change in ownership | 15 | 7 | 7 | 9 |
| Major Change in Way We Do Business | 28 | 14 | 7 | 14 |
| Change in Senior Management | 17 | 21 | 10 | 18 |
| None of the above | 27 | 42 | 61 | 45 |

Source: TBR 2014 (TBR Ref: W1a/S7)

Base; 2014 survey, 503 responses

SME leaders with substantive growth ambition are much more likely to have set new strategic goals. For example, while 51% of those with substantive growth ambition (in 2012) say they had changed their strategic goals by 2014, the equivalent figures for those with moderate growth ambition was 37% and with low growth ambition was 19%. As

shown in Table 8, they were also more likely to have made significant changes to their market focus and the way in which they do business.

When asked how they had changed their market focus and in what ways they had changed how they do business, their responses show no systematic differences in the nature of change (beyond the frequency of change). For example, in response to how they had made change, regardless of the level of ambition, change often emphasised marketing and adoption of digital/web technology.

Ambition and involvement with training and personal development

Table 10 shows that participation in training and personal development (between 2012 and 2014) varies systematically with the level of ambition in 2012. Businesses whose leaders had substantive growth ambition were more likely (especially compared with businesses with low growth ambition) to have invested in management and leadership training, and to have invested in off-the-job training for employees. Similarly individuals with substantive growth ambitions are more likely (again especially compared with individuals' with low growth ambition) to have taken strategic advice about running the business, used a business mentor and participated in formal training.

Table 10: Ambition and training/development (% businesses)

| Training and development since 2012 | Ambition level 2012 | | |
|---|---------------------|----------|-----|
| | Substantive | Moderate | Low |
| | % | % | % |
| Business Invested in Management/Leadership Training | 48 | 43 | 34 |
| Business arranged/funded off job training for employees | 70 | 68 | 52 |
| Respondent Personally Taken Strategic Business Advise | 47 | 40 | 37 |
| Respondent Personally Used Business Mentor | 35 | 27 | 16 |
| Respondent Taken part in Formal Training/Personal Development | 52 | 44 | 41 |

Source: TBR 2014 (TBR Ref: W1/S8)

Base; 2014 survey, 503 responses

Ambition and innovation

Innovation is a critical means through which SMEs might seek to grow. Consequently, if growth ambition is related to actual growth, it is expected that growth ambition should lead to greater innovation. To examine this possibility, respondents were asked a series of questions about whether the business had introduced any new products/services (product innovation) or new means of production/distribution (a proxy for process innovation). The results are presented in Table 11. Half of all SME leaders said they had undertaken product innovation in the past three years and 26% said they had introduced process innovation. Table 11 also shows that both product and process innovation is related to the level of growth ambition. Sixty per cent of SME leaders with substantive ambition in 2012 reported product innovation and 40% process innovation compared with 39% and 22% of those who had low growth ambition in 2012.

Table 11: Ambition and innovation (% businesses)

| Innovation since 2012 | Ambition level 2012 | | | All businesses |
|---|---------------------|----------|-----|----------------|
| | Substantive | Moderate | Low | |
| | % | % | % | % |
| Product/Service Innovation | 60 | 51 | 33 | 50 |
| - Radical/New to World | 11 | 2 | 5 | 9 |
| Process Innovation (including distribution) | 40 | 26 | 22 | 26 |
| - Radical/New to World | -- | 1 | 1 | |
| Ongoing Innovation Efforts | 39 | 23 | 11 | 24 |
| Abandoned Innovation/did not work | 13 | 2 | 5 | |

Source: TBR 2014 (TBR Ref: W1/S9)

Base; 2014 survey, 503 responses

The possible influence of growth ambition on the likelihood of innovation is further emphasised by data on radical product innovation (i.e. respondents believed the new product/service is new to the world). Eleven per cent of SME leaders with substantive ambition stated they had introduced a radical innovation compared with two per cent of those with moderate and five per cent of those with low ambition. It is also clear that a greater proportion of those with substantive growth ambition were involved in ongoing efforts to innovate (39%) compared with businesses with moderate (23%) or low (11%) growth ambition. They also were more involved in innovative efforts which did not succeed and were abandoned.

Table 11 indicates that re-surveyed businesses whose leaders had substantive growth ambition were more likely to innovate. However, although SME leaders with substantive growth ambition accounted for 50% of radical product innovators, SME leaders with substantive ambition do not account for the majority of innovators overall. Any policy focus on businesses with high growth ambitions would ignore the majority of innovative SMEs. Seventy five per cent of SME leaders who said they had a product innovation in the past three years had either moderate (63%) or low (12%) growth ambition in 2012. Similarly, moderate (53%) and low (16%) ambition growth businesses account for the majority of process innovators, while substantive growth ambition businesses represent only 31% of process innovators.

Efficiency

The project brief explicitly requested that the study should seek to consider the effect of growth ambition on, inter alia, SME productivity. It proved very difficult to obtain data from a questionnaire survey from which reliable measures of productivity could be estimated. Consequently, a simpler approach was adopted. Respondents were asked their view on how the firm's current efficiency compared with its efficiency three years ago (about the same, a bit more, a lot more, a bit less, a lot less efficient). Just 4% of respondents believed their business was less efficient in 2014 whilst 29% indicated that it was about the same, 38% reporting it had improved a little and 29% indicating their business was now a lot more efficient (Table 12). Those with substantive growth ambition are more likely to believe the business is now a lot more efficient (39%) than those with less growth ambition – especially those in the Low Ambition segment (14%).

Table 12: Ambition and change in efficiency since 2012 (% businesses)

| Change in efficiency since 2012 | Ambition level 2012 | | | All Businesses |
|---------------------------------|---------------------|----------|-----|----------------|
| | Substantive | Moderate | Low | |
| | % | % | % | % |
| Efficiency improved a lot | 39 | 31 | 14 | 29 |
| Efficiency improved a little | 34 | 37 | 44 | 38 |
| Efficiency about the same | 24 | 28 | 38 | 29 |
| Efficiency decreased a little | 2 | 2 | 3 | 2 |
| Efficiency decreased a lot | 1 | 2 | 1 | 2 |

Source: TBR 2014 (TBR Ref: W1/S10)

Base; 2014 survey, 503 responses

Entrepreneurship

In the 2012 survey 12% of the sample said they intended to set up a new business in the next three years. This emphasised the idea that some individuals seek to realise their growth ambitions via new business formation rather than (or in addition to) growth of an existing SME. Indeed just over 11% of respondents to the 2014 survey had personally set up at least one new business and almost 4% had set up two or more. Table 13 shows that such entrepreneurship is related to the level of an individual's growth ambition. Nineteen per cent of those with substantive growth ambition had set up at least one new business in the past three years compared with eight per cent and ten per cent of those with moderate and low growth ambition. Not surprisingly those with substantive ambition are also more likely to have set up several new businesses in the past three years than those with moderate or low ambition.

Table 13: Ambition and enterprise formation (% businesses)

| Enterprise formation since 2012 | Ambition level 2012 | | |
|---|---------------------|----------|-----|
| | Substantive | Moderate | Low |
| | % | % | % |
| Invested in/acquired another firm | 22 | 15 | 15 |
| Respondent personally created at least one new business in past 3 yrs | 19 | 8 | 10 |
| - Two or more new businesses | 8 | 2 | 3 |
| Respondent intending to set up new business in the next 3 yrs. | 13 | 9 | 6 |
| - Not sure/maybe | 8 | 6 | 3 |

Source: TBR 2014 (TBR Ref: W1/S11)

Base; 2014 survey, 503 responses

In addition, a few businesses were set up by the respondent's company without their personal involvement. Of the new starts personally set up by the respondent approximately 50% were at least partly owned by the respondent's current employer/enterprise. This means of course that approximately 50% were set up independently of the business.

It seems likely that this group of individuals will set up further new businesses in the future. Eight per cent said they would set up at least one new business in the future and five per cent said they were not sure if they will or will not. As shown in Table 13, possible future entrepreneurial activity is related to level of ambition in 2012. It declines as growth ambition declines.

Almost 11% of respondents said either they personally or their business had, over the past three years, invested in or acquired another business. Those with substantive ambition were more likely to have done this (22%) than those with moderate (15%) or low ambition (15%).

Exporting

It might be expected that growth ambitions would encourage greater interest in exporting as a means to growth. As illustrated in Table 14, this is indeed the case. Of those with substantive growth ambition, 39% had at least some exports since 2012 compared with 22% of those with low growth ambitions. A greater proportion of SME leaders expressing substantive growth ambition also exported over 25% of their turnover. When those not currently exporting were asked whether there are any prospects of them exporting in the future, 21% of those with substantive growth ambitions responded 'yes' compared with five per cent with moderate and four per cent with low growth ambition.

Table 14: Ambition and exporting (% businesses)

| Exporting since 2012 | Substantive | Moderate | Low |
|---------------------------|-------------|----------|-----|
| | % | % | % |
| At Least Some Exports | 39 | 30 | 22 |
| 25%+ of Turnover Exported | 12 | 7 | 3 |

Source: TBR 2014 (TBR Ref: W1/S12)

Base; 2014 survey, 503 responses

Future plans

Of the businesses that responded to the 2014 survey, 86% had indicated in 2012 that they intended to grow the business. Thirty seven per cent planned to increase employment by at least 20%+ and 19% by 50%+. Table 15 shows, for the same businesses their current (i.e. from the 2014 survey) growth intentions and plans. Currently 83% say they intend to grow the business: 36% say they plan to increase employment by at least 20% and 14% by 50%. Amongst this sample of businesses growth intentions have changed little. However, to the extent that there has been change, very slightly fewer businesses intend/plan to grow in 2014 than in 2012. This is consistent with the finding in the previous chapter that growth ambition has declined marginally among these resurveyed SME leaders.

Table 15: Ambition and future growth plans (% SME leaders)

| Growth intention in 2012 | Ambition level 2012 | | | All Businesses |
|--------------------------|---------------------|----------|-----|----------------|
| | Substantive | Moderate | Low | |
| | % | % | % | % |
| Intend to Grow | 91 | 85 | 64 | 83 |
| - employment by 20%+ | 41 | 37 | 28 | 36 |
| - employment by 50%+ | 22 | 12 | 9 | 14 |

Source: TBR 2014 (TBR Ref: W1/S13)

Base; 2014 survey, 503 responses

Concluding comments

This chapter has demonstrated that having growth ambitions in 2012 was associated with subsequent actions (2012-14) such as investment, exporting, training, improved efficiency (a proxy for productivity) and innovation and management decisions such as changing the business's strategic goals, market focus and the way the business does its business. It is expected that these actions and decisions should generate greater SME growth¹⁰. This possibility is examined in the next chapter.

¹⁰ Those with greater ambition are also more likely to set up new businesses. This contribution to economic growth is not captured in the subsequent analysis of growth generated by our sample of existing SMEs.

Links between ambition and growth

Chapter summary

- The base theory examined here is that ambition influences behaviour and if those behaviours are themselves linked to growth, then we should observe a link between ambition and growth. The previous chapter identified that substantive ambition is linked to increased levels of behaviour that we would expect to be related to growth (e.g. innovation, exporting).
- In this chapter we first examine the characteristics and behaviours of growth businesses to investigate whether there are similarities between businesses that grow and businesses with ambitious SME leaders.
- Then we examine the link between 2012 ambition and performance, specifically examining how the businesses surveyed in 2012 have fared up to 2014.

The characteristics of businesses that have grown and declined

- **The research has identified a number of characteristics of growth businesses which mirror the characteristics of businesses with highly ambitious leaders:**
 - **Re-surveyed businesses that grew between 2012 and 2014 were more likely than businesses that declined to: have established new strategic goals, export and be confident that exporting values could be increased, innovate, invest in human resource development (especially management and leadership development) and acquired, invested or sought to acquire or invest in other businesses.**
 - **Conversely, businesses that declined were more likely to have experienced a change in ownership and to have undergone a major change in the way they do business.**

The outcomes achieved by businesses in the 2012 survey sample

- Having established that growth businesses display similar behaviours to businesses with ambitious leaders, this section displays the 'outcomes' for the 1,250 businesses surveyed in 2012. **The results presented in this summary below are based on weighted data and take the complex nature of the sample design into account**, because it is crucial at this stage in the analysis to present findings which are representative of the entire SME population. All differences have also been tested for statistical significance.
- Secondary research combined with the responses from the 2014 survey affords the ability to assess the overall outcomes of businesses in the sample and the weighted population estimates. In the weighted estimates, 81% of businesses from 2012 were continuing to trade in 2014 under the same ownership as the same business. Twelve per cent have ceased trading or have died and a further seven per cent are

classified as having experienced a change of owner or are 'Phoenix' businesses (i.e. effectively the same business trading under a new name).

- In the weighted estimates, more than 4 in 10 (42%) of businesses grew in employment terms between 2012 and 2014. This is the largest group, followed by those that have declined (23%) and remained static (23%), while 13% per cent had no employees at all in 2014.
- **The cohort as a whole experienced an estimated net loss of 739 jobs between 2012 and 2014, i.e. 2% of the opening stock of 37,007 jobs.**

Ambition and growth

- Finally, we examine the relationship between ambition levels and growth.
- **In the weighted data, 51% of businesses with substantive ambition in 2012 have grown in employment terms, compared with 39% of businesses with moderate ambition and 31% of businesses with low ambition. While suggestive, this difference is only marginally statistically significant.**
- **Many businesses of SME leaders with low and moderate ambition levels also grow: therefore, growth is not restricted only to those businesses of SME leaders with the highest ambition levels.**
- **Employment growth in the cohort is strongly concentrated: of the 476 businesses making job gains in the unweighted sample, just 6% provided 75% of the jobs. Only 8% of these were low ambition businesses, while 24% were substantive ambition businesses.**
- **Employment decline is also strongly concentrated: of the 535 businesses that reduced employment in the unweighted data, only 7% were responsible for 75% of job losses. These high job loss businesses were distributed across the three ambition levels in the same proportion as for the total sample (18:63:18), i.e. they were not concentrated in businesses of a particular ambition level.**
- The analysis of the weighted data suggests an important and previously unreported distinction in the relationship between stated ambition and growth between men and women. For men, there is a positive relationship between both employment and sales growth outcomes and level of ambition, for women this relationship is negative for employment growth and an inverted U shape for sales growth.
- Among men, ambition interacted strongly with education such that the businesses of male SME leaders who had both higher levels of education and higher levels of ambition were more likely to grow. Among women, some businesses, for example those of younger SME leaders and of external appointees, were more likely to grow if their leaders had higher levels of ambition. For both men and women, ambition interacted with prior sales growth: if their businesses had prior sales growth and they had higher levels of ambition, they were more likely to grow.

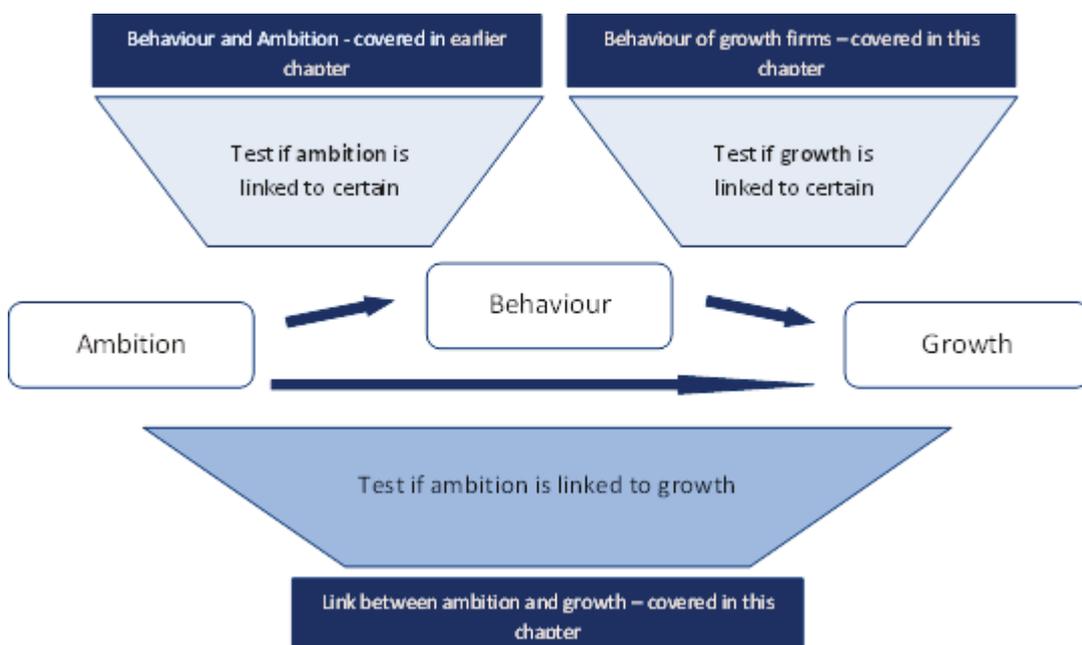
- The observed difference between men and women are likely to be driven by a number of factors, including recognition that business growth ambition is a social construct that has developed primarily with male business leaders in mind. Many, though not all, female business leaders may react to requests to rate their personal desire for business growth differently to men because of gender socialisation.
- Case study evidence suggests that ambition may be a function of the ambition levels of others in the team, especially for female SME leaders. Thus in studying ambition and growth, it is important to understand the ambition of all members of the management team and how this can affect individual ambition levels.

Introduction

A key question addressed by this study is: what is the relationship between ambition and business performance? We've seen from the previous chapter that ambition influences behaviour. SME leaders with substantive ambition are more likely to be proactive in terms of exporting, innovation, undertaking a major investment, setting new strategic goals and investing in management and leadership training. The first question examined in this chapter is whether growth businesses display a similar set of characteristics to businesses whose leaders have substantive ambition. If growth businesses show such behaviour then we can then examine whether or not businesses with substantive ambition are more likely to have experienced growth. This is a critical line of enquiry for the study. The second question we focus on is whether highly ambitious businesses are more likely to grow.

The relationships we are seeking to test are described in Figure 2 below.

Figure 2: Ambition, behaviour and growth relationships



Characteristics of businesses that have grown, declined and remained static

Appendix VII contains analysis of the characteristics of businesses that have grown, declined and remained static based on the self-reported performance provided by re-surveyed respondents. The analysis is important because it also presents evidence of the relationship between performance and business experiences, activities and actions. However, it is not considered sufficiently crucial to present the findings in the main body of this report. Readers are therefore referred to Appendix VII in order to access the detailed analysis.

The key findings from this section are summarised below:

- The research has identified a number of characteristics of growth businesses which mirror the characteristics of businesses with highly ambitious leaders:
 - Re-surveyed businesses that grew between 2012 and 2014 were more likely than businesses that declined to: have established new strategic goals, be engaged in export activity (and be confident that exporting values could be increased), innovate, invest in human resource development (especially management and leadership development) and acquired, invested or sought to acquire or invest in other businesses.
 - Conversely, businesses that declined were more likely to have experienced a change in ownership and to have undergone a major change in the way they do business.
 - Leaders of businesses that have stayed the same size appear overall less convinced by the prospect of exporting as a tool through which to improve the performance of their business than leaders of businesses that have declined.
 - Businesses that declined were much more likely to encounter a business crisis that threatened the existence of the business and significant changes in the market for goods/services than those that had grown or stayed the same.
 - Businesses that experienced growth in employment were also more likely to exhibit growth across other parameters. These parameters encompass turnover, profit, market share, company profile and reputation, and number of companies or branches in the organisational structure
- In conclusion, the study has found that the characteristics of firms which have grown mirror the characteristics of respondents with substantial ambition whilst firms which have declined mirror the characteristics of those with low ambition.

Performance since 2012

Having shown that certain behaviours and experiences affect growth in the re-surveyed sample of surviving businesses, we now look at the relationships between ambition and growth through an examination of overall outcomes for the 1,250 businesses studied in 2012, including those that died between 2012 and 2014. This provides a stronger “test” of the relationship between ambition and growth, because while substantive ambition may result in higher growth of surviving businesses, it may also bring higher risks of failure. Studying the outcomes in 2014 of all businesses in the 2012 sample can check for this possibility. The methodology used to confirm the status in 2014 of all businesses sampled in 2012 is explained in Appendix II (page 100).

In order to generate results which are representative of the UK population of SMEs and therefore to draw findings about that population, based on the sample of 1,250 firms from 2012, this section introduced weighted data (and associated analysis). Table 16 shows these distributions for the raw sample and for the sample after it was weighted by size, sector and nation to make it more representative of the population of UK SMEs (using 2009 estimates, the latest available at the time of the survey design)¹¹. An explanation of the approach to weighting is provided in Appendix VIII.

Outcomes in 2014 for businesses surveyed in 2012 are presented in Table 16 in two ways: a spectrum of change in trading status from no longer trading to continuity, and a spectrum of change in employment. In the first set of outcomes, three main categories are recognised: businesses that had died or had ceased to trade normally, businesses that had undergone a change of ownership or become insolvent and resurrected by a previous owner (“Phoenix” businesses), and businesses that had not changed ownership, even if they had changed legal status (e.g. from a sole trader to a limited liability company).

Table 16: Business Outcomes and Employment Performance

| 2014 trading status outcome | Unweighted | Weighted |
|--|------------|----------|
| Dead/not trading | 8% | 12% |
| Phoenix/owner change | 7% | 7% |
| Continuing (includes change of legal status) | 85% | 81% |
| Total | 100% | 100% |
| | | |
| 2014 employment outcome | Unweighted | Weighted |
| More employees | 38% | 42% |
| No change in employee numbers | 19% | 23% |
| Fewer employees | 35% | 23% |
| No employees (includes all dead businesses) | 8% | 13% |
| Total | 100% | 100% |

Source: TBR/University of Strathclyde 2015. Base: 2012 survey, 1,250 businesses

¹¹ These are population-based weights, using the svyset option in STATA. Because the sample was conducted separately in England, Scotland, Wales and Northern Ireland, and with primary sampling units of business size/sector combinations within each nation, this weighting method produces more accurate standard errors by taking into account the “clustered random sampling within strata” technique used to draw the sample within a finite population. See Appendix IX for further details.

As Table 16 demonstrates, the most likely outcome for our 2012 survey respondents is that their business continues into 2014 in a similar form or structure. In the survey sample, only eight per cent of businesses have died with no sign of continuing business activity (or not trading) whilst seven per cent have undergone a significant owner change or are classified as 'Phoenix' (i.e. effectively the same business under a new name/legal entity). The proportion of businesses that have ceased to trade is higher in the weighted sample (12%), reflecting the higher risk of failure of smaller (and especially younger) businesses and the under-sampling of small businesses in the original sample¹². The proportion that continue in the weighted sample is 81% whilst a further 7% are classified as Phoenix or owner change.

When we then introduce data regarding change in employment of these businesses, we see in Table 16 that almost four in 10 (38%) of all 2012 businesses have in fact grown in employment terms (in the unweighted data). This is the largest group, followed by those that have fewer employees (35%), those with no change to their employee numbers (19%) and a final group (three-quarters of which are dead businesses) with no employees (eight per cent).

The difference in the weighted sample is again due to an under-sampling of smaller businesses in this sample: in the weighted sample, fewer businesses have declined in size (23%) but more have ceased trading (12%), compared with the unweighted sample. The proportion of businesses that have grown (42%) and that have no employees (13%) is slightly larger in the weighted sample, reflecting the fact that smaller businesses are more likely to grow *and* to fail.

The cohort as a whole experienced an estimated net loss of 739 jobs between 2011 and 2014, i.e. 2% of the opening stock of 37,007 jobs (unweighted). This is not surprising because the 2014 data excludes new businesses born in the intervening period (which tend to contribute around 40% of net job creation in any three year period¹³) but includes job losses from businesses that died in the intervening period.

We were able to obtain estimates of 2014 turnover (i.e. sales) for 945 businesses (76%): 85% of the resurveyed businesses and 69% of the remainder. Many of these estimates are in sales bands, with intervals increasing with turnover, so only substantial increases and decreases are recorded. The breakdown of these businesses by employment growth category was identical to the full unweighted sample (38%, 19%, 34%, 8%). Table 17 shows the breakdown of business outcomes and turnover performance for these businesses. Sales increases were detected in only 20% of these businesses (unweighted). This sample overstates the failure rate because while all failed businesses are included, some 305 continuing businesses are excluded because no data on their turnover was available. When the weighted data is used, the proportion of businesses experiencing a growth in sales drops to 18%. A further 35% of businesses experienced no change in sales and 33% experienced a decline in sales.

¹² The sample is underweight in smaller firms because of the stratified nature of the sample: larger SMEs are rare but the sample was designed so that enough larger SMEs could be sampled so that comparisons by size could be made.

¹³ Hart, M. and Anyadyke-Danes, M. (2014). Moving on from the 'Vital 6%'. Enterprise Research Centre Insight Paper No. 3, February.

Table 17: Business Outcomes and Turnover Performance

| 2014 legal status outcome | Unweighted | Weighted |
|--|------------|----------|
| Dead/not trading | 8% | 14% |
| Phoenix/owner change | 7% | 6% |
| Continuing (includes change of legal status) | 85% | 80% |
| Total | 100% | 100% |
| | | |
| 2014 turnover outcome | Unweighted | Weighted |
| More sales | 20% | 18% |
| No change in sales levels | 36% | 35% |
| Fewer sales | 35% | 33% |
| No sales (includes all dead businesses) | 8% | 14% |
| Total | 100% | 100% |

Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 945 businesses

Links between ambition and growth

We now examine the relationship between ambition levels in 2012 and business performance between 2012 and 2014, applying statistical tests to establish significant patterns. The raw data are set out in Table 18, Table 19,

Table 20 and Table 21. We present the unweighted results first, followed by the weighted results.

Table 18 and Table 19, which present unweighted data, indicate the following key findings:

- The proportion of firms which are no longer trading is very similar across the three ambition categories, but those where the leader demonstrated low ambition are most likely to be no longer trading (10%) compared to 7% of those with moderate ambition and 9% of those with substantive ambition.
- For SME leaders with substantive ambition, 41% have grown in terms of employment. This is a higher proportion than those with moderate ambition (39% have grown) and low ambition (32%) though the differences are marginal.
- The proportion of firms reducing employment is very similar across firms where the leader has substantive (34%), moderate (34%) or low ambition (37%).
- The turnover data, presented in Table 19, support these findings but the contrasts in performance between the ambition categories are less stark.

Table 18: Ambition and employment growth (unweighted sample)

| 2014 trading status outcome | Ambition level 2012 | | |
|--|---------------------|----------|-------------|
| | Low | Moderate | Substantive |
| Dead/not trading | 10% | 7% | 9% |
| Phoenix/owner change | 5% | 7% | 10% |
| Continuing (includes change of legal status) | 85% | 87% | 81% |
| Total | 100% | 100% | 100% |
| | | | |
| 2014 employment outcome | Low | Moderate | Substantive |
| More employees | 32% | 39% | 41% |
| No change in employee numbers | 20% | 19% | 17% |
| Fewer employees | 37% | 34% | 34% |
| No employees (includes all dead businesses) | 11% | 8% | 8% |
| Total | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015
Base; 2012 survey, 1,250 businesses

Table 19: Ambition and turnover growth (unweighted sample)

| 2014 trading status outcome | Ambition level 2012 | | |
|--|---------------------|----------|-------------|
| | Low | Moderate | Substantive |
| Dead/not trading | 13% | 8% | 10% |
| Phoenix/owner change | 4% | 6% | 11% |
| Continuing (includes change of legal status) | 83% | 86% | 80% |
| Total | 100% | 100% | 100% |
| | | | |
| 2014 turnover outcome | Low | Moderate | Substantive |
| More sales | 16% | 19% | 28% |
| No change in sales level | 37% | 36% | 35% |
| Fewer sales | 34% | 38% | 28% |
| No sales (includes all dead businesses) | 13% | 7% | 8% |
| Total | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015

Base: 2012 survey, 945 businesses

When the sample is weighted to represent the SME population, similar patterns in the relationship between ambition and growth can be observed but the differences are more stark. The weighted analysis, presented in

Table 20 and **Table 21**, supports the following findings:

- The weighted data indicates that firms where the leader has low ambition are more likely to cease trading (18%) compared to 12% of those with moderate ambition and 11% of those with substantive ambition.
- For SME leaders with substantive ambition, 51% have grown in terms of employment. This is a higher proportion than those with moderate ambition (39% have grown) and low ambition (31%) though the differences are marginal.
- SMEs with a leaders with substantive ambition are less likely to have reduced employment (18%) than those with moderate ambition (24%) and those with low ambition (26%).

Table 20: Ambition and employment growth (weighted sample)

| 2014 trading status outcome | Ambition level 2012 | | |
|--|---------------------|----------|-------------|
| | Low | Moderate | Substantive |
| Dead/not trading | 18% | 12% | 11% |
| Phoenix/owner change | 3% | 4% | 11% |
| Continuing (includes change of legal status) | 79% | 84% | 78% |
| Total | 100% | 100% | 100% |
| | | | |
| 2014 employment outcome | Low | Moderate | Substantive |
| More employees | 31% | 39% | 51% |
| No change in employee numbers | 25% | 25% | 19% |
| Fewer employees | 26% | 24% | 18% |
| No employees (includes all dead businesses) | 18% | 12% | 13% |
| Total | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015

Base; 2012 survey, 1,250 businesses

Table 21 Ambition and turnover growth (weighted sample)

| 2014 trading status outcome | Ambition level 2012 | | |
|--|---------------------|----------|-------------|
| | Low | Moderate | Substantive |
| Dead/not trading | 20% | 13% | 14% |
| Phoenix/owner change | 2% | 4% | 11% |
| Continuing (includes change of legal status) | 78% | 83% | 76% |
| Total | 100% | 100% | 100% |
| | | | |
| 2014 turnover outcome | Low | Moderate | Substantive |
| More sales | 9% | 22% | 26% |
| No change in sales level | 44% | 33% | 37% |
| Fewer sales | 27% | 32% | 24% |
| No sales (includes all dead businesses) | 20% | 13% | 13% |
| Total | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015

Base; 2012 survey, 945 businesses

The first major finding is that there is no statistically significant difference in the proportion of businesses in the unweighted or weighted samples with different trading status or employment growth outcomes by level of ambition¹⁴.

When employment growth was compared to other categories (i.e. lower employment, same level of employment etc), the pattern across levels of ambition was significant at the 10% level in the weighted sample only¹⁵. The reason for differences in proportions between the unweighted and weighted sample is that smaller businesses are (deliberately) under-represented in the raw sample. Since smaller businesses are more likely to die, we see a higher failure rate reported in the weighted sample. For the 945 businesses for which turnover data for 2014 was available, turnover growth categories are not significantly associated with level of ambition in the unweighted and weighted sample either¹⁶. When turnover growth was compared to other categories, the pattern across levels of ambition was significant at the 10% level in the weighted sample and significant at the 1% level in the unweighted sample¹⁷.

Table 22 and Table 23 show the relationship between the proportion of fast growers in the sample and ambition level in the unweighted sample and weighted samples. The second major finding is that whilst the pattern is suggestive of a link between substantive ambition and fast growth, the pattern is not statistically significant.¹⁸

This analysis takes no account of the size of employment gains and losses in individual businesses. In fact, employment gains and losses in this cohort were highly concentrated in a few businesses. To be precise, in the unweighted sample, of the 476 businesses making job gains just six per cent provided 75% of all net new jobs. Only 8% of these businesses with job gains were low ambition businesses, while 24% were businesses with substantive ambition. This compares to an overall pattern of 18% low ambition, 63% moderate ambition and 19% substantive ambition businesses. Similarly, of the 535 businesses that reduced employment, just seven per cent were responsible for 75% of all firm-level net job losses. These high job loss businesses were distributed across the three ambition levels in the same proportion as for the total sample (18:63:18), i.e. they were not concentrated in businesses of a particular ambition level. In summary then, major job gains are less prevalent among the low ambition businesses in the sample, but major job losses are equally prevalent across all ambition groups in the sample.

¹⁴Unweighted sample: For trading status, Chisquare =7.93, p=.094 ; for employment growth, Chisquare = 5.87, p=.438
Weighted sample: For trading status, Design-based F (3.46, 4101.83) = 1.5433, p = 0.1494. For employment growth:
Design-based F (5.88, 6969.00) = 0.9292, p=0.4712. Note: to conduct these tests, it was necessary to collapse the industry sector variable which was used in the sample design from nine categories into four to avoid single sampling units.

¹⁵ Unweighted sample: Chisquare =4.58, p=.0.101. Weighted sample: Design-based F (1.99, 2363.92) = 2.4112, p=0.0901

¹⁶ For unweighted sample, Chisquare = 16.3016, p=.012. For weighted sample, Design-based F (5.74,5059.47) =1.1976, p=0.3052

¹⁷ Unweighted sample: Chisquare =9.70, p=.0.008. Weighted sample: Design-based F (1.86, 1637.70) = 2.9202, p=0.0581

¹⁸ Unweighted sample: Chisquare =11.16, p=.345. Weighted sample: Design-based F (8.85, 10491.91) =0.7593 , p = 0.6521

Overall, we are left with hints of a link between ambition and growth, but the link is not strong or clear.

Table 22: Ambition and scale of growth (unweighted sample)

| 2014 scale of growth | Ambition level 2012 | | | All |
|---|---------------------|----------|-------------|------|
| | Low | Moderate | Substantive | |
| Employment growth 100%+ | 12% | 11% | 14% | 12% |
| Employment growth < 100% | 19% | 28% | 27% | 26% |
| Employment growth from zero | 0.4% | 0.1% | 0.4% | 0.2% |
| No change in Employment | 20% | 19% | 17% | 19% |
| Employment decline | 37% | 34% | 33% | 35% |
| No Employees (includes all dead businesses) | 11% | 8% | 8% | 8% |
| Grand Total | 100% | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 businesses

Table 23: Ambition and scale of growth (weighted sample)

| 2014 scale of growth | Ambition level 2012 | | | All |
|---|---------------------|----------|-------------|------|
| | Low | Moderate | Substantive | |
| Employment growth 100%+ | 18% | 18% | 27% | 23% |
| Employment growth < 100% | 13% | 21% | 22% | 18% |
| Employment growth from zero | 0.2% | 1.0% | 2.5% | 0.8% |
| No change in Employment | 25% | 25% | 19% | 23% |
| Employment decline | 26% | 24% | 18% | 23% |
| No Employees (includes all dead businesses) | 18% | 12% | 13% | 13% |
| Grand Total | 100% | 100% | 100% | 100% |

Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 businesses

The influence of key characteristics of SME leaders and their business

The 2012 survey gathered a range of data regarding the characteristics and demographics of the SME leader interviewed, and on their business. This provides the opportunity to examine the influence that each of these might have on ambition and on outcomes, controlling for other influences. In this way, the study is able to examine interactions and relationships which have been identified in other research studies (see the chapter 3 page 19).

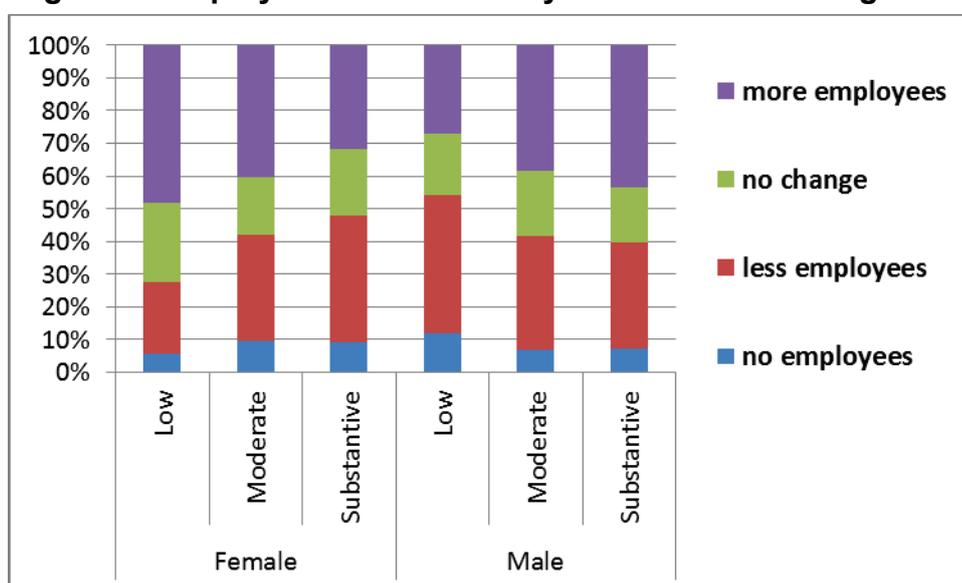
In this section we focus on the primary findings that are robust to multivariate analysis; that is, the variables that are still significant when other significant variables are included in a mathematical model that successfully predicts a growth outcome.

The most interesting and unexpected finding is that the relationship between level of ambition (as measured in this study) and both employment and sales outcomes differs significantly by the sex of the respondent. Broadly, growth is significantly more likely with higher levels of stated ambition for men but not for women¹⁹.

Figure 3 and Figure 4 show the pattern of employment outcomes and sales outcomes respectively by level of ambition and gender for the unweighted sample. The pattern for the weighted sample is similar (Figure 5 and Figure 6), but the proportions of employment outcomes are not significantly different for males or females²⁰. However, when we compare employment growth or turnover growth to the other categories combined, the proportions are significantly different by sex for males at the 1% level and for females at the 10% level for employment and significantly different for males and females at the 5% level for turnover growth²¹. While for men, there is a positive relationship between both employment and sales growth outcomes and level of ambition, for women this relationship is negative for employment growth and an inverted U shape for sales growth.

To reiterate, this covers all businesses, including those that have gone out of business (not just those that responded to the 2014 survey in 2014). This pattern of different effects of ambition level on employment and turnover outcomes by sex of respondent is revealed in the next section to be just the outer layer of a complex story of the role of ambition in growth, a story that is very different, on average, for the men and women in our sample.

Figure 3: Employment outcomes by ambition level and gender, unweighted



Source: TBR/University of Strathclyde 2015

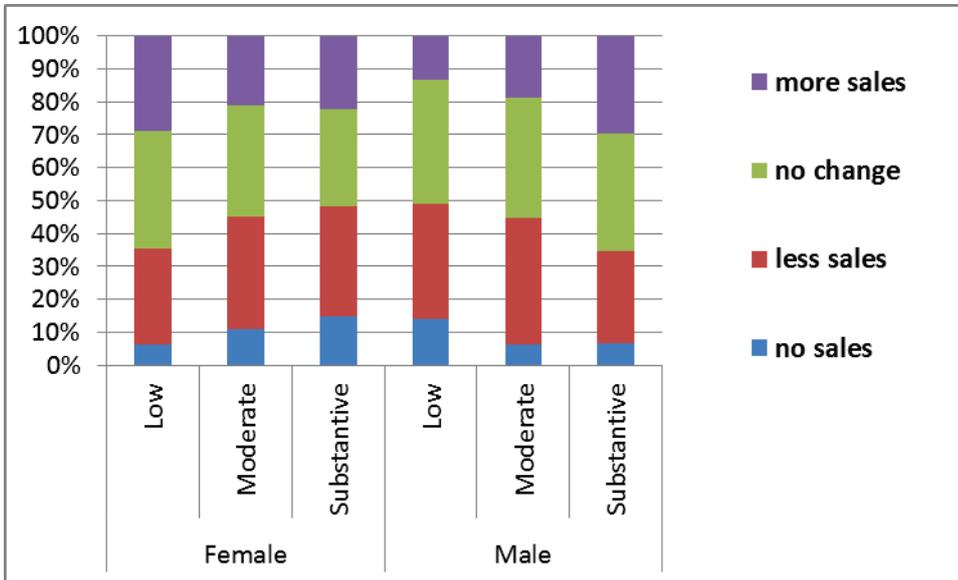
Base: 2012 survey, 1,250 respondents, unweighted

¹⁹ Unweighted sample, men: Chisquare = 14.96, p=.021; women: Chisquare=5.38, p=.496

²⁰ Weighted sample, men: Design-based F(5.86, 6945.76)= 1.7275, p=0.1122; women: Design-based F(4.36, 4822.68)= 1.9064, p=.1001

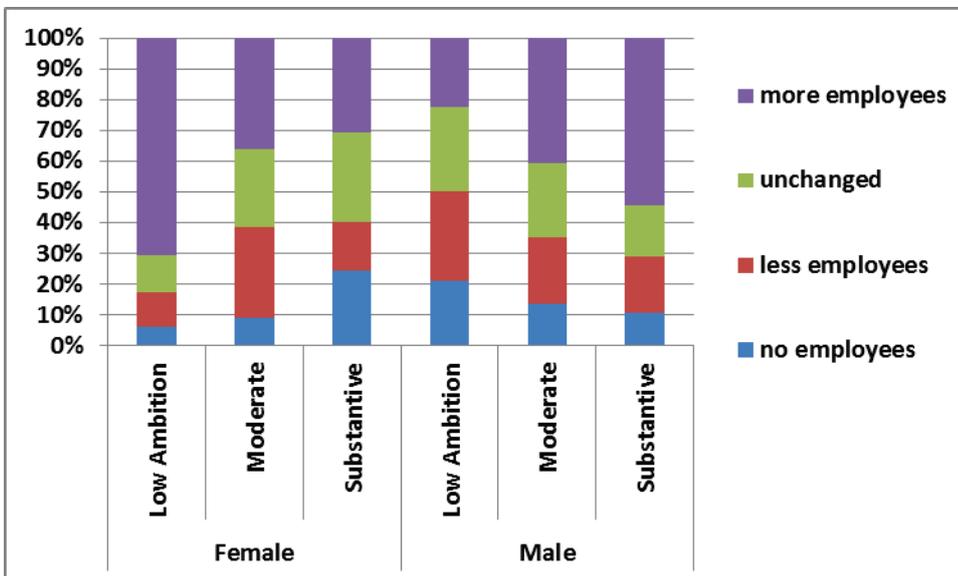
²¹ Weighted sample, men: Design-based F(1.98, 2347.82)= 5.2822, p=.0053; women: Design-based F(1.79, 1983.00)=2.9931, p=.0561

Figure 4: Turnover outcomes by ambition level and gender, unweighted



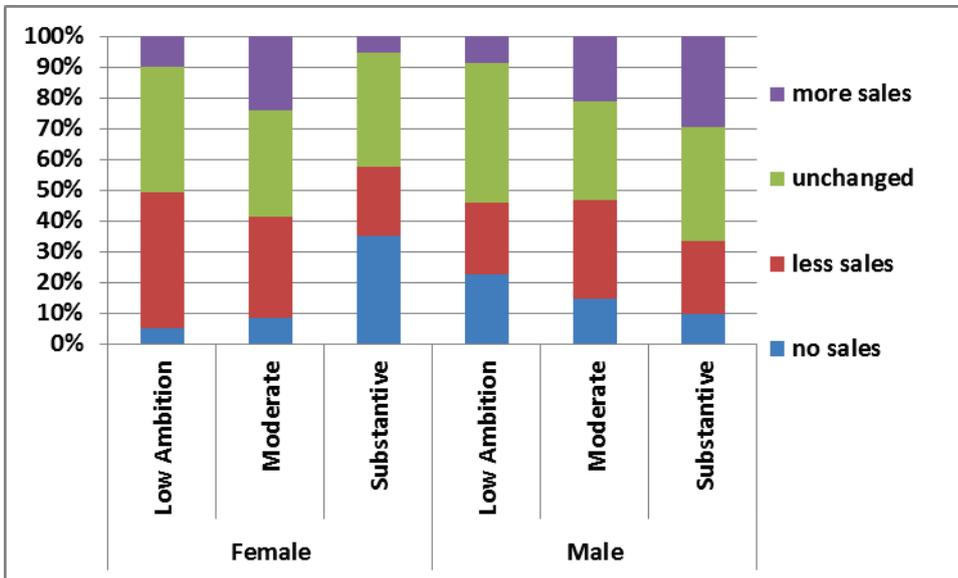
Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 945 respondents, unweighted

Figure 5: Employment outcomes by ambition level and gender, weighted



Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 1,250 respondents, weighted

Figure 6: Turnover outcomes by ambition level and gender, weighted



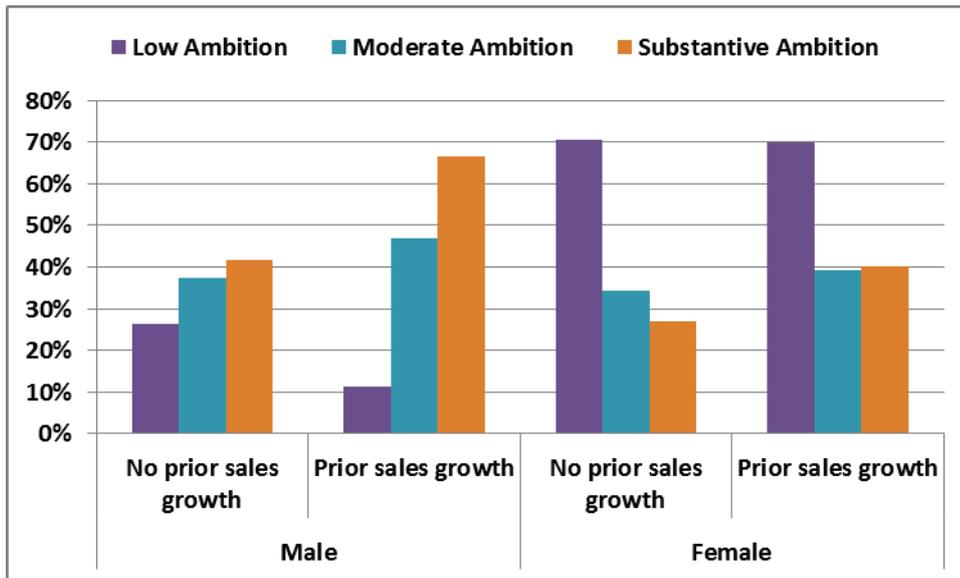
Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 945 respondents, weighted

Factors influencing the effect of ambition on employment growth by sex of respondent

Three factors were found to influence the effect of ambition on employment growth for the male respondents in the sample: prior sales growth in the previous three years, education level of the respondent and size of business. Only the first of these factors (Prior sales growth) influenced the effect of ambition on employment growth among female respondents. Four factors were found to influence the effect of ambition on employment growth for the female respondents in the sample: prior sales growth, age of respondent, if the respondent was an external appointee, and if the respondent had high self-efficacy for business growth.

Figure 7 shows the influence of sales growth in the previous period (2009-2011) on the proportion of businesses in the sample that underwent employment growth between 2012 and 2014, by stated ambition level of the respondent. For male respondents with businesses with prior sales growth, the probability of employment growth rose significantly with higher levels of ambition²². This effect is confirmed in a multivariate regression that controls for other relevant variables (see Table 24).

Figure 7 Influence of prior sales growth on effect of ambition on proportion of sample achieving employment growth by sex of respondent, weighted sample.



Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 1,250 respondents, weighted

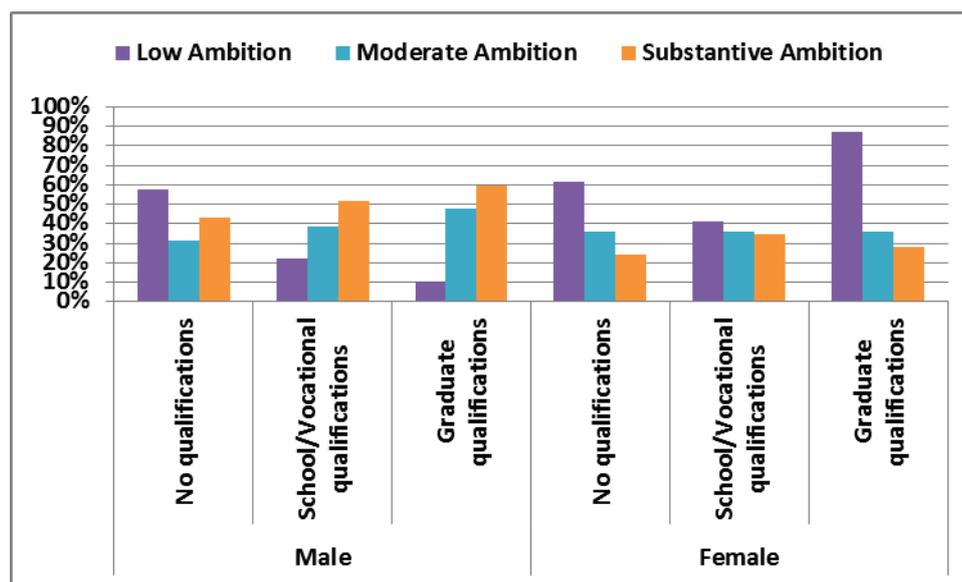
Figure 8 shows the influence of education level of respondents on the proportion of businesses in the sample that underwent employment growth between 2012 and 2014, by stated ambition level of the respondent. For males with school or vocational qualifications and males with graduate qualifications, the probability of employment growth increased

²² Design-based $F(1.66, 1945.91)=7.6642, p =.0011$

significantly with level of ambition²³. For female graduates, the probability of employment growth decreased significantly with ambition²⁴. Other combinations did not differ significantly in probability of employment growth.

This effect of increasing probability of employment growth for male graduates with moderate or substantive ambition is confirmed in a multivariate regression that controls for other relevant variables (see Table 32). When an interaction term for ambition and education is added to a logistic regression model predicting employment growth, the direct effect of ambition changes from significant and positive to non-significant. This suggests that the bulk of the ambition effect is indirect; in other words that men who run SMEs are more likely to deliver on their ambition if they are better educated. The negative signs on the direct effects for education suggest that, controlling for ambition and its interaction effect with education, more educated individuals are less likely to grow. This can be seen in Figure 8 where the probability of growth declines with education for the least ambitious individuals. The fact that these patterns were not found for women respondents suggests that, for them, the link between stated level of ambition and growth is more complex.

Figure 8 Influence of education level on effect of ambition on proportion of sample achieving employment growth by sex of respondent, weighted sample.



Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 respondents, weighted

The third interaction effect that is significant for males is organisation size. The impact of ambition level on the probability of employment growth is significant for male respondents with both small and medium-sized organisations²⁵. However, Figure 9 shows that the difference between those with low ambition and higher levels of ambition is more

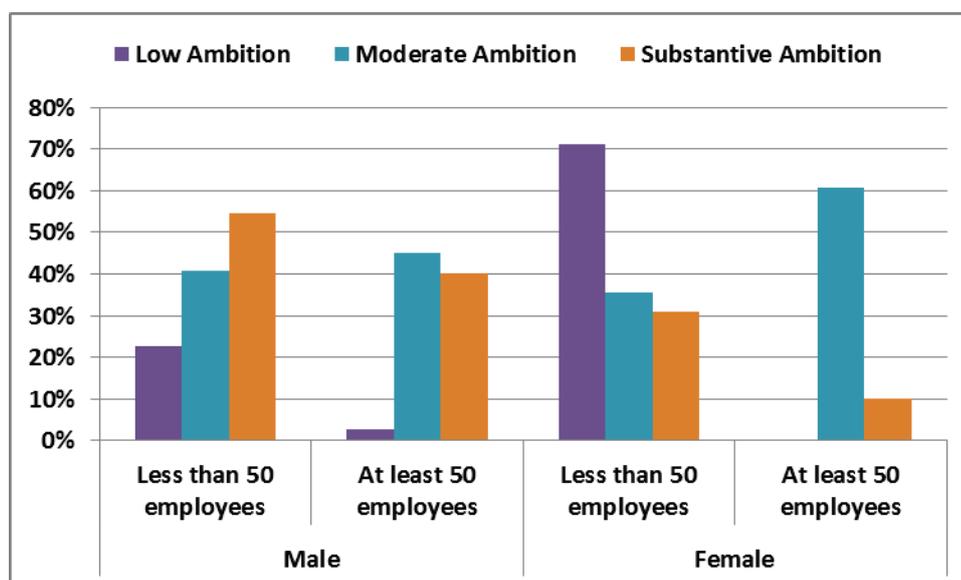
²³ Weighted sample, for school/vocational qualifications, Design-based $F(1.99, 2350.75) = 3.0086$, $p = .0498$; for graduates, Design-based $F(1.49, 1747.97) = 4.4052$, $p = .0213$

²⁴ Design-based $F(1.69, 1579.57) = 6.6705$, $p = .0024$

²⁵ Weighted sample, for small organisations, Design-based $F(1.98, 1930.29) = 5.0603$, $p = .0066$; for medium organisations, Design-based $F(1.24, 261.22) = 5.9276$, $p = .0104$

exaggerated for male respondents with medium-sized rather than small organisations. This effect is confirmed in a multivariate regression that controls for other relevant variables (see Table 24). Controlling for the interaction effect with ambition, the direct effect of organisation size is negative, which is what we would expect: smaller organisations are more likely to grow, all else being equal. The effect is unclear for female-run organisations because no females running medium-sized organisations reported low ambitions, and for both small and medium-sized organisations, the differences in probability of employment growth are not significant²⁶.

Figure 9 Influence of organisation size on effect of ambition on proportion of sample achieving employment growth by sex of respondent, weighted sample.



Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 respondents, weighted

Table 24 shows that a number of other variables affect the probability of employment growth for businesses of male respondents in addition to the interaction of education and of organisation size with ambition. Interestingly, self-efficacy, or the strong belief that one has the skills to grow a business if one wants to, had no effect on the probability of employment growth, and (unlike females) it did not interact significantly with ambition. On the other hand, those whose businesses grew seemed to be more likely to believe that business growth ambition was rare, putting them in a rather special or unusual position. Other variables such as business or respondent age and business location were not significant. No industry sector variables were found to be significant and these were left out of the analysis.

²⁶ Weighted sample, for small organisations, Design-based $F(1.78, 1702.74)=3.0662$, $p=.0528$; for medium organisations, Design-based $F(1.50, 227.70)=2.6535$, $p=.0879$

Table 24 Average increase/decrease in probability of increasing employment from 2012 to 2014 if a characteristic of a male respondent or his business is changed

| Average probability of increasing employment between 2012 and 2014 | 0.42 | |
|--|----------|-------------|
| Average probability estimates for cases with a base characteristic and change in probability due to a stated change in that characteristic | Base Pb. | Change sig. |
| Organization size From less than 50 employees to at least 50 employees | 0.43 | -0.35 *** |
| Business Age From older to youngest quartile (founded since 2006) | 0.44 | -0.05 |
| Location From outside London & South East to based in London & South East | 0.40 | +0.13 |
| Sales growth From no growth in sales in last 3 years to sales growth in last 3 years | 0.45 | -0.07 |
| Respondent Age group From 35+ years to 21-34 years | 0.41 | +0.09 |
| Education level | | |
| From no qualifications to school or vocational qualifications | 0.77 | -0.30 ** |
| From no qualifications to graduate qualifications | 0.77 | -0.50 *** |
| From school or vocational qualifications to graduate qualifications | 0.47 | -0.20 |
| Strong self-efficacy Strongly agrees one has skills to grow if one wished to | 0.42 | -0.00 |
| Belief that growth ambition is rare Strongly disagrees that “most people in the UK business community believe your aim should be to grow your business substantially” | 0.37 | +0.22 *** |
| Stated ambition level | | |
| From Low to Moderate | 0.60 | -0.18 |
| From Low to Substantive | 0.60 | -0.25 |
| From Moderate to Substantive | 0.42 | -0.06 |
| Interaction of Ambition and Sales Growth | | |
| From low ambition and/or no sales growth in prior 3 years to moderate ambition and sales growth in prior 3 years | 0.32 | +0.19 |
| From low ambition and/or no sales growth in prior 3 years to substantive ambition and sales growth in prior 3 years | 0.32 | +0.41 ** |
| From moderate ambition and sales growth in prior 3 years to substantive ambition and sales growth in prior 3 years | 0.51 | +0.23 |
| Interaction of Ambition and Education | | |
| From low ambition and/or no quals to mod. ambition and school/vocational quals | 0.17 | +0.22 |
| From low ambition and/or no quals to mod. ambition and graduate quals | 0.17 | +0.52 *** |
| From low ambition and/or no quals to subst. ambition and school/vocational quals | 0.17 | +0.31 |
| From low ambition and/or no quals to subst. ambition and graduate quals | 0.17 | +0.56 *** |
| From mod. ambition and school/vocational quals to mod. ambition and graduate quals | 0.39 | +0.30 * |
| From mod. ambition and school/vocational quals to subst. ambition and school/vocational quals | 0.39 | +0.09 |
| From mod. ambition and school/vocational quals to subst. ambition and graduate quals | 0.39 | +0.34 |
| From mod. ambition and graduate quals to subst. ambition and school/vocational quals | 0.69 | -.21 |
| From mod. ambition and graduate quals to subst. ambition and graduate quals | 0.69 | +0.04 |
| From subst. ambition and school/vocational quals to subst. ambition and graduate quals | 0.48 | 0.25 |
| Interaction of ambition and organization size | | |
| From low ambition and/or less than 50 employees to moderate ambition and 50 or more employees | 0.41 | +0.46 *** |
| From low ambition and/or less than 50 employees to substantive ambition and 50 or more employees | 0.41 | +0.36 * |
| From moderate ambition and 50 or more employees to substantive ambition and 50 or more employees | 0.87 | -0.11 |
| Percentage of businesses correctly classified | 69% | |
| Percentage of businesses that increased employment correctly classified | 69% | |
| Percentage of businesses that did not increase employment correctly classified | 70% | |

Note: Probability estimates are based on a logistic regression with the weighted sample;

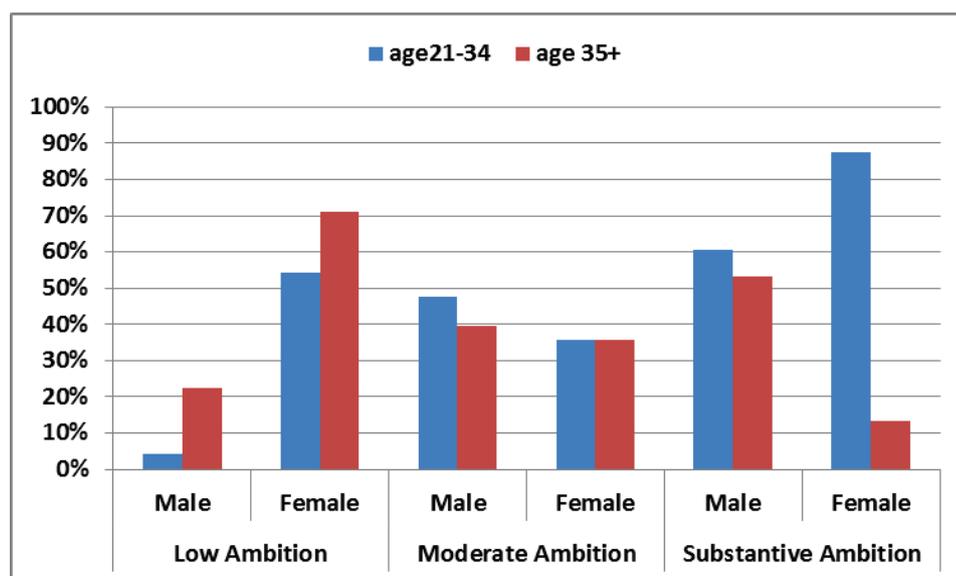
* p<.01, ** p<.05 *** p<.01

Four factors were found to influence the effect of ambition on employment growth for the female respondents in the sample: prior sales growth, age of respondent, if the respondent was an external appointee, and if the respondent had high self-efficacy for business growth. It is striking that of these four factors, only prior sales growth had significant interactions with ambition for male respondents.

Overall, increasing ambition had a marked negative effect on the probability of employment growth for female respondents, and this negative effect was maintained even after interactions that included ambition were entered into the model. However, the interaction terms show that in certain circumstances, higher ambition did result in a higher likelihood of growth. The first of these is whether the business achieved sales growth in the prior period (2009-2011). Table 25 shows that businesses with female respondents were more likely to experience employment growth if the business had achieved prior growth and the respondent had expressed substantive ambition than other combinations, controlling for the (negative) direct effects of ambition.

The second circumstance in which higher ambition led to higher growth was among younger women, aged 21 to 34. As shown in Figure 10, these women's businesses had a significantly higher probability of employment growth than the businesses of older women if they had substantive ambition²⁷. No other pairs in Figure 10 are significantly different. Table 25 shows that businesses were more likely experience employment growth if the (female) respondents were aged between 21 and 34 and if the respondent had expressed substantive ambition than other combinations, controlling for the (negative) direct effects of ambition. Age itself did not have a significant direct effect, irrespective of whether ambition was included in the model.

Figure 10 Influence of organisation size on effect of ambition on proportion of sample achieving employment growth by age of respondent, weighted sample.

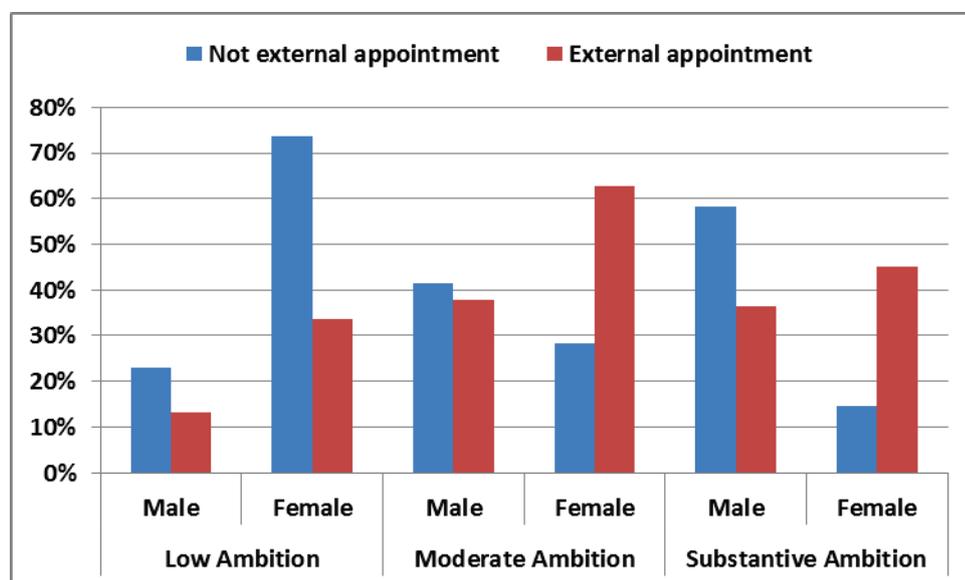


Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 respondents, weighted

²⁷ Design-based $F(1, 724) = 12.5814; p = .0004$

The third interaction effect was between ambition and whether the respondent was an external appointee rather than a founder, purchaser, internal appointee or family business member. Figure 11 shows how the pattern of the effect of ambition is significantly affected by appointee type for women but not by men. Specifically, businesses run by more ambitious women are more likely to experience employment growth if these women were external appointees than if they were appointed in some other way. In Figure 11, the proportion of businesses run by females with moderate ambition differs significantly by appointee type. No other pairs are statistically significant.²⁸ Table 25 shows that businesses were more likely experience employment growth if the (female) respondents were external appointees and if the respondent had expressed moderate or substantive ambition, controlling for the (negative) direct effects of ambition and appointee type.

Figure 11 Influence of appointee type on effect of ambition on proportion of sample achieving employment growth by age of respondent, weighted sample.



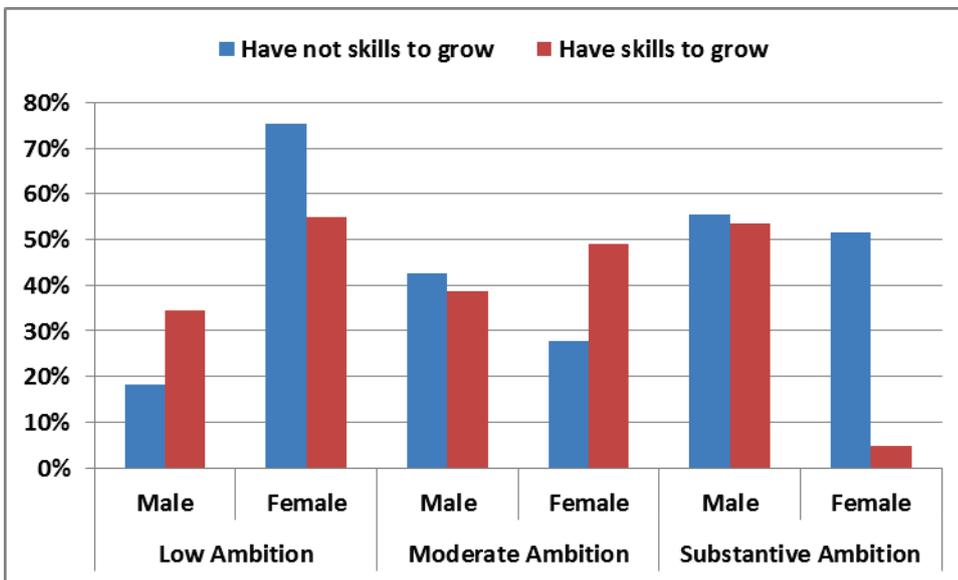
Source: TBR/University of Strathclyde 2015
Base: 2012 survey, 1,250 respondents, weighted

The fourth interaction effect is between ambition and whether the respondent strongly agreed that they had the skills to grow if they wished to (“growth self-efficacy”). Figure 12 shows the pattern of probability of employment growth for male and female respondents by ambition and growth self-efficacy. While the differences for males are small for all three levels of ambition, the estimate for females with moderate ambition is higher than we would expect and the estimate for females with substantive ambition is lower than we would expect, and is in fact significantly different from the estimate for those without growth self-efficacy²⁹. Table 25 shows a curvilinear effect of growth self-efficacy for women, with those expressing both moderate ambition and growth-self-efficacy being significantly more likely to experience employment growth.

²⁸ Design-based $F(1, 1050) = 4.7507, p = 0.0295$

²⁹ Design-based $F(1, 724) = 7.2758, p = 0.0072$

Figure 12 Influence of appointee type on effect of ambition on proportion of sample achieving employment growth by growth self-efficacy, weighted sample.



Source: TBR/University of Strathclyde 2015
 Base: 2012 survey, 1,250 respondents, weighted

Because of the limited sample size, care had to be taken to limit the number of independent variables. However, additional regressions were run with company age and size as control variables and these were not significant and did not affect the signs or coefficients of the other variables. As Table 25 shows, women respondents based in London and the South East were significantly less likely to grow.

Table 25 Average increase/decrease in probability of increasing employment from 2012 to 2014 if a characteristic of a female respondent or her business is changed.

Note: Probability estimates are based on a logistic regression with the weighted sample;
 * $p < .01$, ** $p < .05$ *** $p < .01$

| Average probability of increasing employment between 2012 and 2014 | 0.42 | | |
|--|------|-------|-------------|
| Average probability estimates for cases with a base characteristic and change in probability due to a stated change in that characteristic | Base | Pb | Change sig. |
| Location From outside London & South East to based in London & South East | 0.47 | -0.45 | *** |
| Sales growth From no growth in sales in last 3 years to sales growth in last 3 years | 0.38 | +0.14 | |
| Respondent Age group From 35+ years to 21-34 years | 0.45 | -0.21 | |
| Strong self-efficacy Strongly agrees one has skills to grow if one wished to | 0.49 | -0.16 | |
| External Appointment From respondent is not to respondent is an external appointee | 0.47 | -.27 | ** |
| Stated ambition level | | | |
| From Low to Moderate | 0.81 | -0.46 | *** |
| From Low to Substantive | 0.81 | -0.62 | *** |
| From Moderate to Substantive | 0.35 | -0.17 | |
| Interaction of Ambition and Sales Growth | | | |
| From low ambition and/or no sales growth in prior 3 years to moderate ambition and sales growth in prior 3 years | 0.40 | +0.02 | |
| From low ambition and/or no sales growth in prior 3 years to substantive ambition and sales growth in prior 3 years | 0.40 | +0.46 | *** |
| From moderate ambition and sales growth in prior 3 years to substantive ambition and sales growth in prior 3 years | 0.42 | +0.43 | *** |
| Interaction of Ambition and Respondent Age | | | |
| From low ambition and/or older than 34 to moderate ambition and aged 21 to 34 | 0.38 | +0.33 | |
| From low ambition and/or older than 34 to substantive ambition and aged 21 to 34 | 0.38 | +0.51 | *** |
| From moderate ambition and aged 21 to 34 to substantive ambition and aged 21 to 34 | 0.71 | +0.19 | |
| Interaction of Ambition and External Appointment | | | |
| From low ambition and/or not external appointee to moderate ambition and external appointee | 0.32 | +0.53 | *** |
| From low ambition and/or not external appointee to substantive ambition and external appointee | 0.32 | +0.39 | *** |
| From moderate ambition and external appointee to substantive ambition and external appointee | 0.84 | -0.13 | |
| Interaction of Ambition and Self-efficacy | | | |
| From low ambition and/or not high self-efficacy to moderate ambition and high self-efficacy | 0.28 | +0.47 | *** |
| From low ambition and/or not high self-efficacy to substantive ambition and high self-efficacy | 0.28 | -0.18 | |
| From moderate ambition and high self-efficacy to substantive ambition and high self-efficacy | 0.75 | -0.65 | *** |
| Percentage of businesses correctly classified | 81% | | |
| Percentage of businesses that increased employment correctly classified | 73% | | |
| Percentage of businesses that did not increase employment correctly classified | 88% | | |

Such differences between men and women in the relationship between stated ambition for growth and growth outcomes have not been reported in the literature before. Note the probability of employment growth is identical for male and female respondents (42% in both weighted samples).

There is a considerable literature on differences between men and women in business growth ambition. The assumption of many of these studies seems to be that if women tend to report lower growth ambition than men, there must be something “wrong” – either with the environment, or with the way women run their businesses, or with the industries that women business owners tend to frequent, or with funding of women-owned businesses (see Marlow and McAdam, 2013 for a review). It is worth noting that in this sample, when industry sector was controlled for, there was no significant difference in ambition between the male and female SME leaders.

There are, however, other possible explanations for the different relationship between ambition and realised growth for male and female respondents to this survey. One, expressed by researchers such as Cliff (1998), Reichborn-Kjennerud and Svare (2014) and Fink (2015), is that women CEOs might run their businesses differently, but that this produces similar (or possibly better) results on average.

Related to this is the proposition that the concept of ambition in relation to business growth is itself a gendered one: because most SME leaders are men, the prevailing image of ambition for business growth is a masculine one of “the self-made man”, of competitiveness, and of striving for power and recognition (Harrison et al., 2015). As a result, it is assumed that ambition for growth along these lines is desirable. But this image of ambition conflicts with societal gender-based norms of femininity (Gupta et al, 2008). As a result, some female SME leaders may feel conflicted when asked to rate their “personal desire for business growth” (Langowitz and Minniti, 2007).

There is some evidence that male and female SME leaders do not all think about growth in the same way. For example, when asked in this study what they saw as the primary measure of the size of a business, about two-thirds of male and female SME leaders cited financial (turnover, profit) measures in equal proportions (68% and 65%, respectively). However, among the remainder, male SME owners were twice as likely to cite reputation or market share than females (24% versus 13%), and half as likely to cite employment (5% versus 12%). A gendered perspective would argue that a) the measures of most men and women were the same, and b) the minor differences are due to the different expectations that society has of men and women.

These gender-based expectations may have several effects on male and female SME leaders. For example, current social norms in the UK are that feminine behaviours include caution in relation to risky decisions, or at least more caution than masculine behaviours (Marlow and Swail, 2014), and thus the self-reported ambition of females, in general, may be biased downwards, while that of males might be biased upwards. While male SME leaders might be expected to be guided by an inner drive, female SME leaders might be expected to take context into account, for example the implications of failure for different stakeholders. As a result, the latter might be expected to act in a more cautious manner, and thus report lower levels of “personal desire for business growth”, which might not reflect their competence, their potential or their actual behaviour.

In the original survey, respondents were asked: “on a scale of 1-10 (with 1 being not at all and 10 being very strongly), how strongly do you as an individual desire business growth now?” This question was designed to be context-free. However, ambition for growth is a term that has developed primarily with male business leaders in mind. If women have a “different way of running the business”, then they may not identify with this gendered concept of ambition for growth. This is because men and women, on average, are exposed to different experiences over their lives and learn different responses to the same stimuli. For example, Fink (2015) reports women CEOs as reflecting that they have learned to under-promise and over-deliver, but view men in similar roles as over-confident and over-promising. We see related phenomena in career “ambition” (Institute for Learning and Management, 2011). When this perspective is applied to the measure of ambition used in this study, one can see why male and female respondents might respond differently to the scale. Many female respondents, particularly those with more experience, responded more cautiously than males with equivalent backgrounds, perhaps because they were more aware of the downside for them of over-promising. We can see this in the results for age and growth self-efficacy, for example.

It is significant that these differences were not universal: they are tendencies. Certain groups that we might expect to have lower societal gender-based norms did not demonstrate sex-based differences with our main measure of ambition. These included younger women, who may have benefited from lighter gender norms than older generations, and female external appointees, who may appear to be more legitimate as leaders by virtue of their appointment process, and have more freedom to act irrespective of gender-based norms. There is also some evidence that prior success and self-efficacy changes the direction of the link between stated ambition and business growth for female SMEs from negative to positive. Again, this supports the explanation that gender-based norms may be a cause of female respondents reporting low ambitions despite having growth potential.

The low rate of success among most female SME leaders with stated substantive ambition (with certain exceptions as explained above) could reflect a different type of pressure: to act out the role of SME leader in a masculine way, rather than acting in what is generally accepted to be a feminine way. These women were significantly more likely to have no educational qualifications. If true, and if this accurately reflects a broader strategy to “behave like men are expected to behave as SME leaders”, this appears to have been generally unsuccessful for these women.

A heightened awareness of the realities of their situation may cause female respondents to be more likely to adapt their ambitions for their current business to their perception of the potential of that business while men may be more likely to mould their ambitions for their current business to their personal ambitions for growth generally. Case study evidence from this research supports this. Four of five female respondents who had low ambition but whose businesses grew and were re-interviewed a third time to try to understand this finding, had ambitious male business partners, and stated they modulated their ambition levels down as a counterpoint to the ambition of their male business partner, in an attempt to be a steadying influence on the business. Thus in understanding ambition and growth, it is important to understand the ambition of all members of the management team, how this can affect individual ambition levels, and how gender as a learned role may play a part in this.

In the sample, a higher proportion of men than women were founders of the business (59% versus 43%) or were family appointees (11% versus 4%), while a higher proportion of women had bought the business (22% versus 12%) or were external appointees (26% versus 11%). One would expect founders and family appointees to identify much more personally with the business as an extension of themselves than purchasers or external appointees, irrespective of gender. This difference in how male and female respondents tended to be appointed could be expected to increase the sample-wide difference between men and women in how their management of the business reflects their personal drive.

In the multivariate analysis, a number of variables were employed to test for a possible distinction between the management approaches of the male and female respondents, and the effect of these on realised growth. For males, the strongest of these variables was a measure that labelled individuals who strongly disagreed that “most people in the UK business community believe your aim should be to grow your business substantially”. For male respondents, strong disagreement with this statement doubled the probability that their business would subsequently grow, but for females it had no significant effect. One interpretation of this could be that growth orientation provides some personal identity vis-à-vis others for men more than for women.

There is further support for this view that growth orientation is more personal among men from a measure of self-efficacy, or the self-perception that one has the skills to do a particular job – in this case, ability and skills to grow the business substantially. Self-efficacy made no difference to the probability that a male respondent’s business would grow, but it nearly doubled the probability that a female respondent’s business would grow (from .32 to .57) before interaction terms with ambition were added to the model. Again, this supports the thesis that male business owners grow because they want to, while female business owners grow because they think they can. An interesting exception to this seemed to be women with growth self-efficacy and substantial ambition. This was an unexpectedly unsuccessful combination. By contrast, a much more successful combination for women was growth self-efficacy and moderate ambition.

The only variable that seemed to produce a common effect among the businesses run by male and female respondents was sales growth in the previous 3 year period. The positive effect for both male and female respondents with ambition for this variable suggests a “building out” of the organisation following sales growth by those who desired growth. It could also reflect greater confidence to expand the organisation following a period of growth: if ambition follows growth, further growth may ensue.

Unexpectedly, hardly any businesses with female respondents in London and the South East grew, across all sectors. Given there were only 17 female respondents from London and the South East, this result should be treated with caution, but in absolute terms, only three of them grew, compared with over 40% (114 out of 272) of businesses with female respondents outside London and the South East. Whether the data is weighted or unweighted, this difference in growth outcomes between male and female respondents in London and the South East is statistically significant³⁰.

³⁰ Unweighted: Pearson chi2(1) = 4.806; p = 0.028. Weighted: Design-based F(1,434)=15.7574,p=0.0001

While industry sector had no significant effect on the probability of employment growth for male respondents, both manufacturing industry (positive) and primary production (negative) had significant effects for female respondents. However, they had virtually no effect on the other variables in the model, and because of the need to limit the number of independent variables due to sample size issues, they were not included in the model in Table 25.

In summary, the multivariate analysis has shown that among male respondents to the survey in 2011, ambition has a relatively powerful and positive effect on subsequent growth when combined with higher education levels in particular. However, it has very different apparent effects among female respondents, and this may be because many women may not personally identify with ambition for growth in the terms in which these are commonly expressed by and expected of men. Two options are open to them: they can “play the man’s game” and express the high stated ambition that is expected of them, or they can be true to their own approach, and understate their intentions, or base their stated “desire for growth” on what they think is realistic. Thus, they may publicly understate future expectations of their potential and they may also take more contextual issues into account in formulating their future expectations rather than simply stating their personal desires in relation to the future of the business they manage.

Having described the differences for men and women, it is important to point out that not all women responded in the same way. For example, younger women and female external appointees had higher levels of growth if they had substantive ambition.

The fact that both women and men achieve very similar prevalence rates of employment growth suggests that, if they do tend to have different approaches to the management of their businesses, these appear to be equally successful in terms of employment growth.

It is important to realise that while self-reported ambition levels may be biased, underlying motivations for growth, some of which might be subconscious and not self-reported, may not differ widely between men and women. For example, a recent study on the motivations of self-employed men and women found that despite gendered differences in self-reported motivations for self-employment, underlying economic motivations that were not based on self-report data were similar (Saridakis et al., 2014). This could be of relevance to growth funders of SME leaders who back “ambitious” individuals. While this might be a successful strategy for men, it might backfire for some groups of women, either because they are socialized to understate their growth potential in terms of ambition, or because they are self-reporting in a way that they believe men – the reference group for SME leaders – would do.

The case study findings, discussed in the next chapter, draw attention to the likelihood that there may be considerable measurement error, or ‘noise’, in the three category ambition measure used in this analysis. Therefore, four different categorical measures were developed, based on different questions which comprised the original typology, to test the robustness of the findings to alternative measures of growth. The two results that were consistently significant (in three out of four of these alternative measures) were a negative direct effect of ambition on realised growth for female SME leaders, and a positive interaction effect of ambition with past sales growth on realised growth for both male and female SME leaders.

Concluding comments

In this chapter we examined whether the behaviours of “growth businesses” mirror those of “ambitious businesses”, and this was indeed demonstrated to be the case. Then, given that there are observed similarities in behaviour between businesses whose leader had substantive ambition and businesses which had delivered growth, we sought to test the relationship between ambition and the outcomes of those behaviours – namely, business performance.

The findings in this chapter are important to the overall study. They show that, when the sample is weighted to correct for the under-sampling of smaller firms, there are suggestions that ambition has a positive effect on growth, but the overall effect is not strong. Growth is not the sole preserve of businesses whose respondents had substantive high ambition.

When we looked at the size of employment gains and losses we found that growth and decline tend to be concentrated in a small proportion of businesses. Of the 476 firms making job gains just six per cent provided 75% of all net new jobs. Similarly, of the 535 firms that reduced employment, just seven per cent were responsible for 75% of all firm-level net job losses.

When a more sophisticated analysis was conducted that controls for the complex nature of the business sample, the demographics of the respondent, and the nature of the business, the level of stated ambition appears to have different effects on subsequent growth depending on the sex of the respondent. Specifically, ambition was positively related to growth for businesses where the respondent was both male (and, for the specific measure of ambition used in this report, educated to degree level), but negatively related to growth for businesses where the respondent was female, with some exceptions. For both male and female respondents, sales growth interacted positively with ambition to increase the probability of employment growth.

Case study and other research evidence indicates that the explanation for these unexpectedly different findings for male and female SME leaders is connected to a differing interpretation of questions posed in this study by female and male respondents, which resonates with recent theory and empirical findings on female entrepreneurship in the UK (see e.g. Fink, 2015; Marlow and Swail, 2014). More men may see growth ambition as a form of personal identity, an inner drive that is unrelated to self-efficacy. More women may be more likely to publicly understate future expectations in the terms in which these are commonly expressed by and expected of men, but act in accordance with their perceived growth self-efficacy and what they see as the potential of the business.

This finding has interesting implications for resource providers who are more familiar with projections of personal growth ambition by male SME leaders than with the different approach of female SME leaders to stating their growth expectations. Resource providers may well have to recalibrate their assumptions on the relationship between ambition and growth if these are based primarily on observations of male SME leaders.

Case Studies

Chapter summary

In order to understand the drivers of change in ambition and the links between ambition and growth, the study generated 21 case studies. These were drawn from the 2014 survey respondents. They were selected based on their growth and ambition change characteristics.

The definition and measurement of SME growth ambition poses significant challenges. The previous chapter painted a complex picture in which ambition is shown to have different direct and indirect effects for different businesses. This blurs the strength of the link between ambition and actual growth.

Change in ambition

Over the short term (i.e. two years) changes in the level of ambition were marginal. However, over the longer term more substantial change and fluctuations in growth ambition can occur. Change can be generated by the past performance of the business and changes in the business environment and especially demand, ownership/management, personal circumstances (especially the approach of retirement age), the appearance of specific growth opportunities and experience of running the business (e.g. 'hassle' from regulation).

The case studies confirm the existence of a feedback loop from past business performance to growth ambition. However, in some it is a positive feedback loop while in others a negative one.

Only in a very few cases did ambition increase or decrease significantly (i.e. from Low to Substantive and vice versa).

- Ownership change was largely responsible for increasing ambition significantly (from Low to Substantive).
- Significant declines in ambition (from Substantive to Low) were related to the business facing a 'life threatening event', major business problems (e.g. with a customer, premises), having tried but failed to grow the business, a change in personal circumstances (e.g. death of a partner) or simply having achieved the goals which had been set for the business.

These drivers of change are equally likely to stimulate positive and negative effects on the stated level of ambition – i.e. they drive increases in ambition and decreases in ambition. For example, past business growth increases ambition in some but reduces it in other owner/managers. While reducing ambition in some, even the approach of retirement age can increase ambition in others.

Ambition and growth

The case studies illustrate how growth ambition contributes to the actual growth of SMEs but also why the link is not stronger. Some SMEs with substantive growth ambition do not achieve growth (and even fail) while some with little growth ambition achieve growth

They also illustrate that growth ambition is often highly bounded and subject to constraints/conditions. For example, even those classified as having substantive growth ambition can have a desire for relatively modest growth subject to, for example, growth not involving raising external finance, too much hassle or putting the future of the business at risk.

Substantive growth ambition normally translates into a desire to increase turnover rather than employment. Indeed most are reluctant to take on additional (if any) employees.

The case studies illustrate the possibility that job creation by owner/managers with substantive growth ambition may not be in their existing business but may materialise in closely related businesses (e.g. suppliers) or new start-ups.

The majority of businesses in which the owner/manager has low growth ambition do not experience growth. A few passively stop growth. However, most can present a logical business rationale for not wanting to grow the business (e.g. there are no opportunities which can realistically be exploited given the business' access to resources, current circumstances, assessment of the risk involved etc.).

However, a few with little growth ambition achieve growth (even when measured in terms of employment). In these cases growth did not involve an explicit growth strategy, raising external finance or overcoming serious barriers to growth. In these cases respondents said growth 'just happened'.

Finally, the case studies demonstrate the limitations of classifying ambition within a rigid system due to measurement and definitional challenges. Given these limitations it is perhaps not surprising that the differences in performance between businesses classified as having high ambition and those with lower ambition are not more stark.

Introduction

This chapter presents the results from a series of SME case studies to shed further light on the factors which explain changes in SME growth ambition and how growth ambition affects SME performance. The case studies are therefore designed to complement the data analysis reported in previous chapters. A short write-up of each case study can be found in Appendix VI. Case studies are referenced by their number to provide supporting evidence for points made in the text.

Methodology

The list of potential case studies consisted of the 247 respondents to the 2014 survey who agreed, in principle, to be contacted again to provide an in-depth case study. Businesses to be contacted were then selected from this list which appeared, based on responses to

the 2012 and 2014 surveys, most likely to shed further light on the two central questions for this research (i.e. explanations for changes in growth ambitions and the link between growth ambition and performance). Specifically this involved selecting SMEs which moved from a lower into a higher ambition segment between 2012 and 2014³¹ and/or ones which had experienced growth or decline (rather than ones which had remained the same over the period).

This gave a list of 77 possible case studies. An attempt was made to contact all 77. It proved difficult to organise interviews with many (or even make contact). This was especially difficult because it was important to interview the same individual who had responded to the 2014 survey. In a few cases the individual had left (e.g. sold) the business since responding to the 2014 survey. Despite having previously agreed, a considerable number said they were unwilling/unable to participate when invited to be the subject of a case study. Following much time and effort, 21 case studies were completed. An anonymised write up of each case study is presented in Appendix VI.

Each case study was undertaken in three stages using three different sources of information. These were;

- An explicit comparison of the responses to the 2012 and 2014 surveys. The comparison identified issues worthy of further exploration in a subsequent interview.
- Information relating to both the business and the individual respondent sourced from an internet search.
- Information from these two sources helped inform a telephone interview with the respondent to the 2014 survey (who was, in the majority of cases, the same person as the person who responded to the 2012 survey).³² Each interview lasted between 20 and 40 minutes.

While the chapter is based largely on the completed case studies, in addition it draws on several incomplete case studies based only on the first two sources described above (i.e. with no telephone interview). In some cases having completed the first two stages of the case study, it then proved not possible to interview the survey respondent (e.g. having initially agreed to the interview, the respondent then changed his/her mind or was continually unavailable at the appointed interview time).

The case study interviews explored how and why growth ambition had changed (if it had) and the effects of ambition on company performance. However, during the interviews it quickly became apparent that the answers to these questions were complex and dependant crucially on the meaning of SME growth ambition and how growth ambition is measured. Consequently, before discussing the study's two key questions, it is necessary to discuss what the case studies tell us about the concept and measurement of SME growth ambition.

³¹ Reflecting the interests of policy makers, firms in which growth ambition had declined were excluded from the selection process. However, the eventual case studies did include some SMEs in which ambition had declined. These were included because they had either increased or decreased their employment.

³² In a couple of cases the 2014 respondent had left the business by the time of the interview. In these cases the current CEO/MD was interviewed

SME Growth Ambition - the concept

Dictionary definitions of ambition normally include something like ‘a strong desire to achieve something (such as power, success, wealth) usually involving hard work and determination’. Psychologists elaborate in that they believe ambition is not limited to a single domain (such as business growth) but applies to many aspects of an individual’s life and is fairly stable/constant throughout life. Ambitious individuals set demanding targets which they are determined to achieve (more or less regardless of cost) and, once achieved, adjust them upwards (i.e. in the case of small business growth, to seek more growth ultimately leading to the development of a large business). Those with substantive growth ambition might be expected to want to grow their business into a highly successful and large business. Business growth might be expected to be one of their most important goals in life.

To understand better the nature of small business growth ambition, its characteristics are described based on the views expressed in the case studies of businesses which were classified as having substantive ambition in the 2014 survey and confirmed in the subsequent interviews³³. The individuals at the head of these businesses are more proactive in searching out and seeking to exploit opportunities and are more persistent in seeking growth. For example, having experienced a ‘failing’ company (case studies 11 and 13) they were sufficiently determined ‘to have another go at setting up what they hoped would be a growth company’. However, just one expressed the aim and willingness to grow the business into a large global business. The business is currently a young small firm (case study 5). For most, the extent of growth sought is modest often with a well-defined upper limit which would keep them classified as a micro or small business (case studies 13 and 14). If these limits or targets are achieved such businesses are unlikely to set more demanding targets for further growth.

Furthermore, none of the case studies wanted to grow the business simply to have a large company (i.e. they did not want growth for its own sake). Growth is seen as a means to an end. While some saw the end as increased personal income, as a motive this was less widespread than might be expected. While obviously having implications for personal income, several expressed the idea that some growth would increase their chances of survival and provide increased security. For example, the only owner manager saying he wanted his company ‘to dominate the world’ had set up the business as a means of increasing his security by taking more control over his future (case study 5).

For the majority, growth is not defined as an increase in the number of employees. Indeed, there is often great reluctance or even unwillingness to take on additional employees. Many see this as additional hassle, too risky and reducing their flexibility. The majority desire to increase the firm’s turnover. However, even with regards to turnover, almost all the case study businesses have bounded growth ambition. While there are less clear upper limits attached to turnover, the desire and determination to achieve such growth is limited by more or less flexible (or inflexible) boundaries set by what is possible with the number of employees they are willing to employ.

³³ As will become clear subsequently, some classified as having substantive ambition were found to have little growth ambition when interviewed.

All of the case studies said that their growth ambition is subject to conditions. In addition to the constraint set by the reluctance to take on employees, a variety of other factors, priorities and objectives set boundaries within which growth ambition is constrained. They have substantial growth ambition (usually in turnover and profits) providing it does not involve, for example, raising external finance, the need for diversification away from their core business, too much risk, betting the business, increased overseas travel or too much time devoted to managing the business. Some saw managing and running the business as 'hassle' and not an enjoyable and fulfilling aspect of being in business. They have growth ambition provided growth was not at the expense of their real interests and the 'job' they enjoyed (i.e. their occupation or profession such as financial advisor, engineering project management, sales, architectural design etc. – case studies 3 and 14).

Growth ambition is also dependent on the owner manager's analysis of the business's current situation, what is possible for a small firm, the opportunities they perceive being available and their analysis of the risk involved in attempting to realise the opportunities. Based on what they believe to be a rational objective analysis, none of the case study owner/managers were willing to take what they saw as undue risks to achieve growth. Their ambition for growth is partly determined by the opportunities they believe to be available which their business can realistically exploit. If opportunities are perceived to be unavailable, their growth ambition is diminished. Similarly, if the business does not have the resources (finance, staff, skills etc.) to realise the available opportunities, growth ambition is diminished.

In some cases (e.g. case studies 1 and 6)³⁴ there is a clear distinction between an individual's personal growth ambition and his/her growth ambition for his/her current business which may be assessed as having few prospects and growth opportunities. In this situation the owner/manager can have substantial growth ambition as an individual but no growth ambition for the business. Those with real ambition may seek to realise their goal via a different business.

It is possible for an innately ambitious individual (i.e. an individual who has been ambitious throughout life) to have no or little SME growth ambition. They apply their ambition to some other domain. For example, until he developed an interest in his own business, one of our case studies applied his ambition to a career in large corporations (case study 3).

It is also clear that the absence of growth ambition does not equate to inadequate or poor management. For example, perhaps one of our most impressive owner managers (case study 18) had little desire to expand the business at the present time. In a mature industry in which several competitors had gone into liquidation, the business had survived by continually adjusting to the changing market, investing in new equipment and technologies and developing new markets (which required fundamental changes to the way the business operates). Having scanned the environment for opportunities the business could realistically exploit (but without raising finance and betting the company), it had been concluded growth opportunities were not available. The current priority was not growth but embedding recently acquired new equipment (requiring employee training) into daily operations with a view to increasing productivity and longer term survival.

³⁴ This has implications for our measurement of ambition. Some responded to the survey from the perspective of their current business. Others appear to have responded to some of the questions from the perspective of their life goals.

Finally, the case studies show that the SME growth concept poses significant measurement challenges. The interpretation of the survey questions varied from individual to individual. Some responded from the perspective of their current business and its situation. Others responded from a more abstract perspective (e.g. their desire for growth ignoring the realities and context of their business). What each individual meant by a specific response, (e.g. they intended to grow the business slightly/significantly) varied. For those, especially in a micro-business, significant growth in employment could be the addition of two or three jobs (which could represent increases of over 100%). For a larger SME a similar increase in employment could be seen as 'no change'. This is simply a variant on the well-known difficulty of measuring SME growth; its measurement is sensitive to the initial size of the business. It seems probable that the measures used in this study over-estimate growth ambition in micro-businesses and under-estimate it in larger SMEs. This has obvious implications for the growth ambition segmentation into Substantive, Moderate and Low growth ambition.

The Growth Ambition Segmentation

Individuals/SMEs have been segmented into groups with Substantive, Moderate and Low growth ambition based on responses to the survey questions. It would be hoped that those classified with Substantive growth ambition are clearly differentiated from those classified as having Moderate and, especially, Low growth ambition. However, this is not always the case. To illustrate, based on their survey responses, those in the Substantive ambition segment include;

- A self-employed individual who is happy to remain self-employed who would like a somewhat higher turnover but, given an adequate current income, is not aggressively seeking it and would certainly not take on staff (case study 10). Since it appears there were no changes between the survey and time of the interview, it is difficult to reconcile survey responses with facts and views which emerged from the interview.
- A one person business run part-time with the main aim of promoting community involvement in the development and ownership of sustainable energy. In this case (15), growth is not defined in any traditional business sense but rather in terms of the extent of the democratization of sustainable energy.³⁵

While these are extreme examples, it is perhaps unlikely that a Business Development Officer in charge of a High Growth Programme, for example, would classify all the businesses in the Substantive ambition segment as having Substantive growth ambition (e.g. case studies 13 and 14). These owner/managers desired to increase turnover somewhat but with no increase in employment.

At the same time, some of the SMEs in the Moderate segment were found, via the case study interview, to have as much, if not more, growth ambition as the majority of those in the Substantive ambition category. Indeed a financial advisor (case study 17), classified as having Moderate ambition was perhaps one of our two most growth ambitious

³⁵ With a completely different concept of business growth, his concept of growth ambition is not comparable with that of the other owner managers. He is an ambitious individual but not for traditional business growth.

respondents. On the other hand, a CEO classified with Moderate growth ambition (case study 21) revealed in the interview that she had absolutely no ambition to grow the business and had been planning to sell it (and has now done so). Other examples which appear to be ‘inappropriately’ classification when compared to other companies in the same ambition segment are case studies 7, 10, 15, 21.

There can also be issues raised when the ambition of the person responding to the survey questions differs from that of others involved in the company. For example, case study 2 was set up by a husband and wife team. The husband was highly ambitious for growth; the wife acted as a moderating influence. Based on survey responses given by the wife, the business was classified as having Low growth ambition. However, given the husband is the main driving force of the business, the business could be incorrectly classified.

It is clear that if businesses had been allocated to a growth ambition segment on the basis of the case study interview (rather than the responses to the survey questionnaire) at least several would have been classified differently. Consequently, the quantitative data (as reported in the rest of this report) is affected by an unknown degree of ‘noise’. Such ‘noise’ will have reduced the strength of statistical patterns and relationships (e.g. between ambition and actual business performance) identified by the quantitative analysis.

Changes in Ambition

Extent and Nature of Change

As reported in the chapter entitled ‘Change in ambition’ (page 27), 17% of the sample increased their growth ambition and 24% reduced it as defined by a business moving from one ambition segment into another. Ten case studies were completed in which their ambition (based on their survey responses) increased between 2012 and 2014. Of these, five moved from the low into the moderate ambition category and five moved from the Moderate into the Substantive ambition segment. As noted in Chapter 4 (page 27) only three businesses in the sample moved from the low to substantive ambition segment. It proved not possible to interview any of these.

Looking at the survey responses given by the five businesses which increased their ambition segment from Moderate to Substantive, in all cases the upward step in ambition was brought about by a marginal change in the response to just one survey question used to determine ambition classification. For example, reclassification occurred because the desire for growth changed from 8 to 9 (on a Likert scale of one to ten) or the ideal size of the business changed from slightly to significantly larger turnover. The interviews confirmed that the increase was indeed marginal; the owner managers were not consciously aware of an increase in ambition. Indeed in some cases the increase appears to be due to measurement issues (based on changing interpretation of questions etc.) resulting in ‘misclassification’ (case studies 7 and 17).

For the five businesses which increased from the low to the moderate ambition classification the increase appears in four of these to be of more substance. They responded to at least two of the classification questions differently. The interviews confirmed that there had been an increase in ambition. However, in the fifth case (case study 20) an increase in ambition was not confirmed by the interview. On the basis of the interview, rather than increasing ambition, the CEO made it clear that her ambition had

actually declined and she had little interest in, nor intentions of, growing the business. In fact she was thinking of selling it.

While the increase in ambition over the two year period in the case studies has been relatively marginal, over a longer period the increase can be more substantial. For example, in case study 3 the owner manager had essentially no growth ambition when setting up a self-employment business but developed over several years to be in the substantive ambition segment with real growth ambition (although still conditional on other factors such as the degree of risk). However, this individual had always been ambitious but not in the small business growth domain.

Based on all 21 case studies, it is clear that over a longer period of time, growth ambition can fluctuate - rising and falling in response to changing circumstances. In case study 2, high growth ambition declined due to falling demand and an event with serious reputational adverse effects for the business but is now recovering somewhat as the market recovers, an opportunity came along to acquire new assets and some new blood was added to the businesses' management. In case study 16 the near death of the business resulted in a highly growth-ambitious owner/manager falling into our low ambition category by 2012. However, as the market has begun to recover and the business prospects improve growth ambition has begun to recover somewhat. As a final illustration, ambition increased between 2012 and 2014 into the substantive ambition segment (driven by the need to generate more sales to survive) but subsequently declined to zero as it became clear the business had no long term future (case study 12).

While the case studies were selected to focus on increases in growth ambition, they did provide examples of declining ambition. In addition to those in which ambition fluctuated, a few case studies illustrated substantial declines in ambition over the longer term (case studies 20 and 1).³⁶ In the former case the entrepreneur had high growth ambitions when setting up his business back in the 1990s but following a near death experience for the business, growth ambition evaporated almost to zero. In the latter case, a highly ambitious entrepreneur failed to achieve growth (which he attributes to over-heavy and unnecessary regulation) and his ambition for that business essentially declined to zero.

Explaining Change

Given the measurement limitations of the segmentation classification and the marginal nature of most change in a SMEs ambition, it is likely that the evidence of change in ambition and its drivers is likely to be somewhat blurry. Nevertheless, several interrelated factors appear to influence growth ambition in a limited number of SMEs. These are outlined below.

1. Past performance. In a few cases past growth has increased ambition (case studies 8 and 14). This has happened by demonstrating that it can be done and by increasing self-confidence. At the same time, in other SMEs past growth has reduced growth ambition (case study 16). This has occurred when original objectives have been met (e.g. with an adequate income generated) or in which the business has been brought into some sort of equilibrium or to the size necessary for survival). In other cases it is believed there is simply no room left in the local market

³⁶ These were useful case studies for helping to identify factors which might explain changes in ambition.

for further growth (and entering more distant markets is assessed as too risky or not possible). Similarly past decline sometimes increased growth ambition driven by the desire 'to get back to where we were' or the necessity of returning to profitability and generating an income. On the other hand in other SMEs it reduced growth ambition because growth became seen as too difficult, too risky or not possible (case study 20). Perhaps the most extreme example is case study 12 which, at the time of the interview, was being closed down. The experience was such that the owner/manager no longer had any interest in remaining in, or going back into, business. Growth ambition has declined to zero.

2. Changes in the business environment. The most frequently quoted dimension of the business environment was the state of the local market (i.e. demand). An improving local economy was felt by several owner/managers to account for their more positive outlook and a greater desire for business growth because they now believed it was more possible and realistic to seek to grow the business. This illustrates a more general explanation of changes in ambition namely that the business environment influences the owner/manager's assessment of what is possible. If growth is not seen as a possibility, growth ambition is reduced.
3. Changed circumstances. Changing personal circumstances can affect ambition. For example, approaching retirement age can both increase and reduce growth ambition. For some, it declines as there appears little point in growing the business or insufficient time to make any real difference. For others growth ambition is increased in an attempt, for example, to make the business more valuable for an eventual sale as a means of generating a nest egg for retirement (case study 2).
4. Managerial change. In a couple of case studies (2 and 16) the introduction of new and additional management can lead to the business founder increasing (or rediscovering) their growth ambition. At least to some extent this reflects the increased management capacity allowing space for growth.
5. Availability of specific and realisable opportunities. Perhaps the most obvious example is case study 16 which had essentially minimal growth ambition. However, when a 'too good to miss' opportunity presented itself which could be realised at minimal cost with little risk or effort, the owner/managers accepted the opportunity (of a takeover/merger). This necessitated the need for further growth to cover the increased wage bill. They had also demonstrated to themselves that growth was possible and that they could 'do it', thus growth ambition increased. A second acquisition quickly followed growing the business further. Believing that further growth would involve too much time spent on management rather than doing what they enjoyed (i.e. the professional job), growth ambition then essentially evaporated.
6. The state of the (local) economy. This was the most frequently quoted explanation by the case study owner managers. An improving economy was associated with an improvement in the market (i.e. more demand) which obviously creates more opportunities. It also appears to increase optimism amongst owner managers which itself appears to have an impact on growth ambition. The local market is emphasised as the important factor for most SMEs because, as the case studies

illustrate, several owner managers believe serving more distant markets for their business is not a realistic possibility.

7. Hassle. One or two of the cases studies said that hassle (resulting from, for example, what they believed to be unnecessary or disproportionate regulations) and difficulties in trying to grow the business had reduced their desire and motivation to grow their business (case study 1 and 6). It is not possible from the case studies to assess whether the regulations are necessary or not.

In seeking to account for the relatively limited changes in SME growth ambition, two characteristics of any explanation stand out from the case studies. First, the same 'cause' can have opposite effects on different individuals. For example, past growth can both increase and reduce growth ambition. Even ageing and the approach of retirement can increase it in some and reduce it in others. Second, several of these factors (e.g. ageing, hassle, management change) affect only a limited number of companies at any specific time. Also, given most businesses experienced only marginal change in growth ambition, the impact of these factors must be relatively small. They have been identified from a selected sample designed to identify potential causes of change. It cannot therefore be assumed that these factors have a major impact at the level of the entire SME population.

Significant Change in Growth Ambition

Very few businesses in our sample changed their level of growth ambition dramatically between 2012 and 2014. Just three increased ambition from Low into the Substantive ambition segment and nine declined from having Substantive ambition in 2012 to the Low ambition segment in 2014. The case studies included just one respondent that had experienced a significant change in ambition (decline). For the other firms, evidence of drivers of change has been drawn from their survey responses and this is reported earlier in this document (see page 37). That evidence should be considered alongside the case study findings presented in this chapter.

Ambition and SME Performance

The statistical analysis demonstrated that, given certain circumstances, growth ambition is associated with the actual growth performance of SMEs. Substantive ambition helps bring about actual growth. Low growth ambition contributes to no/slow growth. However, the statistical data also demonstrates that having substantive growth ambition is far from enough to ensure actual growth (i.e. some with substantive ambition fail to grow - especially when measured by employment - and some fail). Simultaneously some classified as having Low growth ambition actually achieve growth (even when measured as employment). The case studies confirm these conclusions.

There is only one case study in which the owner manager had substantive growth ambition and achieved substantial growth in terms of direct employment (case study 17). Confirming the conclusions of the proceeding chapters, the owner/manager of this SME was very proactive in seeking out opportunities, was committed to innovation and flexible

in that he adjusted to changing market conditions. As he stressed, if the business stood still it would soon be out of business.³⁷

In three case studies owner managers with substantive growth ambition increased turnover significantly but with little visible increase in their companies' employment.

- Case study 13 adopted a lean and mean strategy based on outsourcing as much as possible with the intention of growing turnover but without taking on any employees. The unwillingness to take on staff will ultimately limit the amount of turnover growth which will be possible. The employment growth effects of this ambitious owner/manager are within the business' supply chain.
- An international start-up (case study 19) has expanded its sales with no increase in employment. But additional growth (both sales and employment) was achieved by setting up new businesses to deal with related but different specialist markets.
- A highly ambitious entrepreneur has set up a design innovation business (case study 6) which appears as yet to have created little employment but in reality has created a substantial number of jobs in an apparently separate legal entity. Reflecting the circumstances of the 'partners', two legally separate entities were set up but they act and operate as one company. All the employment growth is in the 'partner's' manufacturing company.

These examples illustrate how the contribution of highly growth ambitious owner/managers can be overlooked when businesses are treated as independent entities operating in isolation. Such examples imply that the quantitative analysis underestimates the link between growth ambition and employment business performance.

However, there are also examples of owner managers with substantive growth ambition whose businesses experienced decline and even closure. Two case studies basically closed but were brought back to life but with far fewer employees. In one case (13) the owner manager had decided his current business (with a substantial number of employees) no longer had sufficient profit margins to be worth the management effort. Consequently he decided to transform it by selling off its assets and essentially setting-up a new business. This has achieved turnover growth but without staff. In the second case, the substantial property development company of a highly ambitious owner manager went into administration. He is now rebuilding the business but with a strategy involving less risk and many fewer employees (case study 11). In these cases ambition meant the owner/managers responded positively to adversity.

In a third case study (12) an owner/manager who had substantive growth ambition in 2014 was in the process of closing down his business in 2015. It was not making money and he will be making no effort to revive it. Indeed he intends to have nothing further to do with business. He had expressed a strong desire for growth in 2014 precisely because the business was not making money and he needed growth to provide him with an income.

³⁷ A couple of the respondents with lesser growth ambition but with little growth expressed exactly the same sentiment. They were also equally proactive. However, they did not achieve growth because they were in a more difficult industrial environment for achieving growth.

The nature of the business and its market suggests it had always been unlikely to achieve growth or even be a sustainable business. The market was small and relevant to a specific time period which was coming to an end. The experience has reduced the owner manager's business ambitions to zero. Growth ambition in the absence of other resources (e.g. a good business idea, skills) is not sufficient to generate business growth.

Turning to the nine case studies classified with low growth ambition, it is not surprising most (seven) did not experience actual growth. Of these two explicitly chose not to grow; one (case study 10) believed easily realisable growth opportunities were available but the owner/manager simply chose not to exploit them. He did not want to devote the time and effort (e.g. travel) to exploit them; the business provided the owner/manager with an adequate income without further growth. The second case study (20) which explicitly stated a deliberate decision not to grow, justified its strategy with a logical business rationale.

The other case studies with low or moderate growth ambition had not made an explicit decision not to grow the business. They explained the absence of growth with, what they believed to be, rational business arguments. It was generally argued there were no growth opportunities which the business could realistically exploit without taking undue risk which would mean betting the company (case studies 7 and 18). These owner managers would 'allow' the company to grow if the local market demanded it, did not require external finance or involve too much risk (case study 20). If growth more or less just happened they would not deliberately stop it. In a final example, a young new owner/manager (case study 21) with minimal business experience said she was in the process of learning on the 'job' and believed she needed to learn to walk before she could run. Consequently, trying to grow the business prematurely was seen as overly risky. Furthermore, it is highly unlikely this business (due to its structure and market) could grow substantially.

Perhaps the most interesting findings come from the two case studies (4 and 16) with low ambition but which achieved significant (employment) growth. In these cases, growth was;

- Demand Driven. The owner/managers operates in and set up the business at the right time to tap into an emerging market (case study 4) or in a growth sector such as personal pension advice (in which demand has increased in response to changing pension legislation). Increasing demand provided the opportunity for growth which could be realised through the day-to-day activity of running the business (i.e. it was not necessary to have a growth strategy or plans).
- Opportunity Driven. In addition to growing demand, on occasion other opportunities fell into the lap of the business (case study 16) without the owner/managers even having to proactively search for it.
- Involved Minimal Risk or Resources. Neither of the businesses had to raise external finance or make substantial up-front investment to achieve growth. Achieving growth involved minimal hassle or risk.

Ultimately, as reported by the owner/managers, these SMEs essentially grew themselves with the owner/managers simply accepting growth rather than explicitly taking steps to stop it. Growth has been relatively easy. At least to date, the businesses have faced no

serious barriers to, or constraints on, growth. The owners essentially became accidental growth entrepreneurs.

Two accidental growth entrepreneurs started their business life as self-employed individuals with no growth ambitions but subsequently developed into successful businesses. In one case the entrepreneur was not a particularly ambitious individual (in life generally or for business growth). The growth of the business was, in many ways, the path of least resistance (case study 4). In the second case the entrepreneur had always been a highly ambitious person but for corporate advancement (case study 3). There had been no interest in running his own business and, consequently, he had no SME growth ambition. On retirement he became self-employed for something to do (with no thought of growing a company). However, as the business began to grow itself (his observation) his small business growth ambition began to develop which contributed to more growth which has further strengthened his growth ambition.

The Issue of Gender

Just three of our respondents were female. All were classified with low growth ambition and the businesses had not achieved growth. In one case the respondent was not the main driver of the business. Her husband had ambitions for business growth; her role was to inject a cautionary note to prevent reckless or over hasty decisions. In the process of setting up the case studies we came across two or three other female directors who had responded to the surveys but were clearly not the driving force in the business. Of the two remaining case studies, one was a young inexperienced recent owner/manager who had a realistic assessment of both her own current abilities and the circumstances of her business (case study 21); the second was an 'accidental growth entrepreneur' who had achieved significant employment growth (case study 4).

Conclusions

The case studies are not a random selection of SMEs from the sample. Rather they were chosen because they appeared likely to assist our understanding of the factors which may change SME growth ambition and how the existence or otherwise of growth ambition influences actual SME performance. The results need to be understood in this context.

To understand fully these issues it is necessary to be able to measure growth ambition accurately and reliably enabling inter-personal comparisons. The first conclusion from the case studies is that this poses a serious challenge. This is one of the key learning points emanating from this study. Future studies need to give careful thought to how growth ambition might be better defined and measured.

A consequence of the measurement and definition difficulties is that there could be 'noise' in the data used in the quantitative analysis. Consequently the segmentation into SMEs with substantive, moderate and low growth ambition should be interpreted with care. It is also probable that the patterns and relationships identified in the quantitative analysis are somewhat blurred by the 'noise' in the data.

For the majority of owner/managers classified as having substantive growth ambition, this translates into a desire for turnover rather than employment growth. Ambition is generally relatively modest with an 'upper size limits' on their desired growth and subject to certain

conditions (e.g. growth providing it does not involve taking on more employees, raising external finance, is too risky or involve gambling with the security of the business).

It is influenced by the circumstances in which both the individual owner manager and SME operate. For example, if the owner manager perceives no opportunities for growth which the business (given its resources etc.) can realistically exploit then growth ambition is diminished. However, it is also possible for the owner/manager to retain substantive growth ambition, but not for his/her current business.

Changes in growth ambition over a two year period are in most cases marginal. Over a more prolonged period greater change can occur. The factors which appear to be responsible for changes in growth ambition are;

- **Previous business performance.** Past growth increases ambition in some businesses and reduces it in others. Decline increases ambition in some businesses and reduces it in others. In other words there is a feedback loop between ambition and performance which can be either positive or negative.
- **Changes in the business environment.** This is generally seen as an improvement in local demand which creates more growth opportunities. This creates more optimism which appears to increase growth ambition.
- **Appearance of specific opportunities.** These include, for example, the opportunity to purchase an asset or an acquisition/merger.
- **Changes in personal circumstances.** The approach of retirement age reduces ambition in some owner managers but increase it in others.
- **Extent of hassle.** Owner managers who believe their growth has been seriously hindered by what they perceive to be over heavy and unnecessary regulation may experience a decline in growth ambition.
- **Management/Ownership change.** The introduction of new management can add to managerial capacity and increases growth ambition. A change in ownership is one of the few events which can result in a rapid and substantial increase in SME growth ambition.
- **A business life threatening event.** The near 'death' (and actual closure) of the business can in some owner managers produce a rapid and substantial decline in growth ambition.

Each of these factors influences a minority of owner managers. Several of them have a positive effect on some and a negative effect on others. Consequently, while they may be significant explanations at the level of the individual owner manager/SME, at the

aggregate level of the SME population they may not appear to explain changes in ambition. Essentially their effects may offset each other.³⁸

The statistical analysis in previous chapters found a weak relationship between ambition and growth. The case studies demonstrate why it is a weak relationship. In addition to the noise in the data arising from the challenges posed by accurately measuring growth ambition, some of the case studies with substantive ambition grew but others declined (especially in terms of employment) or even closed while some with low ambition achieved growth.

For those with substantive growth ambition, actual growth was modest. Most often they achieved growth in turnover with little employment increase. They were often reluctant or even unwilling to take on additional employees. Several adopted business strategies designed to increase turnover while minimizing the need for employees.

However, this could mean that the role of ambitious owner/managers in job creation could be under-estimated. Rather than in their current business, employment growth could be via, for example, new start-ups or in closely related businesses or suppliers.

Few of those with low growth ambition experienced actual growth. Generally the absence of growth was not because a decision was explicitly taken not to grow the business. Most presented a logical business case for both not wanting to grow and not achieving growth. Most commonly the reasons given were that opportunities were not available which their business could realistically exploit without taking undue risks which would jeopardise the future of the business.

Nevertheless, some with low growth ambition achieved actual (employment) growth. In these cases, the growth more or less 'just happened'. These businesses were in a growing market, required no external finance or substantial up-front investment and faced, at least to date, no serious barriers to growth.

Finally, the case studies demonstrate the complexity of the relationships between SME growth ambition and the actual performance of SMEs.

³⁸ Even a life threatening event reduces growth ambition in some but can increase it others making them more determined to achieve growth.

Conclusions

This study has taken a unique look at the dynamic nature of growth ambition by re-visiting in 2014 503 respondents to the original study from 2012 and tracking the growth outcomes of all 1,250 businesses in the original sample. It has focused on responding to two key research questions:

- How does ambition change over time and what influences this?
- What is the relationship between ambition and business performance?

The study findings demonstrate the complexity of the relationship between ambition, personal circumstances, business experience/events, owner-manager characteristics and business performance.

Key findings

How does ambition change over time and what influences this?

Based on the re-surveying of 503 of the original 1,250 respondents to the 2012 survey, we find that the overall level of ambition has not changed much at all. We found that ambition tended to decline between 2012 and 2014; the proportion of SMEs in the substantive ambition segment declined from 20% to 15% while the number in the low ambition segment increased from 17% to 20%. It should be noted that growth ambition is expected to be lower in the 2014 survey because most of the respondents are three years older as are the businesses. This decline in ambition cannot be taken as meaning that growth ambition has declined in the UK's small business population, but it is an indicator of how ambition changes in a defined cohort of businesses as they move through time.

However, looking beneath these headline figures to examine the movement of individual businesses across ambition category levels, more than one in four businesses (41%) have changed ambition level since 2012. This is an important finding and suggests significant churn in ambition levels.

There is considerable movement into and out of the moderate ambition level whilst very few businesses have shown evidence of significant swings in ambition. Only one in forty (2.4%) have changed their ambition level substantially (i.e. from low ambition to substantial or substantial to low).

There are a number of key factors which are related to change in ambition. When asked what had driven a change in ambition level, the most widely quoted factor for both respondents that increased and reduced their ambition was a change in market conditions (cited by 36% of those whose ambition had increased and by 28% of those whose ambition had decreased). Ownership change is thought to explain the change of ambition in 6% of those who increased their ambition. A deteriorating environment for raising finance accounts for 4% of those who reduced their ambition.

We also examined whether business growth or decline affected ambition among re-surveyed SME leaders. It appears that any effect of business growth/decline is at best

minimal. However, there is a hint that businesses which have grown in terms of employment in the three years (2012-14) are marginally more likely to have reduced ambition.

The cases studies generated further evidence of the drivers of change in ambition, whilst also providing a deeper understanding of the challenge of measuring ambition in the SME business population. We found that changes in growth ambition over a two year period are in most cases marginal and in some cases imperceptible for the owner/manager. Over a more prolonged period greater change can occur. The factors which appear to cause change in a minority of business are;

- Previous business performance.
- Changes in the Business Environment.
- Appearance of Specific Opportunities.
- Changes in Personal Circumstances
- Extent of 'Hassle' associated with managing a growing business.
- Management/Ownership Change.
- A Business Life Threatening Event.

Each of these factors influences a minority of owner managers. Several of them have a positive effect on some and a negative effect on others.

What is the relationship between ambition and business performance?

We tracked the growth and outcomes of all 1,250 businesses from the 2012 survey to provide the largest dataset possible from which to analyse performance. We categorised businesses into three outcome categories (continuing, 'phoenix'/owner change, dead/not trading). Businesses in the continuing and 'phoenix'/owner change categories were then also categorised by their employment performance between 2012 and 2014.

Based on analysis of the weighted data, we only marginal evidence of a statistical relationship between ambition level and employment and sales outcomes.

Employment gains and losses in this cohort were highly concentrated in a few businesses. To be precise, of the 476 businesses making job gains only six per cent provided 75% of all net new jobs. Similarly, of the 535 businesses that reduced employment, only seven per cent were responsible for 75% of all firm-level net job losses.

The analysis of the weighted data suggests important and previously unreported distinction in the relationship between stated ambition and growth between men and women, which accounts in part for the lack of a strong univariate relationship between ambition and realised growth. For men, there is a positive relationship between both

employment and sales growth outcomes and level of ambition, for women this relationship is negative for employment growth and an inverted U shape for sales growth.

Case study evidence indicates that at least some explanation for this unexpected finding is connected to stated ambition being a function of the ambition levels of others in the team, and that this link may operate differently (on average) for male and female SME managers and a differing use of language to describe ambition. The case study evidence also suggests that there is considerable 'noise' or measurement error in our ambition variable, with many respondents showing evidence of revising their ambition levels or adding important caveats to them.

Nevertheless, there are two findings that appear to be robust to different measures of ambition: stated ambition is positively related to subsequent growth for male SME leaders and negatively related to subsequent growth for female leaders, and ambition positively moderates the effect of past sales growth on realised employment growth.

Contribution to the evidence base

This study makes several novel contributions to the international evidence base on ambition and growth. The first is methodological: it combines a quantitative, longitudinal large scale study with 21 case studies that seek to understand the apparent patterns in the quantitative data. By combining these two different research methods, a richer explanation of the link between ambition and growth was possible than if either method was used on its own. For example, the quantitative data can reveal patterns that case respondents might not realise were significant. On the other hand, the case study data can reveal issues of measurement of constructs that might not be obvious from analysing survey data.

Two results that appear to be robust to alternative measures of ambition and that have not been reported in the literature previously can be considered to be significant contributions to the evidence base. The first is that, in the absence of interaction effects involving ambition, stated ambition has, on average, a positive effect for male SME leaders and a negative effect for female SME leaders. The second is that for both male and female SME leaders, ambition has a significant indirect effect on employment growth: the higher the ambition level, the greater the positive effect of prior sales growth on realised growth, on average.

By combining quantitative longitudinal survey data with case study data – a rare combination in the literature on ambition and growth – a possible explanation for these patterns was uncovered, which chimes with the wider literature on ambition and gender.

It is important to emphasise that the performance of the SMEs in the sample did not differ by the sex of the respondent. In addition, when industry sector was controlled for, female respondents were not less likely to report higher levels of ambition than male respondents. What was uncovered was a different relationship between stated ambition level and subsequent growth for male and female respondents.

Our explanation for this requires the understanding that biologically-determined sex differences (male and female) and socially-determined gender differences (masculine and feminine) do not perfectly map on to each other: some men may adopt what are currently

perceived as feminine traits and some women may adopt some masculine traits. While we measured sex rather than gender in this study, our explanation for this sex-based finding focuses more on gender socialization and the expectations that current society has of men and women in general and SME leaders in particular. Thus, sex acts mainly as a somewhat imperfect proxy measure for gender socialization in this study.

The main gender-related explanation for the findings is that the concept of ambition in relation to business growth is itself a gendered one: because most SME leaders are men, the prevailing image of ambition for business growth is a masculine one of “the self-made man”, of competitiveness, and of striving for power and recognition (Harrison et al., 2015). As a result, because the outcomes of growth (in terms of wealth and jobs) are desirable from an economic perspective, it is assumed that ambition for growth along these lines is desirable. But this image of ambition conflicts with societal gender-based norms of femininity (Gupta et al, 2008). As a result, some female SME leaders may feel conflicted when asked to rate their “personal desire for business growth” (Langowitz and Minniti, 2007). Some may, consciously or subconsciously, moderate their stated personal desire for business growth downwards to act feminine, while others may be tempted to behave as “honorary men” and moderate their stated personal desire for growth upwards.

The case evidence in this report adds nuance to the quantitative finding by demonstrating several examples of moderation of stated ambition by female SME leaders, for example the finding that several women reported that they deliberately reduced their desire for growth to offset what they saw as excessively high growth ambition of their (male) business partners. But the quantitative evidence also reveals overall tendencies in the population as a whole that the cases are unable to identify. For example, while case evidence suggested that past growth could cause SME leaders to increase their ambition, perhaps as a result of greater confidence in the market environment, or decrease it, due to achievement of growth goals, the quantitative data told a different story: on average, a combination of recent sales growth and high ambition increases the probability of subsequent growth for both men and women.

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Appendix I - Ambition Typology

Definitions

Substantive growth ambition

The typologies have been developed to assess SME owner/managers' level of ambition in recognition that it is not possible to rely solely on any single question to provide a reliable or robust measure of ambition (e.g. self-assessment of the level of ambition on a scale of 1-10).

Consequently, we developed a series of questions about the strength and scale of ambition designed to provide a level of detail that has not previously been possible to generate in other studies. As such we believe that this is one of the most robust attempts to measure the ambition levels of SME owner/managers in the UK. In order to be categorised as substantively ambitious owner managers must meet **all** of the following criteria:

- Owner/managers intend to grow their organisation over the next three years³⁹ **AND**
- Owner/managers intend to grow their organisation by at least 20% over the next three years in terms of turnover **AND**
- Owner/managers that rate themselves as a '10' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious) **AND**
- Owner/managers that view the ideal size of their business as "significantly larger" in terms of turnover **AND**
- Owner/managers that have a desire to grow their business beyond the point where it provides them with a reasonable living

Requiring respondents to record a score of 10/10 may seem like an extremely strict requirement of the typology that unnecessarily disqualifies seemingly ambitious owner/managers from this category of the typology. However depth interviews with SME owner/managers revealed that those who recorded a score of anything below 10 were unlikely to be planning to grow significantly.

Low growth ambition

There are two qualifying categories for low ambition: those with a low expressed level of ambition (regardless of responses to other questions about ideal size of the SME and so

³⁹ This condition is necessary for entrepreneurs to qualify under the second condition, but it has been included in the typology description because it aligns with the approach taken in other large scale studies such as the BIS Small Business Survey. It is also helpful within the analysis to understand the percentage of SMEs which express an intention to grow in the next three years, rather than simply those that intend to grow by more than 20%.

on) and those with a mix of characteristics which suggest they have the lowest levels of ambition. The data for the low growth ambition typology presented in the report is a summation of these two categories. The categories are as follows:

Category 1

- Owner/managers that rate themselves as a '1-5' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious)

Category 2

- Owner/managers that rate themselves as a '1-7' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious) **AND**
- Owner/managers that do not want to grow their organisation over the next three years **AND**
- Owner/managers that do not desire to grow their business beyond the point where it provides them with a reasonable living **AND**
- Owner/managers that view the ideal size of their business as no higher than "current size" in turnover terms **AND**
- Owner/managers that view the ideal size of their business as no higher than "slightly larger" in terms of turnover.

Moderate growth ambition

- All other owner/managers

The segmentation that has been developed is described in Table 26 below. Note that all **SMEs not meeting the requirements** to be included in either the substantive ambition or low ambition categories **are allocated to the Moderate Ambition category**.

This typology analysis is designed to support a comparison of SMEs that fall into each category, on the basis of key characteristics and behaviours. It is recognised that the most instructive comparison, for the purposes of this study, is between those businesses in the Substantive Ambition category against those in the Low Ambition category. The analysis and results presented throughout this report draw upon this typology to aid the interpretation of the study findings.

Table 26: Typology definitions

| Characteristic | Substantive ambition ⁴⁰ | Low ambition (1) | Low ambition (2) |
|---|--|-------------------|--|
| Do you intend to grow the organisation over the next three years? | Yes | Any ⁴¹ | No |
| Do you plan to grow the organisation by at least 20% over the next three years in terms of turnover? | Yes | Any | No |
| From your personal perspective, what is the ideal size of your business in the long term (beyond the next three years) in terms of turnover? | Significantly larger than its current size | Any | No higher than 'Slightly larger than its current size' |
| How strongly as an individual do you desire business growth now? (rating scale 1 – 10) | 10 | 1-5 inclusive | 1-7 inclusive |
| Do you have an ambition to grow the business beyond a point where it is able to provide you with what you would consider to be a reasonable income? | Yes | Any | No |

Source: TBR 2012

⁴⁰ NB Respondents must provide the relevant required answer to each question to be categorised as substantively ambitious.

⁴¹ The table entry "any" in this column reflects the fact that irrespective of a respondent's answer to these particular questions, they will still be categorised as 'low ambition' because they have rated themselves as five or lower on the scale of ambition out of ten.

Appendix II – Defining and assigning outcomes

The future existence of any business is of course far from guaranteed. Some will grow, others will be voluntarily closed or reshaped, some will be acquired or merged whilst some die off because they are unsustainable. In this study we have sought to ascertain the current status of each of the businesses in our 2012 sample at the time of the 2014 re-survey in order to classify them into outcomes categories. The categories have been selected based on a number of factors, notably: they are supported by data available for almost all of the SMEs that took part in the 2012 survey; and, they provide a useful framework for an examination of performance and, specifically, the relationship between ambition and performance or growth.

One of the difficulties in using business level data and tracking businesses through time is that they do indeed change. Changes in legal status, ownership and corporate structure, the engagement of individuals within the firm, market focus as well as a host of other factors can result in changes which make individual businesses difficult to track over time. For example, some businesses are made up of a number of legal entities which, together, provide the accounting framework for a single business. A company that quarries slate might have a limited company to govern the quarrying activities, another as a trading arm through which manufactured slate products are sold and another to manage tours or other tourist activities associated with visits to the quarry and so on. At some point it might be decided that the benefits in having a separate legal entity for the sale of slate products no longer outweigh the costs and a decision is made to close that legal entity and to simply route the economic value of that activity through a different, pre-existing legal entity. If one imagines that scenario, one can see that, from an enterprise research point of view, it would appear that:

- A business has closed (which would commonly be interpreted as a negative outcome – a ‘failure’).
- The total number of businesses in that ‘group’ has declined.
- A business has grown (probably in terms of both employment and turnover).

However, if one were to interview the owner of that ‘group’ they might suggest that nothing has changed at all with respect to the performance of their ‘business’.

So challenges abound when it comes to understanding change at the individual business level. In order to present a more meaningful analysis of the link between ambition and growth, we have undertaken an extensive process of researching the outcomes of individual businesses. In summary, this has necessitated the following steps:

- Identify, from secondary business data sources, whether the legal entities represented by the 1,250 businesses in 2012 are still in operation. Identify two groups – continuing legal entities and discontinued legal entities.

- For the continuing legal entities, acquire primary and secondary data to check their current trading status and assess their current employment and where possible turnover. Also check whether they have undergone any major ownership change (see below) – either through primary data (for the 503 that responded in 2014) or through online searches for the remainder, with telephone checks where necessary. There are three outcomes for continuing legal entities: grown, stayed the same and declined (based on employment – an investigation of turnover will also be undertaken in the next stage of the study). A small number of businesses were active in legal terms but not currently trading or their trading status was unclear.
- For discontinued legal entities, establish the reason for this based on online research and using business data and directories, with telephone checks where necessary. There are three main potential ‘outcomes’: they have ceased trading, they have been replaced by another legal entity that is effectively the same business being run by the same people (this could be due to restructuring, a takeover or a rescue out of liquidation – i.e. a Phoenix business), or the business or its assets have been bought by a third party, in which case it will be treated as a case of ownership change if the business activities are clearly similar to the previous business.

Where a legal entity has discontinued without insolvency events and evidence suggests that the business activity within the legal entity has been consumed by another business under similar ownership, such businesses have been reclassified as ‘continuing’. Note that some businesses report changes to ownership (e.g. one shareholder has increased their stake, or one of the partners has exited) but in order to be classified as ‘owner change’ the business must have undergone a fundamental change in owner. The term ‘Phoenix’ is reserved for businesses that have undergone insolvency events and been resurrected by one of their previous owners.

Appendix III - Study questionnaire

SME Growth Ambition Survey 2014 – Pilot Questionnaire

Could I speak to <<NAMED CONTACT FROM 2012 RESEARCH>>.

Contact available

Continue

Contact no longer works at business

Goto intro after Q3

Good morning/afternoon, my name is ??? and I'm calling from Qa Research on behalf of The Department for Business Innovation and Skills.

We are undertaking a study of business growth ambition as a follow up to a project from 2012, which you may recall you took part in.

This study is a follow up to that one and we would really like to speak to you again about what has happened in your business since 2012. We would be really grateful if you could spend approximately 15-20 minutes of your time completing the survey.

Yes

Continue or make appointment

No

Goto Q3

Just to reassure you, this interview will be carried out according to the Market Research Society's Code of Conduct. All responses are treated in the strictest confidence, and will only be reported upon in an anonymous format. The call may be recorded for quality purposes. Is that ok?

Q1. Great, can I just check that your job title is still <<job title from 2012>>.

Yes

Continue

No

Record new title

Q2. Can I confirm that you are still someone who is best placed to answer questions about the future plans of the organisation, and someone who has the ability to influence these?

INTERVIEWER: Ensure respondent is not screened out unnecessarily – see briefing notes.

Yes

Goto Q6

No

Goto Q3

Q3. Who would be the best person to speak to about the future plans of the organisation?

Record details and ask to be put through or make appointment.

Goto next section

FOLLOWING SECTION IS FOR NEW CONTACTS NOT INTERVEIWED IN 2012

Good morning/afternoon, my name is ??? I'm calling from Qa Research on behalf of The Department for Business Innovation and Skills.

We are undertaking a study of business growth ambition as a follow up to a project from 2012. Your business was one of over twelve hundred that took part in that study. This study is a follow up to that and we would really like to speak to you about what has happened in your business since 2012.

We would be really grateful if you could spend approximately 15-20 minutes of your time completing the survey. All responses are treated in the strictest confidence, and will only be reported upon in an anonymous format.

INTERVIEWER: If further clarification required:

- **The aim of the survey is to understand levels of ambition for growth amongst firms in the UK and to determine what can be done to help businesses. It is an important opportunity for you to tell Government about issues affecting your firm.**
- **All responses are treated in the strictest confidence, and will only be reported upon in an anonymous format. Would you be willing to participate please?'**

As an independent organisation we can guarantee that all responses are treated in the strictest confidence.

Would you be happy to take part in the survey?

Yes

Continue

No

Thank and close

Q4. Can I confirm that you are someone who is best placed to answer questions about the future plans of the organisation, and someone who has the ability to influence these?

Yes

Continue

No

Go back to Q3

Q5. Can I just confirm some details about yourself?

Name:

Position:

Contact Details: (including direct dial)

Gender DO NOT READ OUT:

Male

Female

ASK ALL

Q6. Can you confirm the address details of the organisation (including the postcode and nation). Interviewer Note – Please read out address from database and change if required.

ADDRESS FROM DATABASE

Section 1: Changes Since Last Survey

I'm interested to know whether there have been any major changes of focus or direction for your business in the last three years.

Q7. Which of the following has your business done? READ OUT

MULTICODE

Made a major change in market focus

Established new strategic goals

Experienced a change in ownership

Undergone a major change in the way you do business

Undergone a change in senior management team

None of the above

Don't know

ASK Q8 IF 'Made a major change in market focus' AT Q7

Q8. Please tell what your new market focus is and how this differs from previously.

CODES OPEN

ASK Q9 IF 'Experienced a change of ownership' AT Q7

Q9. How has your ownership changed?

CODES OPEN

ASK Q10 IF 'Undergone a major change in the way you do business'

AT Q7

Q10. Please tell me what the major change was in the way you do business?

CODES OPEN

ASK Q11 IF 'Undergone a change in senior management team' AT Q7

Q11. Please tell me what the major change was in your senior management team?

CODES OPEN

Section 2: Current business

I'd now like to ask you a few questions about the size and performance of your company.

Q12. How many people are employed by your organisation in <<NATION FROM SAMPLE>>?

INTERVIEWER NOTE: Capture exact number. Only mark band if respondent not able to provide precise number.

CODES OPEN

SINGLECODE

0 (self employed)
1-4
5-9
10-49
50-99
100-249
250+
Don't know

Q13. Can you please tell me the approximate turnover of your business in the past 12 months?

INTERVIEWER NOTE: if necessary, remind respondent that all the information they give us is absolutely confidential; no third party will have access to this info. We can accept an estimate. Prompt with bands if necessary

CODES OPEN

SINGLECODE

Less than £67,000
£67,000 - £99,999
£100,000 - £249,999
£250,000 - £499,999
£500,000 - £999,999
£1m – £1.49m
£1.5m - £2.8m
£2.81m - £4.99m
£5m - £9.99m
£10m - £14.99m
£15m - £24.99m
£25m or more
Don't know
Unwilling to answer

Q14. Approximately what proportion of your turnover comes from exports?

SINGLECODE

0% - Don't export
0.1%-9%
10-24%
25-49%
50-74%
75% or more
Don't know

ASK Q15a IF '0% - Don't export' AT Q14, OTHERS GOTO Q15b

Q15a. Is there any prospect of your business exporting in the future?

SINGLECODE

Yes

No

Don't know

ASK Q15b IF EXPORT AT Q14, OTHERS GOTO Q16

Q15b. Is there any prospect of your business growing its exports in the future?

SINGLECODE

Yes

No

Don't know

ASK ALL

Q16. Has your business grown, declined or stayed the same over the past three years in terms of;

SINGLECODE

Grown

Declined

Stayed the same

Don't know

LOOP – RANDOMISE ORDER

Employment

Turnover

Profit

(IF EXPORT AT Q15a) Exports

Market share

Company profile and reputation

Number of companies or branches in your organisational structure

Q17. And what key factors have driven the performance of your company in the past three years? DO NOT READ OUT

MULTICODE

Market conditions have changed
Top management team has changed
Ownership of the company has changed
New staff have joined the team
Environment for raising finance has changed
New products/services have been launched
Partnerships, collaborations and joint ventures have changed
A new strategy or business plan has been launched
A major opportunity has come about
Attitude to risk has changed
Changes to the amount of time respondent has spent working on or in the business
Other (WRITE IN)
None
Don't know

Q18. How would you describe the ownership structure of your organisation? READ OUT

SINGLECODE

Sole proprietor or partnership
Privately owned
Public limited
Equity investor-owned
Social enterprise, community interest company or cooperative
Other (WRITE IN)
Don't know

Q19. Is your business a family owned business, that is one which is majority owned by members of the same family?

SINGLECODE

Yes
No
Don't know

Q20a. In total, how many people owned this business at the beginning of 2012?

NUMERIC RESPONSE

Q20b. And how many own the business now?

NUMERIC RESPONSE

Q21a. How many people were in the senior management team at the beginning of 2012?

NUMERIC RESPONSE

Q21b. And how many are there now?

NUMERIC RESPONSE

Q21c. How many members of the senior management team were also owners of the business at the beginning of 2012?

NUMERIC RESPONSE

Q21d. And how many are now?

NUMERIC RESPONSE

Q22. How many, if any, new businesses has your company established in the last three years?

NUMERIC RESPONSE

None
Don't know

Q23. How many, if any, new businesses have you personally established in the last three years?

NUMERIC RESPONSE

None
Don't know

ASK Q24 IF ONE OR MORE AT Q23, OTHERS GOTO Q25

Q24a. How many of these were NOT owned in whole or in part by the business?

NUMERIC RESPONSE

None
Don't know

Section 3: – Growth ambition

This section asks about how you view growth, your personal desire for business growth and how this relates to the aims of your organisation.

Q24b. What do you see as the primary measure of the size of a business? DO NOT READ OUT

INTERVIEWER NOTE: No need to read out - prompt if necessary though - respondent is only able to select one measure.

SINGLECODE

Market share

Employment

Turnover

Profit

Company profile/reputation

Number of acquisitions

Other (WRITE IN)

Don't know

Q25. From your personal perspective, what is the ideal size of your business in the long term –i.e. beyond the next three years – in terms of the following...READ OUT

SINGLECODE

Significantly larger than its current size

Slightly larger than its current size

It is currently the ideal size

Slightly smaller than its current size

Significantly smaller than its current size

LOOP - DO NOT RANDOMISE

Employment

Turnover

<<ANSWER AT Q24 IF NOT TURNOVER OR EMPLOYMENT>>

Q26. On a scale of 1-10 (with 1 being not at all and 10 being very strongly), how strongly do you as an individual desire business growth now?)

SINGLECODE

- 1-Not at all
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 – Very strongly

Q27a. Which of the following are important in terms of influencing your personal desire for 'growth' in your business? Please rate the importance factors on a scale of 1-5 (where 1 is not important at all, and 5 is very important) [READ OUT]

SINGLECODE

- 1 – Not at all important
- 2
- 3
- 4
- 5 – Very important

LOOP

- Willingness to take risks
- Confidence in own ability
- Desire to improve work life balance
- Desire to earn a higher salary
- Desire to be seen as a success

Q27b. Do you have a desire to grow the organisation BEYOND the point where it is able to provide you with what you would define as a reasonable living?

SINGLECODE

- Yes
- No

ASK Q27c IF 'No' AT Q27b, OTHERS GOTO Q28

Q27c. Why is that?

CODES OPEN

ASK ALL

As well as your personal ambition we are also interested in the ambition in your company.

Q28. On a scale of 1-10 (with 1 being not at all and 10 being very strongly), how focused and driven towards business growth is the ethos of the organisation you own/lead/manage NOW?

SINGLECODE

1-Not at all

2

3

4

5

6

7

8

9

10 – Very strongly

Q29. During the last three years has the business experienced any of the following events? READ OUT

MULTICODE

A business crisis that threatened the existence of the business

Rejection of an application for finance (e.g. a bank loan/overdraft, government finance)

Major changes in management personnel

Departure of key team members

A major problem of customer late payment of invoices or bad debt

A serious staff shortage

Significant changes in the market for your goods/services

Problems with your premises

Emergence of a dominant player in your market

A major event in the personal life of one of the management team

Another significant event (WRITE IN)

None

Don't know

Q30. In the past three years, have you personally or the business acquired or sought to acquire or invested in any other business?

SINGLECODE

Yes

No

Don't know

Q31. Have you taken any active steps over the past three years to help the organisation to grow?

SINGLECODE

Yes

No

Don't know

Section 4: – Management/Skills

Q32. How do you rate your personal management and leadership skills compared to people in similar positions in other businesses? READ OUT

SINGLECODE

Much weaker

Weaker

Same

Stronger

Much Stronger

Don't know

Q33. In the past 3 years, has the business done any of the following...READ OUT

SINGLECODE

Yes

No

Don't know

LOOP – RANDOMISE ORDER

Invested in management or leadership training

Arranged or funded any formal off-the-job training for employees (excluding yourself)

Q34. In the past 3 years, have you personally done any of the following...READ OUT

SINGLECODE

Yes

No

Don't know

LOOP – RANDOMISE ORDER

Taken any strategic advice about running your business

Used a business mentor –that is somebody with business experience who supports you through the development and running of the business

Been involved in any formal off-the-job or formal on-the-job training or development

Section 5: – Investment and productivity

Q35. Over the last three years have you made a major investment in the company?

SINGLECODE

Yes

No

Don't know

ASK Q36 IF 'Yes' AT Q35, OTHERS GOTO Q37

Q36. How was this investment financed? READ OUT

MULTICODE

Equity from existing owners

Equity from new owners

Debt from individuals

Debt from financial institutions

Debt from non-financial businesses

Grant aid

Another source (WRITE IN)

Prefer not to say

Don't know

ASK ALL

Q37. Compared to three years ago, would you say that your business is ...? READ OUT

SINGLECODE

A lot more efficient

A little more efficient

A little less efficient

A lot less efficient

About the same

Don't know

Section 6: Innovation

Q38a. Has the business introduced any new or significantly improved products or services over the past three years? Please exclude the simple resale of new products and changes of a solely aesthetic nature.

SINGLECODE

Yes

No

Don't know

ASK Q38b IF 'Yes' AT Q38a, OTHERS GOTO Q39a

Q38b. Were these significantly improved products or services... READ OUT?

SINGLECODE

New to your business only

New to your industry or market

Completely new to the world

Don't know

Q39a. Has the business introduced any new or significantly improved production or distribution processes over the past three years?

SINGLECODE

Yes

No

Don't know

ASK Q39b IF 'Yes' AT Q39a, OTHERS GOTO Q40

Q39b. Were these... READ OUT?

SINGLECODE

New to your business only

New to your industry or market

Completely new to the world

Don't know

ASK ALL

Q40. Over the past three years has your business undertaken any innovation activities that did not result in product or process innovation because the activities were abandoned or because they are still ongoing? PROBE

MULTICODE

Yes – abandoned

Yes - ongoing

No

Don't know

Section 7: Planned Behaviour

Q41. Do you intend to grow the organisation over the next three years?

SINGLECODE

Yes

No

Q42. Do you plan to grow the organisation by at least 20% over the next three years in terms of...READ OUT

INTERVIEWER: If yes by at least 20% ask if it will be over 50% and code as appropriate

SINGLECODE

Yes by at least 20%

Yes and by over 50%

No

LOOP

Employment

Turnover

Q43. Are you intending as an individual to set up any new businesses in the next three years?

SINGLECODE

Yes

No

Unsure

ICT – WE NEED TO ALLOCATE EACH RESPONDENT TO ONE OF THREE GROUPS BASED ON THEIR RESPONSES. THIS WILL THEN NEED TO BE COMPARED TO THE GROUP THEY WERE ALLOCATED TO IN 2012 USING THE SAME DEFINITIONS.

IF THIS IS THEN DIFFERENT ASK Q44, OTHERS ASK Q45.

HIGH

IF (Q41 = 1 & (Q42_2 = 1 | Q42_2 = 2) & Q26 = 10 & Q25_2 = 1 & Q27b = 1)

LOW

IF (Q26 <= 5) OR

IF (Q26 <= 7 & Q41 = 2 & Q27b = 2 & (Q25_2 = 2 | Q25_2 = 3 | Q25_2 = 4 | Q25_2 = 5))

MODERATE

ALL OTHERS

For comparison, this is the equivalent 2012 definition:

HIGH

IF (Q33 = 1 & (Q35_2 = 1 | Q35_2 = 2) & Q14A = 10 & Q13_2 = 1 & Q22B = 1)

LOW

IF (Q14A <= 5)OR

IF (Q14A <= 7 & Q33 = 2 & Q22B = 2 & (Q13_2 = 2 | Q13_2 = 3 | Q13_2 = 4 | Q13_2 = 5))

MODERATE

ALL OTHERS

| 2012 | 2014 |
|------------------|------------------|
| Q13_2 (Turnover) | Q25_2 (Turnover) |
| Q14a | Q26 |
| Q22b | Q27b |
| Q33 | Q41 |
| Q35_2 (Turnover) | Q42_2 (Turnover) |

ASK Q44a IF GROWTH AMBITION SECTOR HAS CHANGED BETWEEN 2012 AND 2014, OTHERS GOTO Q44b

Q44a. Using responses to the survey in 2012 and 2014, we can classify your business as having <<SECTOR FROM 2012>> growth ambition in 2012 and <<SECTOR FROM 2014>> growth ambition in 2014. What would you say are the key factors that explain this change? DO NOT READ OUT

MULTICODE

- Market conditions have changed
- Respondent's personal circumstances have changed
- The top management team has changed
- Changes to the ownership of the company
- New staff have joined the team
- The environment for raising money has changed
- New products/services have been launched
- Partnerships, collaborations and joint ventures have changed
- There has been no change in desire for growth
- Other (WRITE IN)
- Don't know

ASK Q44b IF GROWTH AMBITION SECTOR HAS NOT CHANGED BETWEEN 2012 AND 2014 OR NEW RESPONDENT

Q44b. Do you perceive that your personal desire to grow the business has changed since the start of 2012?

- Yes
- No
- Don't know

ASK Q44c IF 'Yes' AT Q44b, OTHERS GOTO Q45

Q44c. What would you say are the key factors that explain this change? DO NOT READ OUT

MULTICODE

- Market conditions have changed
- Respondent's personal circumstances have changed
- The top management team has changed
- Changes to the ownership of the company
- New staff have joined the team
- The environment for raising money has changed
- New products/services have been launched
- Partnerships, collaborations and joint ventures have changed
- There has been no change in desire for growth
- Other (WRITE IN)
- Don't know

Section 8: New respondents

IF NEW RESPONDENT AND NOT INTERVIEWED IN 2012 ASK Q45-Q48. OTHERS GOTO Q49

Q45. How did you attain your current position within the organisation? DO NOT READ OUT - PROBE

SINGLECODE

Inherited the business

Founded the business

Bought the business

Recruited into the business

Promoted from within the businesses

Other (please specify)

Don't know

Q46. What is your age?

CODES OPEN

Q47a. Do you have any of the following individuals dependent on your income? READ OUT

MULTICODE

Partner/spouse

Children

Other family members

Someone else (WRITE IN)

Prefer not to say

Don't know

ASK Q47b if 'Children' AT Q47a, OTHERS GOTO Q48.

Q47b. How many children do you have?

CODES OPEN

ASK ALL

Q48. What is the highest level of qualification you have? DO NOT READ OUT - PROBE

PHD

Masters degree or other postgraduate qualification

Bachelors Degree

Foundation Degree

Vocational Qualifications (please specify level)

A-levels/AS-levels/GCE/Highers

GCSEs/O-levels/Standard Grade

Other (please specify)

Don't know

None

ASK ALL

Q49. Please could you provide an indication of your annual income?

£0 (respondent draws no income from the business)

£1-19,999k

£20,000-34,999k

£35,000-49,999k

£50,000-74,999k

£75-99,999k

£100k-249,999k

£250k+

Prefer not to answer

Q50. And is this income entirely from the business that we have been discussing?

SINGLECODE

Yes

No

Don't know

Q51. Thank you very much for your time today. The Department for Business Innovation and Skills may want to carry out further research in the future. Would you be willing to help with that research?

Yes

No

Interviewer note: double check contact details have been entered correctly at start of questionnaire.

ASK Q52 IF 'Yes' AT Q51, OTHERS GOTO Q53

Q52. We are looking to speak to a small number of businesses in more depth about the subjects we have discussed today. Would you be happy to be a case study business? It would involve having a conversation in the next few weeks with our research partners TBR who are helping us to deliver this work for BIS.

Yes

No

INTERVIEWER NOTE (READ OUT IF YES): Thank you. One of our colleagues from TBR may be in touch with you again in the next few weeks to arrange a mutually convenient time to discuss some of these things in more detail.

ASK ALL

Q53. BIS may wish to anonymously link your responses to other information that you have provided previously to the Government. The data will be used for research purposes only and the confidentiality of your information will not be compromised. It will only be used in aggregate analysis and will not be used to identify individual business responses. Do you give your consent for BIS to do this?

Yes

No

Thank and close

ICT – Record interview length

Appendix IV – Univariate analysis of ambition, growth and key characteristics

Existing evidence often suggests that growth ambition as a determinant of growth is more significant when interpreted in combination with one or more other determinants of growth. Alone, growth ambition might be an indicator of future business performance. This fundamental premise is discussed earlier in this section. For convenience, the second column of Table 27 through Table 31 confirms this; the performance between 2012 and 2014 of firms with high ambition in 2012 is slightly superior to the overall sample. A greater proportion grew (41% against 38%), and marginally smaller proportions stayed the same (15% against 17%) and declined (35% against 36%).

In this section, we consider firms with high ambition in 2012 and combine this with a series of independent variables. In Table 27 through Table 31, we compare the distribution of firms across different performance levels achieved between 2012 and 2014. The second and third columns remain the same in each table, differentiating between the overall survey sample and those that exhibited high growth ambition in 2012.

Table 27 introduces the level of education of the respondent. The two hypotheses were firstly to explore whether firms with owners/proprietors that have undertaken higher education do or do not outperform the overall sample. Secondly, to explore whether business performance was or was not further improved by those which combined higher education with high ambition. The fourth column of Table 27 profiles those respondents that have undertaken higher education. The growth profile of firms in this category is more polarised than the overall sample; a greater proportion of firms both grew and declined, although a lesser proportion closed.

The final column restricts the firms to those whose owners/proprietors have undertaken higher education and exhibited high growth ambition in 2012. The proportion of this group to have achieved growth (46%) is appreciably higher than the overall sample (38%), those who exhibited high growth ambition (41%) and those whose owners/proprietors had undertaken higher education (41%).

We conclude that firms that exhibited high growth ambition in 2012 and whose owner/proprietor had undertaken higher education were more likely to achieve growth. Firms in this category were more likely to achieve growth than the overall sample and also more likely than firms exhibiting either one of but not both of those characteristics.

Table 27: Effects on SME growth of higher education combined with high ambition

| Business performance | All SMEs (%) | SMEs with high ambition (%) | SMEs with higher education (%) | SMEs with high ambition and higher education (%) |
|----------------------|--------------|-----------------------------|--------------------------------|--|
| Grown | 38 | 41 | 41 | 46 |
| Stayed same | 17 | 15 | 14 | 14 |
| Declined | 36 | 35 | 38 | 37 |
| Closed | 8 | 10 | 6 | 3 |

Source: TBR/University of Strathclyde 2015
Base; 2012 survey, 945 firms

However, it is also possible that apparent premium offered by having undertaken higher education is unwittingly influenced by a cohort effect within the data. Respondents to the survey were drawn from a full spectrum of ages. Assuming that each age range was broadly reflective of overall distribution in the UK, higher proportions of younger age groups will have been to university. Restricting the data presented in Table 27 to those aged under 50 has very little impact on the growth profile of SMEs whose owners/proprietors have accessed higher education. However, the combined effect of high ambition and higher education was much weaker; the proportion of firms that grew fell to 42% and the proportion that declined increased to 44%.

An alternative characteristic to explore is the level of financial resource held by the respondent. Table 28 uses income as the most appropriate measurement of resource available within the data generated for this project; ideally an assessment of resource would extend to encompass assets, such as property, investments, shareholdings, and savings.

Analysing the performance of firms where the respondent's annual income exceeded £75,000 reveals limited deviation from the overall sample (Table 28, fourth column); although a greater proportion of firms meeting this criterion actually declined between 2012 and 2014, a similar proportion grew, remained the same size, or closed. When the group is restricted to those who achieved the income level and exhibited high ambition in 2012 (Table 28, final column), the profile of growth is inferior to those firms who exhibited high ambition alone and, to a lesser extent, to the overall sample. We can conclude that an annual income that exceeds £75,000 is not positively correlated with business growth and that combining this with high ambition only partially offsets this phenomenon.

Table 28: Effects on SME growth of higher resources combined with high ambition

| Firm performance | All SMEs (%) | SMEs with high ambition (%) | Respondents with income >£75kpa (%) | High ambition combined with high income (%) |
|------------------|--------------|-----------------------------|-------------------------------------|---|
| Grown | 38 | 41 | 37 | 38 |
| Stayed same | 17 | 15 | 16 | 14 |
| Declined | 36 | 35 | 41 | 38 |
| Closed | 8 | 10 | 6 | 10 |

Source: TBR/University of Strathclyde 2015

Base; 2012 survey, 945 firms

Reducing the annual income threshold to £50,000 produces slightly different results. The profile of business growth is polarised, relative to the overall sample and SMEs with high ambition, with a greater proportion both growing and declining. In this case, restricting the group to firms that achieved the £50k income level and exhibited high ambition produces a growth profile that is inferior to each variable taken alone, and the overall sample.

The age of the respondent is a further characteristic to combine with ambition. Table 29 presents data on the firms for whom the respondents were aged over 50. The fourth column demonstrates that the growth profile of firms that match this single restriction is almost identical to the overall sample, and slightly more stable than those firms who exhibited high ambition in 2012 (slightly more firms stayed the same size, slightly fewer closed or grew). However, combining these two indicators (Table 29, fifth column) produces a markedly different profile. A greater proportion of firms (47%) grew and a lesser proportion of firms (28%) declined, relative to the overall sample and either of the characteristics taken individually. This presents strong evidence that those aged over 50 with high ambition for business growth are capable of achieving that growth.

Table 29: Effects on SME growth of age combined with high ambition

| Business performance | All SMEs (%) | SMEs with high ambition (%) | Respondent aged over 50 (%) | High ambition combined with aged over 50 (%) |
|----------------------|--------------|-----------------------------|-----------------------------|--|
| Grown | 38 | 41 | 39 | 47 |
| Stayed same | 17 | 15 | 18 | 14 |
| Declined | 36 | 35 | 35 | 28 |
| Closed | 8 | 10 | 8 | 11 |
| % of all SMEs | 100 | 100 | 100 | 100 |

Source: TBR/University of Strathclyde 2015

Base; 2012 survey, 945 firms

Gender is the final characteristic that is combined with ambition and analysed. Table 30 considers female respondents to the survey and Table 31 considers male respondents to the survey. The fourth column of Table 30 demonstrates that the growth profile of firms for whom the survey respondent was female was slightly superior to the overall sample, and

very similar to the group that exhibited high ambition in 2012. When the group is restricted to female respondents that exhibited high growth ambition in 2012, the growth profile noticeably deteriorates; although the proportion of firms in this group that stayed the same or declined remains similar to the overall sample, the proportion that closed is noticeably greater, and the proportion that grew is noticeably lesser. This suggests that females that exhibited high ambition in 2012 represented a damaging combination, as each indicator in isolation produced a very limited deviation from the overall sample.

Table 30: Effects on SME growth of gender combined with high ambition - females

| Business performance | All SMEs (%) | SMEs with high ambition (%) | Respondent female (%) | High ambition combined with female (%) |
|----------------------|--------------|-----------------------------|-----------------------|--|
| Grown | 38 | 41 | 41 | 32 |
| Stayed same | 17 | 15 | 17 | 18 |
| Declined | 36 | 35 | 34 | 36 |
| Closed | 8 | 10 | 8 | 11 |

Source: TBR/University of Strathclyde 2015
Base; 2012 survey, 945 firms

Table 31 presents the same approach to analysing the impact of gender, but this time restricts the respondents to males. The fourth column of Table 31 demonstrates that the growth profile of firms for whom the survey respondent was male was almost identical to the overall sample, and slightly inferior to the group that exhibited high ambition in 2012. In contrast to the female group, once the group is restricted to those who exhibited high ambition in 2012 combined with the respondent being male, the growth profile noticeably improves. The proportion of firms that grew is greater than the overall sample and the sample restricted to males, and marginally greater than those firms that exhibited high ambition in 2012, while a slightly lesser proportion of firms either stayed the same or declined. Therefore, male respondents who exhibited high ambition in 2012 were more likely to achieve growth than males overall, but only marginally more likely to achieve growth than firms with high ambition in 2012 irrespective of the gender of the respondent.

Table 31: Effects on SME growth of gender combined with high ambition - males

| Business performance | All SMEs (%) | SMEs with high ambition (%) | Respondent male (%) | High ambition combined with male (%) |
|----------------------|--------------|-----------------------------|---------------------|--------------------------------------|
| Grown | 38 | 41 | 37 | 43 |
| Stayed same | 17 | 15 | 17 | 14 |
| Declined | 36 | 35 | 37 | 34 |
| Closed | 8 | 10 | 8 | 9 |

Source: TBR/University of Strathclyde 2015
Base; 2012 survey, 945 firms

Appendix V – Analysis of change in businesses displaying largest changes in ambition (based on survey responses)

Box 1 – A substantial *increase* in ambition (from low to substantive ambition category)

Company 3. This is a small firm with 11 employees which is now smaller than 3 years ago (in terms of employment, sales and profits). This was a new respondent - the previous one has left the firm.

The company faced a crisis which threatened its existence. The current owner/manager, who previously worked in the business, bought the company. The previous management left the firm (sacked). Combined with this change in ownership and management there has been a substantial change in market conditions.

Company 8. This is a small firm with 8 employees. Compared to 3 years ago, employment has been stable but both turnover and profit have grown. This was a new respondent: the previous one has left the company.

The new respondent bought the business. Consequently the major issue has been a change in ownership and senior management. This has been combined with a change in market opportunities with the firm giving greater attention to on-line trading. Seeking to exploit these opportunities has not been problem free (applications for finance have been rejected).

Company 12. With 50 employees, both sales and profits have increased over the past 3 years but employment has declined. This was a new respondent: the previous one (who was the senior manager) has moved out of the firm.

The only other factor identified as a reason for the increase in ambition (i.e. beyond change in senior management) was market conditions. In seeking to realise the increased growth ambition, problems with local planning were identified as an issue.

Box 2 – A substantial *decrease* in ambition (from substantive to low ambition category)

Company 1. This is a new business with the same owner and the same respondent as in the previous survey. It employs just 1 and is smaller (employment, sales and profit) than 3 years ago.

Over the past three years the business (presumably the previous one) faced a life threatening crisis and some senior management left and market conditions have changed. The owner/manager is put off seeking to grow by the headaches involved in employing and recruiting more staff. Over the past three years the firm has experienced serious staff shortages. New legislation was also noted as an issue.

Company 2. With 2 employees it is a micro-business. Employment, turnover and profit are unchanged compared to three years ago.

Apart from some problems of gaining planning permission, there appear no obvious reasons for the decline in ambition. It seems to be based on a logical analysis of the business which had achieved its 2014 objectives and it was believed there was little room to go further.

Company 4. It employs 90. While sales have grown, employment and profits are unchanged since three years ago.

Box 2 – A substantial *decrease* in ambition (from substantive to low ambition category)

Over the past three years the firm has experienced several events (a change in senior management, a serious problem with an important customer and changes in market conditions) which could have affected ambition along with some difficulties seen as arising from legislative change and a major event in the respondent's private life. However it was also noted that the firm had met its planned changes and was now at its optimum size. Further growth would create too many headaches.

Company 5. This company employs five. Employment, sales and profits are the same as 3 years ago.

Despite the evidence of the respondent's previous and current survey answers, the respondent does not perceive any decline in ambition. The firm does not appear to have experienced any events which might account for a decline. The reason for not seeking to grow is that it is believed that growth would adversely affect the firm's reputation.

Company 6. This company employs 140 and has grown on all 3 measures of employment, sales and profit.

In the last three years the firm has had a major problem with an important customer and an application for finance rejected. In addition further growth does not appear realistic because of size constraints arising from the size of their premises.

Company 7. This was a new respondent who had been recruited into the company ⁴²(the previous one had left the company). It employs 58. While employment has stayed the same, both sales and profit have declined from 3 years ago.

In the past three years the firm had experienced a life threatening event (it appears to have been a problem with a major customer) and market conditions are still very depressed (in Northern Ireland).

Company 9. In the past three years the firm has made significant changes with a move to use subcontractors so that it no longer has many employees (3). Consequently, employment has declined while sales and profits have remained unchanged.

It does not appear to have experienced any significant events which could adversely affect ambition. The firm had tried to grow but have decided it is not a goer. Explaining this it was commented 'To be honest planners stopped it and we had not got the energy to fight them anymore.' The fight does not seem worth the effort since the view is that 'we are not going on for ever'.

Company 10. With 4 employees it has declined (employment, sales and profit) compared to 3 years ago.

The firm now has an explicit policy to remain small. This new policy seems to reflect problems with a major customer, a life threatening experience for the firm, difficulties with raising credit and worsening demand because of the continuing recession in their small town location. In addition the respondent had experienced a major event in his private life in the recent past.

Company 11. It employs 3. While employment has not changed, sales and profit have declined.

In addition to a crisis in the respondent's personal life, the firm had experienced serious difficulties with premises, a life threatening event for the business and serious problems with the local bureaucracy which he commented have 'killed my ambition for the business'.

⁴² It is worth noting that the previous study found that, on average, SME management recruited from outside had low ambition compared to owners and management promoted from within the company.

Appendix VI – Case study descriptions (anonymised)

Case Study 1 - An ambitious hotel owner with no growth ambition for the hotel

The owner would like to develop and run a more successful and larger hotel. Despite having been proactive in seeking to grow the business (investment in improvements, changing market focus) this business has not, and he believes, cannot grow. He believes over heavy and unnecessary local authority regulation has and will continue to stop expansion and the ability to reap the benefits of the recent investment. Combined with a declining market, his growth ambition for this business is at rock bottom; (nil in the 2014 survey). He is in the process of selling the hotel. However, he remains ambitious more generally and is in the process of buying a hotel in Portugal which he believes offers growth opportunities.

Case Study 2 - A visitor attraction with fluctuating business growth ambition

This is a mature visitor attraction business with around 50 employees set up by a husband and wife team. The husband is highly ambitious for growth; the wife much less so. She acts as a restraining influence by ensuring the implications of decisions are well thought through. Growth ambition has fluctuated with circumstances, events and the state of the market. From having high growth ambition it declined in the few years prior to 2012 to move it into our Low ambition classification in 2012 and 2014. This reflected declining demand and a serious event with serious reputational implications. However over the past couple of years growth ambition has begun to increase as demand has picked up, an expansion opportunity (the purchase of adjacent land) has come along and the recruitment of new management has energized the original funders and rekindled their growth ambition. This has been further encouraged by approaching retirement with the need for succession planning. The aim is to build its sale value. While employment has remained static at around 50, both turnover and profitability have grown rapidly over the last two years.

Case Study 3 - An ambitious individual who developed substantial SME growth ambition later in life

The founder has always been a highly ambitious individual (but not for Small business growth). Having completed a degree, he spent most of his career in project management for two large organisations taking early retirement (for family reasons) as a Senior Vice President of a multinational enterprise in his 50s. He had risen to senior positions at a young age and had always seen himself as a 'high flyer'. After a few months of retirement he became bored and wanted something with some responsibility and interest to do. He became a self-employed consultant (in 2000) initially with most work coming from his former employer. Up to this point he had never thought about setting up his own business. However, given his reputation and contacts in the industry, work from local engineering companies just built up without any major effort. In the early years he had no thoughts or

intentions of deliberately growing the business. However, as work built up he adopted a company format and began developing an interest in its growth. The company undertakes electrical maintenance for large companies in, for example, the engineering and chemicals sectors. In 2012 it had 5 employees; based on responses to the survey he was in the Medium ambition category.

Growth began to take off in 2013. He teamed up with a long established fabrication company to bid for a major project (which will take around four years to complete). Against stiff opposition from international companies, they won it. This has necessitated rapid expansion; the company now has 10 employees and is seeking to recruit more. The project now accounts for around 50% of turnover; local engineering firms still account for most of the rest. The recent expansion has involved much hard work and determination to overcome some serious problems. Despite having won the contract, external finance for its implementation could not be found. Eventually a deal with the long established partner was negotiated which provided upfront payment of the contract fees. Recruiting appropriately qualified technical staff is proving problematic. Finally, a key member of staff is no longer involved because of ill health; this is necessitating much additional work for the founder.

In the 2014 survey the founder was classified with Substantial growth ambition. While the increase in growth ambition is marginal (a small change in his response to one of the segmentation criteria), the interview illustrated that the increase is real. He feels further growth is now necessary just to keep his local customers happy. He feels almost a moral obligation to do a good job for them. He would now go for another major project if the opportunity arose. He is now in negotiation to partner with a global European firm which could bring in many more projects around the world. However, growth ambition is bounded in that growth would not be pursued if it necessitated too much overseas travel (something he did too much of in his previous career). Nor would he take too much risk in seeking to grow the business and is not interested in trying to grow the business for the sake of having a larger business. His commitment to the business and his growth ambition are not driven by the need for, or wanting, personal income. Rather, it is interest, a need for responsibility and the creation of employment for the local community. He has a need for achievement and likes his achievements to be recognised.

He is now well past the official retirement age, but has no intentions as yet of retiring (despite family pressure to do so). In the longer term the idea (being developed with a large local engineering firm) is to integrate the company as a subsidiary of this large engineering firm. The intention is that it would do the in-house electrical maintenance work while retaining the ability and freedom to bid for external contracts. While gradually winding down his workload, he would remain to manage 'his' company as a new subsidiary.

Case Study 4 - An accidental growth entrepreneur with little growth ambition

This business was set up in 1997 when the CEO decided to work from home as a self-employed bookkeeper doing work mainly for her former employer. At the time she had no growth ambition. However, initially through people she knew in small local organizations, work just came in. With increasing demand from the growing number of small start-up businesses the business began to more or less grow itself. Gradually, additional services

for small firms (e.g. accounting, payroll and advisory services) were added. To ease the pressure on the founder of doing the increasing amount of work, family members were taken on as employees. In 2005 having become a company, it moved from the founder's home into formal offices. This enabled continued expansion and in 2013 it moved again into larger offices. It now has 20 employees. This is despite a continuing reluctance to take on workers. However, it has been necessary to do so to undertake the increasing workload. Company growth and taking on more employees was seen as the path of least resistance. No major barriers or constraints have had to be overcome in the growth process. External finance or upfront investment has not been required. While involving hard work, growth has been relatively easy. The CEO still has no growth ambition and is considering ways to either downsize or exit from the business.

Case Study 5 - An entrepreneur with substantial growth ambition but apparently little employment growth

This entrepreneur is a highly ambitious individual who aimed to reach at least director level in a large company. However, having reached it, he discovered there was little security and that it was not all that he had hoped for. In part to take greater control over his own life, he began thinking about setting up his own company and searching for a business idea. His first two ideas did not prove feasible. However, he was then introduced (via his personal business network) to someone looking for a product to manufacture for a company he had previously sold but had repurchased when it subsequently went into liquidation. This individual eventually became his 'partner'. Together they spent over a year exploring and developing medical clothing products for the NHS. The product they developed was an improvement on one which already existed in the market. Its improvement is that it contributed more to the treatment of various skin disorders, by introducing a fashion element is more attractive to patients to use (which further improves its medical effectiveness) and was longer lasting. While in the longer term, it is argued, this reduces costs to the NHS, it is slightly more expensive to produce and consequently has a slightly higher price.

Having developed the product our ambitious individual set up his own company in 2009 to market the product and design further medical clothing products. The arrangement is that while he does the design and marketing, his partner's company does the manufacturing. His partner bore most of the cost of product design and development. The plan is to eventually merge the two businesses when he has paid off his share of the cost of product design. In 2012 the design/marketing company was a one man band. It has currently grown to three employees. However, combined the two companies now have sales of over £2m pa with 20 employees. But growth now seems to have reached a plateau. The product has been certified by the NHS. However it is difficult for their product to compete on a cost basis. Furthermore, demand could potentially disappear overnight if a major review being undertaken by the NHS comes out against silk based products (their product, in contrast to their large company competitors, is based on silk to give it its medical superiority).

Even if the review accepts silk products as value for money, he recognises that at best the UK NHS will support only limited growth. Consequently, an international sales director has recently been appointed to sell into overseas health markets (which they perceive as having procurement policies with a longer term perspective). He is also developing products for the veterinary market (which are mostly private and less regulated) and none

prescription medical clothing which can be sold retail. In preparation for the retail market, joint ventures have been set up to develop a brand and an on-line retail outlet. He aims to be more or less out of the NHS market within the next 10 years.

In both 2012 and 2014 he was classified as having Substantial growth ambition. The interview confirmed that he is very ambitious for growth. As he says he wants his company to dominate the world in its products. However, he will not bet the business in seeking to grow. After all, a major reason for setting it up was to give himself greater security from the threat of organisational restructuring and redundancy. He explicitly recognises that his growth ambitions must be realistic, achievable and based on sound analysis.

Case Study 6 - A small mortgage broker thinking about greener grass

This is a small mortgage brokerage business classified as having low growth ambition which is thinking about exiting the market and becoming an estate agent. Responding to the state of the market, employment in the business has fluctuated between two and six. Reflecting the difficulties experienced in seeking to grow the business, initial substantial growth ambition has declined. The difficulties encountered have included increasing costs due to increasing regulation (perceived to be unnecessarily onerous with a disproportionate impact on small firms) and changes in the structure of the industry. There is no ambition to grow this business. Based on experience it is believed this is not possible. However, the two partners have an underlying business growth ambition as reflected in their plans to exit the industry and set up a new estate agency

Case Study 7 - A small insurance broker with low ambition but past growth

With 17 employees in 2012, this is an insurance broker which was in the Low ambition category in 2012 but had Moderate growth ambition in 2014. This increase was attributed to improving market conditions. However, while the intention was to increase turnover, there was no appetite for taking on more staff (in part because of the training costs now required by what he saw as disproportionate regulation). Beyond some increase in turnover, further additional growth was definitely not wanted. The feeling was that such growth was difficult to control, could adversely affect the quality of the service provided and put the company seriously at risk. Similar firms in the industry which had grown rapidly had lost control and began making mistakes which can be fatal in the insurance industry. Based on his analysis of the market and the risks involved in growth for this business, the CEO had essentially little ambition for growth in this business. Nevertheless, he appears to be both enterprising and ambitious (for both success and income) as illustrated by his involvement and investment in another business which is unusual, high risk but potentially with high returns.

Case Study 8 - A growing consultancy with ambition for further growth

Set up in 2011 by two founders, this environmental consultancy has expanded steadily every year and now employs 13. The founders had and continue to have substantial growth ambition. Growth has been driven by growing demand from the construction industry. Turnover is now around £1m pa and they are now targeting a turnover of £3.5m; they have invested in equipment to build capacity and infrastructure to enable this growth. They are expecting to have to overcome some serious cash flow and bad debt problems

and eventually have to raise external finance. However, to date they have sought to finance expansion from retained company earnings to minimize the risks involved in growth. Whilst amongst the most ambitious founders interviewed, they have taken a considered and relatively low risk approach to growing the business. They had growth ambition from the outset but recognise that early success has reinforced their ambition for more growth.

Case Study 9 - An owner manager in the low ambition segment

Set up in 1980, this design and print business had 3 employees in 2012. Its founder had no ambition to grow the business mainly because it was felt not possible to do so in the then economic climate. The focus was on trying to survive. In 2014 the owner/manager was still classified as having Low growth ambition but there appears to have been a marginal increase associated with greater optimism about the future. Employment has increased to 7 as the market has recovered somewhat. However, there is little proactive activity or plans to generate further significant growth. Given that much of the market is from the public sector, margins are being squeezed and they are having to work harder to stand still. In these circumstances, growth appears to be an unrealistic objective. As the owner/manager approaches retirement age, the focus is on succession planning and putting in place new management to create a sellable business.

Case Study 10 - Apparent substantial ambition but no growth or real growth ambition

This self-employed individual, based on his responses to the two surveys was classified as having Substantial growth ambition in both 2012 and 2014. As an electronic engineer he got fed up working for others and decided to set up his own business in 2007 selling and maintaining laboratory equipment. In 2012 there were 2 employees. By 2014 it had become just him as a self-employed individual. He believed it was possible to expand the business considerably but chose not to do so. He did not want the travel which would be required and would certainly not take on any employees saying this was simply too much hassle. In this context he commented on the problems caused for his specific business by health and safety rules, product regulation, insurance and training /certification requirements. He did not want to spend more time on the business at the expense of his other interests. He says he is not a particularly ambitious person in general and clearly has no ambition to grow this business. It is difficult to reconcile his survey responses, which classified him with Substantial ambition, and the views expressed during the interview.

Case Study 11 - Owners with substantial growth ambition but fewer employees

The company was long established and had grown through a series of subsidiaries to have revenue of over £30m with 40 employees. The owners had Substantial Growth Ambition in both 2012 and 2014. By 2012 the company, a residential developer with its own in-house construction subsidiary, had declined to 20 employees and a turnover of £20m. In 2014 it had just 3 employees and revenue of under £250k. In 2012 the owners still had ambitions to grow the business. However, in 2013 its many subsidiaries went into administration when its bank suddenly refused to roll over its £11m loan (apparently as part of its efforts to meet its liquidity requirements). The administrators report attaches little blame to the owners and sees the liquidation as the consequence of the financial

environment. The owners lost a substantial amount of money. They were left with the Holding company which had few assets.

The owner/managers have Substantial growth ambition to rebuild the business in an attempt to recoup their losses. However, while still having Substantial growth ambition (both as defined via the survey and real as confirmed during the interview) their experience has reduced it somewhat. They are now very aware of what is possible and realistic for a small business to do, are more concerned with short term cash flow and have developed an approach which reduces risk and upfront expenditure. Hence they will not seek growth at any cost. For example, faster growth would be possible if they recruited a new director to search out development sites and opportunities. However, they see such an appointment as too costly and risky. The two current owners do this themselves which limits what can be achieved. They have developed an approach which reduces the risk of each development.

Reflecting the company's limited resources they have restricted themselves to smaller, more specialist residential developments. They set up a new subsidiary for each residential development (the standard approach in the industry) to protect the holding company from a project failure and to make it easier to sell the development). In addition;

- Having identified potential development sites, rather than purchasing the land they negotiate to set up a new subsidiary in partnership with the landowner who puts in the land (and subsequently shares in the profits). They take on the cost of activities such as feasibility studies and obtaining planning permission etc. (For a small project such costs amount to around on average £60K).
- They then take on a temporary project manager for the construction phase but subcontract actual construction. They then subcontract the marketing of the completed development.

With this model they do not expect to take on any additional permanent staff. It also reduces the need for external finance (which anyway they believe would not be available from the commercial banks). While less risky, the approach generates less profits and restricts the growth which is possible.

While they have reduced the risk they are willing to bare, the business still involves them in taking greater financial risk than is the case in most SMEs. To relaunch the business in 2012, the owners had to provide personal security on a loan from a private bank. The process of developing a potential project can be risky. For example, the business recently lost £260K when a project it was trying to develop fell through, at least in part, due to delays arising in the planning system.

Case Study 12 - A small manufacture in the process of closing down

This is small manufacturing company set up in 2006 serving a small niche market. Following modest growth in the early years it had declined to have just 4 employees by 2014 by which date it was not profitable and not making the owner/manager a living income. The owner/manager was classified, on the basis of survey responses, as having Medium growth ambition in 2012 and Substantial ambition in 2014. Certainly by 2014 he was more desperate for some growth to create an income and some steps had been taken

to achieve this (e.g. by seeking to export via a new company web site). However, with products appropriate to the circumstances of a specific period in history which is coming to a close, the business never appeared to have a long term profitable future. Survey answers which classified the owner/manager as having Substantial growth ambition appear to be based on wishful thinking rather than any realistic prospect of growth. Having decided to close the business, the owner/manager has no ambition to set up a new business or indeed to retain any interest in business. Given his experiences, growth ambition has declined to zero.

Case Study 13 - An owner manager with substantial ambition but reduced employment

In 2012 this was a transport company with 25 employees and sales of approximately £2.5m. The owner joined what was a family business several years ago when asked to do so rather than to move away with his then employer. Knowing nothing about transport, he said he would give it a six month trial; found he loved it, took transport qualifications, finished up running the business and eventually bought it. Until 2010 it did very well. However with the recession margins got squeezed; turnover, profits and employment began to fall and by 2012 it had 25 (rather than the 50 at its peak) employees and turnover of approximately £2.5m. With the onset of recession he felt things would be okay because the business owned all its lorries and other assets. The 2012 survey classified him as having Moderate growth ambition because he said the ideal size of the business was significantly smaller in terms of employment. (Given the effects of the recession this is perhaps not surprising). However on all the other criteria he was in the Substantial growth ambition classification. The interview confirmed that he was trying to grow the business in order to ensure its survival.

However, by late 2012 he believed it had become too much hard work for too little reward. He was 50 years old and felt that he needed to do something different before it was too late. He sold the company assets and transformed it into a business renting out trailers with himself as the only employee. It began with just two trailers but it has grown steadily. It now has 32 trailers. It has just taken on an additional employee—his son. Based on the 2014 survey he is classified as having Substantial growth ambition with the motive of leaving something worthwhile to his son. However, his ambitions are limited, subject to being essentially risk free and not interfering too much with playing golf.

He is planning for his input to be for a further 10 years when he intends to retire by when he hopes revenue will have reached £3m pa but with at most two additional staff. To help reach this, the business has taken on an agency to sell specialist trailers for an overseas manufacturer in return for a commission. They hire out some of its trailers with a view to generating future sales of these specialist but innovative trailers. He has adopted a lean and mean growth strategy. The business has no debt and will not take on debt. It has gradually acquired trailers (one or two a month) out of revenue. Apart from the purchase of second hand trailers, more or less everything else is outsourced (e.g. maintenance, business administration) made possible by his extensive network of service providers. Experience of having employees in his former company means he will only take on additional staff as a last resort. They create too much hassle and reduce the business' flexibility. To expand the geographic scope of his market he is planning to take on self-employed agents to deal with specified territories.

Case Study 14 - A construction design business with increasing growth ambition and modest growth

The founder had previously been a director in an established construction company. Rather than move location with that firm, he decided to leave and start his own construction consultancy business in 2007. This has always had 3 employees. In response to suggestions from his customers he decided to set up a separate construction design and management company in 2011 doing small scale customised projects (e.g. individual houses, a rugby club, a supermarket). In 2012 it had 3 employees. At that time the owner/manager was classified as having Moderate Growth ambition. In 2014 it had 4 employees with a turnover of around £2m pa. The actual construction of projects is outsourced so minimizing the need for employees. By 2014 the owner manager was classified as having Substantial growth ambition. In 2012 he believed the ideal size of the business was its then current size. By 2014 he believed its ideal size was significantly larger. The interview confirmed there had been a real increase in ambition. He attributed the increase to 'the things I have done have succeeded and is encouraging my desire to move forward'.

However, his growth ambition is both limited and subject to several constraining boundaries. The growth objective is a turnover of £6m at which level he thinks they will require 6 staff to take in-house some of the administration which they currently outsource (e.g. bookkeeping, accounts). To achieve this, entry into new markets is necessary. He has considered developing and building 'on spec' some small residential sites for themselves (rather than simply doing developments for specific customers). However, it has not proved possible to secure external finance to fund such developments. After many failed attempts the firm has just got onto a Housing Association list of approved suppliers. While he feels Housing Associations are an attractive market, it has proved difficult to even get considered for projects. They are seen as too small, without an adequate track record with experience in Housing Association construction. More generally he feels excluded from the public sector market.

He also feels growth is constrained by disputes over late and non-payment. The company's experience is that adjudication is complex, needing the involvement of lawyers. Despite having won a case at adjudication, the business is still involved in a protracted legal battle to get paid for a project it completed several years ago. He now says he would have to think carefully about doing a project if he felt, having checked credit worthiness etc., there was the remotest chance of a dispute over payment.

While he is proactively trying to grow turnover to £6m, he does not intent to grow beyond this because he prefers to run a small business which he can control and in which he can do the actual job of designing developments. This rather than managing the company is what he enjoys. He is not interested in growth for the sake of having a larger business. His concern is to grow via winning interesting projects on which he can be 'hands on'. While he believes he should be financially rewarded, he is not driven to make more money. He prefers to be seen as someone who does a good professional job.

Case Study 15 - A Community Interest Company with 'growth ambition'

Having spent a career in large company consultancy, an engineer left to become a self-employed consultant in 2007. He is making an adequate living, but would like to grow it

somewhat but this would interfere with his other interests. Having recently done a degree in Environmental Engineering one of these is sustainable energy and the role of local communities in its development and management. Reflecting this interest he set up a Community Interest Company in 2007 to promote the idea. It has raised money to study the feasibility of sustainable energy (wind) projects and submit planning applications, and tries to set up local community structures to develop and manage projects with the aim of selling surplus energy to fund local economic development. Getting projects to the planning approval stage has been very hard work, with community engagement a key challenge. Despite a great deal of effort and determination over several years, as yet it has got none into production. In both surveys, on the basis of his answers he is classified as having Substantial growth ambition. His dream is that many sustainable energy projects owned by the community will generate many jobs, surplus energy and substantial turnover. From his perspective the survey questions were answered correctly. He is very ambitious for business growth (as he defines it) but not in the traditional sense or as normally understood. He does all the company's work without pay.

Case Study 16 - An owner/manager with low growth ambition but achieving significant opportunity driven growth

Having worked all their lives in the financial sector as financial advisors, two partners purchased this business (which had been set up in 2002) in 2009. It had gone through a period of decline during the recession but by 2012 had recovered somewhat and had a turnover of just over £1m with 12 employees. This recovery had been driven by the improved economic climate and it more or less just happened automatically. At this time, there was no ambition to grow the business. They were happy doing the job as business advisors; this is what they enjoy. The 2012 survey correctly classified them as having Low growth ambition. In part this was because the economic climate made growth risky and that 'it's risky to expand too quickly'.

In 2013 the owner managers were approached by a professional team of financial advisors looking for a new 'home' to avoid relocation as part of a corporate restructuring. Accepting the offer was a big decision since it would change the nature and ethos of their business. However, given there was no direct cost involved, it was an offer which was too good to refuse. The integration of the team into the business increased its employment to 20 and increased its management capacity. It also created the need to recruit more support staff and generate more revenue to 'feed' the increased number of mouths. However increasing demand (at least in part driven by changing pension regulations) made generating additional revenue fairly straightforward. Consequently by 2014 the business had grown to a turnover of over £4m with 30 employees. Growth did not require any external finance and posed no serious problems. Growth ambition had also increased with the owner managers now being classified as having Moderate growth ambition. The increase appears to have been due to the improving economic climate, the 'ease' of the growth experience, demonstration that growth was possible and the necessity to generate additional revenue.

An opportunity to acquire another small business came along in late 2014. Having integrated one professional team, they felt they could do another. This has taken staff numbers to over 40. They now see themselves as a major player in the industry. However, they now want little further growth. They would not pursue another acquisition. Following a temporary increase their growth ambition has now fallen back. They believe further growth

would undermine one of their main sources of competitive advantage—namely their ability to offer clients a personal service with regular face-to-face contact. In addition, they feel growth is affecting the culture and ethos in the business making it difficult to know all the staff personally. It has also generated more management problems, tensions and ‘hassle.’ Despite having recruited additional professional management, they feel running the business is taking too much of their time at the expense of their financial advisors job (their real interest in life). With more time spent managing the business they are having to delegate responsibility for some long standing accounts to their employees. They feel this could adversely affect the quality of service offered by the business. Maintaining quality and their reputation for doing a quality job is more important to them than further growth. Finally, the current performance of the business provides them with a more than adequate income. Indeed generating increased personal income has never been a factor in the growth of the business.

Case Study 17 - Growth ambition achieving growth

This is a business providing the administration of SIPP pensions both for businesses and individuals. It was set up by three directors (two with long histories in the financial sector, the other with equal experience but in the field of business systems) in 2007 with a small amount of venture capital and 4 employees. By 2012 the business had grown to have 12 employees. Based on the responses to the survey questions the business was classified as having Moderate growth ambition (because the ideal size in terms of turnover was seen as only slightly larger). However, from the interview it is clear that from the outset all the stakeholders had growth ambitions with the intention of becoming a significant player in the industry. Despite seeing the market as mature, the existing large companies in it were seen as staid, offering a poor and unduly expensive service. Demand was growing and they saw many opportunities. The question for them was how to exploit them. It seems probable that differences over how to go about growth resulted in one of the original founders deciding to leave.

By 2014 it has grown to have 30 employees and a turnover of around £2m. Based on the survey responses it is now classified with Substantial growth ambition (because of a marginal change in one response i.e. the ideal turnover size is now significantly larger). While commenting that ‘success has increased their appetite for more success’ it is not self-evident that there has been much real increase in ambition. They have always been proactive and willing to innovate and change to achieve growth. As was noted ‘if you do not change to keep abreast of the market you will not be around long in this business’. Growth has involved and necessitated several moves into larger offices, development of new business systems and processes (to improve efficiency) and the introduction of new innovative pricing policies. They currently have 5000 clients. In ten years they believe they can have, with no increase in employees, 50000 which will substantially increase turnover. This will be made possible as the business moves increasingly on-line. This will pose a challenge to continue providing a quality personalised service which is seen as one of the business’ competitive advantages.

While the owners have substantial growth ambition, growth has not posed major challenges. With an expanding market, simply running the business on a day-to-day basis has brought growth. External finance (apart from the original amount of venture capital) has not been required. They have not needed to diversify away from what they have always known (i.e. SIPP administration). To date they perceive no negative impacts

resulting from growth. While growth has been relatively straightforward, their growth ambition is bounded and subject to rational business analysis. For example, going for growth would be unlikely if it necessitated raising external finance or if it proved to be at the expense of service quality with unhappy clients. Unlike several of their larger competitors, they would not seek to grow via diversification away from SIPP pension administration. Essentially they would not go for growth for its own sake.

Case Study 18 - A family business running hard but with limited growth ambition

This is a long established family printing business with a history of continuous change and investment in new technologies. Its employment has been at around 40 for at least the past 30 years. The current CEO is a fourth generation member of the founder's family and is, in life, an ambitious individual. However, he is not (at least at the present time) ambitious for business growth. Using his responses to the 2012 survey he was classified as having Low growth ambition; in 2014 his ambition had increased into the Moderate classification. The apparent increase was due to a marginal change (from 7 to 8 on the Likert scale in his desire for growth. The interview found that while he was slightly more optimistic about the future, there had been no real change in his growth ambition. Rather than growth, his main ambition was business survival in order to pass the business on to the next family generation.

While employment has been static, turnover has increased and is now £4.6m per year. In contrast to many others in the industry (which have closed) they have managed to stay in business in a competitive industry and mature (and in many respects declining) market. To achieve this, the business has had to be very proactive and change with the times. It has not stood still.

- Their main market (large electronic companies' demand for user manuals) has collapsed. New markets have been developed consisting of large number of small organisations (e.g. charities, SMEs) and the NHS (which involved a steep learning curve dealing with public sector procurement practices). This adjustment has meant moving from a few large orders to large numbers of small print runs. Several competitors failed to make this transformation and have gone out of business.
- With many smaller customers, greater emphasis has been given to customer service. The business has invested in a new computerised warehousing, storage and distribution system which enables customers store their print and access them and get them delivered on a just in time basis. The CEO sees this system as a major source of competitive advantage and one which helps 'lock-in' customers for future orders.
- To continually modernise and introduce new technology, the policy is to replace all equipment within 10 years. At the moment the CEO's main focus is on embedding recently acquired technology into the daily operations of the business to improve efficiency and productivity (rather than growth). Amongst other things this is requiring substantial investment in training.

The new markets have lower margins than the former electronics industry market and the business is running very hard to essentially stand still in terms of profits.

However, he continually scans the horizon in search of new print opportunities. However, the current perception and analysis (objectively right or wrong?) is that there are none available which can be realistically exploited without taking, what they believe to be, over much risk. Amongst the opportunities that have been considered are;

- The market for longer and larger print runs such as catalogues. The market is dominated by established large companies and very competitive. They would require substantial investment in new larger kit which would need to be financed from external sources. Trying to enter this market would be unlikely to succeed and would involve betting the company.
- Entering more distant local markets. The belief is that customers are pretty loyal to their existing often local supplier. To have any chance, it is necessary to have 'boots on the ground'. The only way the business would seriously try this at the moment was if a local supplier went into liquidation and they could recruit, for example, its sales director with his customer list and networks.

If the CEO became aware of opportunities which the company could realistically exploit without too much risk, he would go for it. However, the business would not take on external finance. The CEO is aware of several companies in the industry which obtained bank loans; their directors had to secure the loan against the business or their homes. The outcomes have generally not been good (i.e. business closure). He wants to stay free from bank interference or control.

It is clear that the absence of growth ambition reflects the current circumstances the business finds itself in. Nor does it indicate in some sense inadequate or poor management. Not wanting or desiring to grow the business (especially as measured by employment) can be a perfectly sensible rational strategy.

Case Study 19 - An International Start-Up Growth Via Subsidiaries

Recognising a market gap, a group of directors from large international logistics companies got together and set up a company, located outside of the UK, as a Holding company. This company then set up a UK business with the Holding company as the sole shareholder. A member from the founding group of the Holding Company became the CEO of the UK business. He was classified as having Substantial growth ambition in both the 2012 and 2014 survey. The interview confirmed a very high level of ambition. In 2012 the UK business had 10 employees and sales of £7m pa. In 2014 it had 9 employees but turnover of around £14m. To achieve this growth in turnover it had invested heavily in new equipment (apparently funded by the Holding company). In 2010 and 2011 two further 'independent' businesses were set up serving different specialist industrial markets. Essentially employment growth has occurred via the start-up of new businesses. Each of these businesses appears as an independent business with one owner (the Holding company) but in reality they operate as divisions of the overseas Holding company.

Case Study 20 - An Entrepreneur With Diminished Growth Ambition

Having been made redundant by a large corporation which went into liquidation, a group of its former employees decided to set up a video communications business in 1986 initially serving clients they had from their former employer. At that time they had strong growth ambitions. It gradually diversified by adding further communication technologies and it quickly grew to have 20 employees. However, the bottom then fell out of their local market in the oil and gas sector. To survive, most of the employees had to be made redundant and one of the founders began the process of rebuilding the business. He focused on its core strength and market (i.e. health and safety video communications for the oil and gas sector) dropping other technologies and industries. With the recovery of the market, employment began increasing slowly and by 2012 it had 6 employees. By 2014 there had been minimal further growth.

When original setting-up the business in 1986 the CEO had definite growth ambition. By 2012, based on his survey responses, he was classified as having Low growth ambition. By 2014 he had increased his ambition into the Moderate classification. The increase was due to a change in one response; his personal desire for business growth increased from 4 to 7 (on a Likert scale of one to ten). The interview suggested that there had been no material change in his growth ambition. He did not believe his ambition had increased. He noted that he had deliberately adopted a strategy of not growing the business.

This strategy is based on his analysis concluding that, given the circumstances, substantial growth is not sensible or possible for the business. The growth opportunities he has considered (and rejected) include;

- Diversification; adding new services. This would require substantial up-front finance for equipment, new staff and working capital. Success is far from certain. The previous experience of growth through diversification ended badly.
- Entry into More Distant Markets. However, this is seen as difficult again requiring upfront expenditure. Regular face-to-face contact with a large number of potential clients is believed to be essential. Given their peripheral location in the UK, this is difficult. Alternatively they have considered, moving into industries other than oil and gas. Their service requires in-depth knowledge of both video technology/application and the clients' industrial sector. Again success would require substantial investment and development of additional knowledge and networks.
- Develop Export Markets. While they have recently achieved some small exports to the oil and gas industry overseas, a wide range of in-house language skills would be necessary to make this a serious growth strategy.
- Development of Products (e.g. video which can be sold to many/several different customers). However this again requires substantial upfront cost and success is problematic. Most clients require a customised product appropriate to their current needs which are subject to fairly rapid change.

The potential growth opportunities he perceives all involve substantial upfront finance. This is not available from retained earnings nor, he believes, from external sources. Furthermore he would not use external finance which would require him to put his home at risk---which he is not prepared to do.

He sees the business in a classic Catch 22 bind. The business needs to be much larger with more resources to exploit the available opportunities but how it could become larger and generate the required resources (without betting the business) is far from clear. Both his analysis of the company's circumstances and his past experience have significantly reduced his growth ambition. However, he would 'allow' it to expand if his local market requires/demands it and little upfront investment is needed.

Case Study 21 - A small specialist retailer

This is a small specialist retailer with a single outlet which had been opened in 2007. In 2012 the lady owner manager was classified as having Low growth ambition; by 2014 (because of a marginal increase in her personal desire for growth) just crept into the Moderate ambition classification. However, in reality she had no growth ambitions for this business. She made it very clear she had no intention or plans to grow it. At the time she was almost certainly considering selling the business. During the case study she sold the business to one of her young enthusiastic employees. It appears the reasons for selling the business were to devote more time to her other interests included developing another business in which she had more interest.

The new owner manager has a deep and keen interest in the product which is related to her hobby and main interest in life. She has ideas (and is implementing them) about how to increase sales with the aim of ensuring survival. Some of these ideas are quiet innovative. The money to purchase the business came as a loan from her parents. With limited experience of managing a retail outlet, she has little growth ambition. Her idea is to grow turnover and profits slowly without too much risk. If it is not working out she plans to sell the business before it becomes bankrupt. She is happy to work hard to keep it going and just see how it goes. If it begins to be more successful she would seek larger premises to allow expansion to happen. However, she says she does not want to run before she can walk. Given her circumstances and the nature of the business, it is difficult to disagree with this positive but cautious approach.

Appendix VII – Characteristics of firms by performance

This section focuses on an analysis of the characteristics of firms that have experienced growth, with particular regard to the range of behaviours that were reported in the chapter on Ambition and Behaviour (page 40).

Measuring growth

There are various ways through which firms' growth between 2012 and 2014 could be measured. Most obvious amongst these are employment and turnover. Employment is a less volatile indicator: a business will often absorb an increase in turnover before seeking to increase its headcount, and vice versa. For this analysis, we have used employment⁴³ to maintain consistency with the outcomes analysis presented in the chapter on Change in Ambition (page 27). This analysis is also based currently on self-reported employment numbers drawn from the primary research in 2012 and 2014. Hereafter, in this section when we refer to firms that have grown this should be interpreted as self-reported growth in employment between 2012 and 2014, amongst the 503 firms that were re-interviewed.

Growth and business experience

In terms of the business experiences that firms reported, firms that grew were more likely to have established new strategic goals than firms that declined: almost 50% of growth firms reported having done this. Conversely, firms that declined were more likely to have experienced a change in ownership and to have undergone a major change in the way they do business.

Table 32: Growth (employment) and major organisational changes

| | Grown | Declined | Stayed the same | All firms |
|--|-------|----------|-----------------|-----------|
| | % | % | % | % |
| Made a major change in market focus | 26 | 23 | 17 | 22 |
| Established new strategic goals | 50 | 27 | 28 | 37 |
| Experienced a change in ownership | 10 | 16 | 5 | 9 |
| Undergone a major change in the way they do business | 16 | 27 | 12 | 16 |
| Undergone a change in senior management team | 27 | 17 | 11 | 18 |
| None of the above | 30 | 43 | 56 | 43 |

Source: TBR 2015

Base: 2014 survey, 503 responses

⁴³ This choice was made at this stage in the study due to availability of data. It should be noted that the 2012 study found that most firms used turnover as their primary measure of performance.

Table 33: Growth (employment) and major business events

| | Grown | Declined | Stayed the same | All firms |
|--|-------|----------|-----------------|-----------|
| | % | % | % | % |
| A business crisis that threatened the existence of the business | 16 | 39 | 13 | 19 |
| Rejection of an application for finance (e.g. a bank loan/overdraft, government finance) | 10 | 17 | 7 | 10 |
| Major changes in management personnel | 23 | 23 | 9 | 17 |
| Departure of key team members | 23 | 27 | 17 | 21 |
| A major problem of customer late payment of invoices or bad debt | 27 | 36 | 24 | 27 |
| A serious staff shortage | 24 | 27 | 17 | 21 |
| Significant changes in the market for goods/services | 32 | 51 | 34 | 36 |
| Problems with your premises | 19 | 21 | 13 | 17 |
| Emergence of a dominant player in current market | 10 | 16 | 13 | 13 |
| A major event in the personal life of one of the management team | 21 | 16 | 21 | 20 |
| Another significant event | 8 | 13 | 7 | 8 |
| None | 24 | 13 | 32 | 26 |

Source: TBR 2015

Base: 2014 survey, 503 responses

In terms of disruptions to business activity, these were generally most likely to have been experienced by firms that declined. However, firms that grew were more likely to encounter at least one of these challenges than firms that stayed the same size. In particular, firms that declined were much more likely to encounter a business crisis that threatened the existence of the business (39%) and significant changes in the market for goods/services (51%) than those that had grown or stayed the same.

Growth and exporting

Across a range of measures, both past and future, firms that had grown reported a more positive outlook on export activity. Growth firms were more likely to currently export than non-growth firms. Those growth firms that currently export were also more likely to feel that exporting can be expanded than non-growth firms.

However, firms that had declined and do not currently export were more positive about the prospect of exporting in the future than equivalent firms who had maintained their current size. Firms that had maintained their current size were more likely to have experienced a decline in exports than those that either grew or declined.

Firms that have stayed the same size appear overall less convinced by the prospect of exporting as a tool through which to improve the performance of their business than firms that have declined.

Table 34: Growth (employment) and exporting

| | Grown | Declined | Stayed the same | All firms |
|---|-------|----------|-----------------|-----------|
| | % | % | % | % |
| Currently export | 36 | 15 | 31 | 30 |
| Of those who do not currently export, those who are open to prospect of exporting | 11 | 9 | 5 | 8 |
| Of those who do currently export, those who believe exporting can be expanded | 77 | 33 | 56 | 64 |
| Of those who do currently export, those who have experienced a decline in exports over the previous 3 years | 8 | 8 | 16 | 12 |

Source: TBR 2015

Base: 2014 survey, 503 responses

Growth across other parameters

Firms that reported growth in employment were also more likely to exhibit growth across other parameters. These parameters encompass turnover, profit, market share, company profile and reputation, and number of companies or branches in the organisational structure. This is what we would intuitively expect: employment is recognised by analysts as being a lagging indicator which tends to follow expansion in production, and therefore increases in turnover and profit. It would be unusual for employment to increase in advance of or in the absence of growth in turnover and/or profit.

Table 35: Growth (employment) and other performance dynamics

| | Grown | Declined | Stayed the same | All firms |
|--|-------|----------|-----------------|-----------|
| Grown over the past three years in terms of... | % | % | % | % |
| <i>Turnover</i> | 89 | 18 | 40 | 56 |
| <i>Profit</i> | 72 | 22 | 29 | 45 |
| <i>Market share</i> | 52 | 8 | 18 | 30 |
| <i>Company profile and reputation</i> | 80 | 37 | 50 | 60 |
| <i>Number of companies or branches in organisational structure</i> | 23 | 5 | 8 | 14 |

Source: TBR 2015

Base: 2014 survey, 503 responses

Growth and business ownership

Firms that grew were more likely to be privately owned or social enterprises, and less likely to be sole proprietors or partnerships. These firms were also less likely to be majority owned by members of the same family.

Table 36: Growth (employment) and business ownership

| | Grown | Declined | Stayed the same | Total |
|---|-------|----------|-----------------|-------|
| Current ownership status | % | % | % | % |
| <i>Sole proprietor or partnership</i> | 18 | 33 | 31 | 26 |
| <i>Privately owned</i> | 53 | 42 | 46 | 48 |
| <i>Public limited</i> | 18 | 19 | 14 | 16 |
| <i>Equity investor-owned</i> | 0 | 0 | 1 | 0 |
| <i>Social enterprise, community interest company or cooperative</i> | 6 | 1 | 3 | 4 |
| <i>Other</i> | 4 | 5 | 5 | 5 |
| <i>Don't know</i> | 1 | 0 | 1 | 0 |
| Family ownership | 0 | 0 | 0 | 0 |
| <i>Majority owned by members of the same family</i> | 52 | 61 | 63 | 58 |
| Business acquisitions | 0 | 0 | 0 | 0 |
| <i>Individual or business has acquired or sought to acquire or invested in any other business in the previous three years</i> | 24 | 16 | 11 | 17 |
| Business launches | 0 | 0 | 0 | 0 |
| <i>Established at least one new business in the last year</i> | 18 | 11 | 11 | 14 |

Source: TBR 2015

Base: 2014 survey, 503 responses

In terms of further enterprise activity outside their existing business, firms that grew were both more likely to have acquired, invested, sought to acquire or sought to invest in another business in the previous three years: 24% of growth firms met these criteria, compared with 17% of firms overall. Furthermore, firms that grew were also more likely to have established one or more firms in the previous twelve months (18%) than those that had declined or stayed the same.

Growth and human resource development

Firms that grew were generally more inclined to invest in human resource development than firms that did not. This increased likelihood is most pronounced in the firms that invested in leadership and management training. Furthermore, firms that declined were also more inclined to invest in these activities than firms that stayed the same size. This supports the notion that some firms are comfortable in their current market and comfortable with the current business size: they are not proactively seeking to grow, but

neither do they feel forced to adopt new practices in an attempt to respond to deteriorating market conditions.

Table 37: Growth (employment) and human resource development and advice

| | Grown | Declined | Stayed the same | Total |
|---|-------|----------|-----------------|-------|
| | % | % | % | % |
| Invested in management or leadership training | 56 | 41 | 33 | 44 |
| Arranged or funded any formal off-the-job training for employees (excluding yourself) | 80 | 63 | 53 | 65 |
| Taken any strategic advice about running your business | 47 | 43 | 35 | 41 |
| Used a business mentor that is somebody with business experience who supports you through the development and running of the business | 36 | 24 | 19 | 26 |
| Been involved in any formal off-the-job or formal on-the-job training or development (yourself) | 54 | 39 | 39 | 45 |

Source: TBR 2015

Base: 2014 survey, 503 responses

Growth and innovation

Growth firms are generally more likely to have innovated in the past three years than firms that had declined or stayed the same. Furthermore, growth firms were approximately twice as likely as non-growth firms to see this innovation as a driver of business performance.

Although growth firms were more likely than non-growth firms to have introduced both product/service and process innovations, the difference is more pronounced in process innovations.

Of the innovations that have been introduced, growth firms were more likely than non-growth firms to report that these innovations were new to the world. In fact, all of the process innovations reported within the survey as being new to the world were generated by growth firms.

Table 38: Growth and innovation

| | Grown | Declined | Stayed the same | Total |
|--|-------|----------|-----------------|-------|
| Role of innovation | % | % | % | % |
| <i>Launch of new product(s)/service(s) have driven business performance</i> | 10 | 5 | 5 | 7 |
| Product/service innovation | | | | |
| <i>Introduced new or significantly improved products or services over the past three years</i> | 56 | 51 | 43 | 50 |
| <i>Completely new to the world</i> | 14 | 7 | 3 | 9 |
| Process innovation | | | | |
| <i>Introduced new or significantly improved production or distribution processes over the past three years</i> | 37 | 18 | 20 | 26 |
| <i>Completely new to the world</i> | 3 | 0 | 0 | 3 |

Source: TBR 2015

Base: 2014 survey, 503 responses

Appendix VIII – Preparing the quantitative data for statistical analysis

The 2012 sample is a complex sample. First, separate samples of different sizes were taken in each of the four nations of the United Kingdom (England: 450, Wales: 250, Scotland: 250, Northern Ireland: 250). The sample sizes were not in proportion to the size of their SME populations but designed to enable comparison by nation and analysis within each nation. Then, quotas were set for random sampling within a dataset of 3 million businesses held by TBR for each combination of industry sector and employment size band. These quotas were not in proportion to the background population of SMEs, but to enable coverage in each nation by industry sector and employment size band. This meant that some cells in the largest size band (50+ employees) had only one case in some cells in some nations, but more cases than one would expect given the sample size.

To make the sample representative of the UK population of SMEs, the complex survey option (svy) in Stata12 was employed. This required identifying the strata in the sample: the combinations of nation, sector and size, identifying the population-based weight for each stratum, and applying a finite population correction to each stratum. Because some strata had only one sampling unit, some statistical analyses were not possible. Therefore, strata were progressively collapsed by combining adjacent industry sector codes. The final weight used for the logistic regression employed 128 strata. A different weight had to be used for two-way cross-tabulations, because of single sampling units in several strata in the female sub-sample. This had 64 strata.



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