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## **Manager learning in the micro business context : the role of external business advice, training providers and close others**

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MANAGER LEARNING IN THE MICRO BUSINESS CONTEXT:  
THE ROLE OF EXTERNAL BUSINESS ADVICE,  
TRAINING PROVIDERS AND CLOSE OTHERS

By

**JENNIFER MARY DEVINE**

A Thesis Submitted in Fulfilment of the Requirement for the Award of

Master of Management by Research

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## USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.

## **ABSTRACT**

Small business has often been referred to as the “engine driving the economy”. This description highlights the significance of small business to the economy of most countries. But what about the smallest of these organisations; those businesses with fewer than five employees? These businesses, termed micro businesses, form a large part of our economy and are sometimes the starting point for larger business and sometimes provide a long term, alternate business structure. This type of business has special needs and characteristics and is often neglected in the management literature.

The nature and diversity of these businesses prompted an interest in discovering how they operate, but more specifically how they are managed and how the management capabilities are developed in these businesses.

Micro businesses are formed for a variety of reasons. They are often an opportunity for a professional or tradesperson to pursue their work without the perceived constraints of working in a larger organisation. Sometimes they result from an opportunity to create and test a new idea in the marketplace, or the chance to be ones’ own boss, or as a start up for a bigger organisation in the future. The wide variety of entry points means that the level of managerial capability tends to be quite diverse. The emphasis on ‘doing the business’ may mean that these micro business owners are skilled in their ability to produce, but not necessarily in their ability to manage the business and the staff.

The aim of this study was to explore how these business owners developed their managerial capabilities. The study was based around a model proposed by Devins, Gold, Johnson and Holden (2005) that suggested that there are three main groups that micro business managers

tend to seek out to support their development. These groups are close and important others, who may have an interest in the business but may or may not be involved in the business. This would include people like family members, business partners, suppliers etc. The second group includes professional advisers, such as accountant, lawyers and bank managers. The third group covers training providers.

Micro business includes such a diverse variety of businesses that it makes sense that the level of managerial capability and the sources used to improve this would vary greatly. It is this variety that prompted the study and also the methodology chosen. As this was exploratory in nature and the aim was not to develop a definitive answer nor a representative answer to this question of management development, but to gain insight into this sector, a qualitative case study approach was taken.

Twelve very different micro businesses were chosen to examine. The case study was based on semi structured interviews with the business owner. The aim was to identify how they perceived their managerial capabilities and where they sought support in making decisions and developing their managerial capacity. The series of interviews allowed respondents to share freely their views and a rich source of information was produced.

Traditionally, governments and private providers have poured significant funds into providing training programs for micro and small business to enhance their management capacity, but contrary to these traditional practices, the micro business owners interviewed were not active users of any of these training mechanisms. The analysis confirmed what many intuitively know, and that is that the close important others are the most trusted and most often turned to source of support by micro business. The study also indicated that professional advisers, such as accountants and bank managers were often viewed as worthwhile support agents.

This is an important area to understand as it indicates that the provision of traditional training programs for micro business and small business may not be the most effective method for developing management capabilities in these businesses. This suggests that continuing to do the same thing, may be ineffective.

It indicates that the role of professional advisers may need to be broadened to align better with the provision of training and support, and importantly that alternate types of support may be needed such as strong mentoring programs.

## DECLARATION

“I certify that this thesis does not, to the best of my knowledge and belief:

- i. Incorporate without acknowledgement, any material previously submitted for a degree or diploma in any institution or higher education;
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.....

Jennifer Mary Devine

20<sup>th</sup> August, 2012



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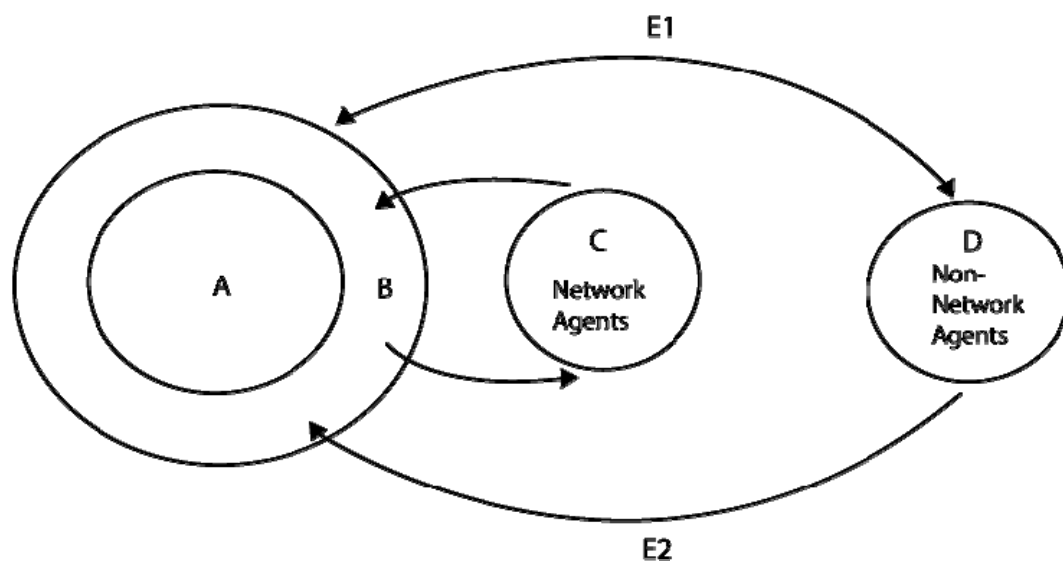
# **Chapter 1 INTRODUCTION**

## **1.1 Introduction**

In developed nations, self employment and micro business has been a traditional business model for a large percentage of the population to create an income stream. In many countries, such as Australia, self employment has usually been a choice. Small and micro businesses are abundant and provide different opportunities for owners and employees than those provided by medium and large corporate business. Although abundant, micro businesses are faced with many challenges, unique to their size and type. Some of these challenges include access to capital, business support, distribution networks and market access and information (McElwee, 2006).

The development of managerial expertise varies widely across businesses and perhaps due to the diverse nature of micro business, this variance in expertise is most evident across micro businesses. The management literature acknowledges this variance in large, small and micro businesses (see for example Ardts, van der Velde & Maurer, 2010; Devins, Gold, Johnson & Holden, 2005; D'Netto, Bakas & Bordia, 2008; Floren, 2006; Lewis, Massey, Ashby, Coetzer & Harris, 2007; and Smith & Collins, 2007). Many micro businesses evolve from an individual start up business focused on the provision of a trade or professional service. Others are started as an alternative for owners to being employed within a large corporation, and others begin as a chance to offer something new in the market place. No matter what the professional expertise a micro business owner brings to the business, the varied management skills required to run all facets of a business is rarely found in one individual.

Management capability within large firms is driven by the collective expertise of accountants, marketing experts, strategic planners and others who continuously access information from outside the organisation and translate it into effective knowledge that powers the business. This presents challenges for a manager of a business of one, two or five people in bringing together this vast array of information to successfully lead a micro business to success. Devins, Gold, Johnson and Holden (2005) identified three main sources of information and support which small business owners tended to rely on. These were; informal networks or close others that managers trusted, professional advisers and training providers. The following diagram (figure 1.1) represents the proposed relationship between these actors.



**Figure 1.1:** The conceptual model developed by Devins, Gold, Johnson & Holden (2005) p.



This model suggests that learning for micro business happens incidentally, and while there may be some occurrence of formal training, management development results from interactions with a number of groups. The first cohort represented by A and B suggests those who are close to the business. Group A and B make up the ‘close others’ who micro business managers rely on for support. Group A tend to be within the business, such as partners or employees, while the close others represented by group B tend to be those who are outside the business but are close to the owner and understand the nature of the business. These are people the micro business manager tends to trust, such as spouse and family, suppliers and customers. Group C represents advisers that are external to the business but with specific professional knowledge. These groups may be specifically sought out by the owners (like a management consultant) or relied upon to give operational advice that is pivotal to the running of the business (such as accountants or bank managers). This group is who Devins et al (2005) refer to as network agents. The final group, group D are largely external to the business and are providers of formal training and are referred to as non-network agents.

This model provides a ‘snap-shot’ of who micro business owners turn to for information to develop their managerial capabilities, and based on this model, this study seeks to explore how a sample of Australian micro business managers developed their managerial capability to maintain a successful business.

## **1.2 Developing capabilities**

In developing nations, the government rationale for providing support for start up business is heavily dependent on reducing poverty and improving economic development. In this Australian study the focus on micro business is for those who have chosen self employment

as an option. The motivations and goals for micro business owners are multiple and varied and may include lifestyle choice, autonomous work environment, developing an innovative work practice, improved work-life balance or ‘buying’ one’s own job. This impacts on the driving force for micro business managers to improve and continuously develop their managerial capacity. With little other internal managerial expertise to rely on, micro business managers are responsible for all facets of the business, both operational and strategic. The urgency of operational decision making is often seen to detract from the longer term view in developing managerial capability. Micro business owners tend to be preoccupied with ‘fire fighting’ and concentrating on current performance (mostly focused on turnover) rather than having the luxury of a more strategic, long term approach (Simpson , Padmore & Newman, 2012).

Management capability is a broad notion. Traditional management descriptions share common themes of attaining “organisational goals in an effective and efficient manner through planning, organizing, leading and controlling organisational resources” (Samson & Daft, 2012, p10) and “the planning, organizing, leading and controlling of human and other resources to achieve organisational goals effectively and efficiently” (Waddell, Jones & George, 2011, p5). These definitions acknowledge the wider role played by managers in getting work done through others that work for them. Devins, Johnson, Gold and Holden (n.d.) suggest that the work of the manager in small organisations combine leadership, entrepreneurship and management, “although on a day-to-day basis all activities need to be managed” (p15). Micro managers may have technical skills and knowledge, but this capacity to manage the work of others is a different skill set. This can be beyond the experience and even the ability of some business owners.

Developing their capacity to manage their business better is often done in an ad hoc, just in time manner (Bryan, 2006; Devins et al, 2005; Jay & Schaper, 2003). These managers rely on information and support they can rely on, when they need it. Providers of training packages (both formal and sometimes informal) are viewed with scepticism, and rarely are micro business managers proactive in using training as a road to develop their practices. They are time poor and often complain training programs for small and micro businesses are too generic and do not cater for the needs of their particular business.

The development of management capabilities may be linked to the goal of the owner-manager of each micro business. Micro business ownership can include an emphasis on control, lifestyle choices, performance outcomes and profit generation (Devins, et al 2005). Owner-managers value their business and the development of managerial capabilities are often informal or accidental, but their application will require some change on behalf of the manager. Many of these managers see external management development provision as unattractive and even opposed to their immediate survival goals.

While the general importance of training has become a popular mantra, understanding how micro business managers learn and translate this learning into continuous improvement within their business remains elusive. The literature is limited in its diagnosis of how managers in small and micro businesses develop their capacity to learn. Fenwick (2008) grapples with the notion of individual and collective learning in the workplace and seeks to draw together recently published ideas of organisational learning, but with little reference to the special situations faced by small and micro business. Other researchers including Floren (2003), Grey and Mabey (2005) and Massey, Gawith, Perry, Ruth and Wilson (2005) have tried to identify management development in smaller business, but this is still limited. Therefore, there is a gap in the understanding of how these managers learn and therefore a

gap in identifying what training and development best equips them to develop better, sustained business practices.

### **1.3 Micro business managers and their relationships used for learning**

Devins et al (2005) proposed a model suggesting that owner-managers develop management competencies from three main groups. Firstly, from those within the organisation and outside the organisation, who they value and have an understanding of the business, such as family, mentors, suppliers and customers. The next group are termed network agents such as accountants and lawyers. The last group is categorised as non-network agents, and represents training providers and government agencies who deliver various training and development programs. The tendency for micro business owners to seek out a wide variety of sources may be attributed to the particular nature of micro business itself. The importance of developing relationships and the heavy reliance on the quality of life and the nature of the work itself can affect the types of support most regularly sought. Therefore, these relationships represent a social matrix rather than purely an economic one. The authors (Devins et al, 2005) identify these three groups as quite discrete groups, providing a source of information quite independent from one another. However, there is a possibility that there may be some overlap between these groups – possibly with regard to training providers and professional advisers. However, for the purpose of this study, the most focus is on the most common situation, and that is where these three groups are discrete groups.

The informality of small business and the changing environment in which these managers operate means there is a never-ending supply of problems, opportunities and issues to be handled. Ultimately, small firm managers learn by doing, interacting and talking with others

(Gold & Thorpe 2008). This can be most effectively accomplished with networks developed with this group of 'close others.' Lewis, Ashby, Coetzer, Harris and Massey (2005) and Devins et al (2005) agree that this group provides an important source of advice and support for micro business managers, as well as enhancing informal learning by acting as a sounding board for ideas, and often providing informal mentoring. For more specific, technical advice, managers often seek out and pay professional business advisers. These personal networks are highly valued by these managers and considered highly credible and as such, are often the first port of call (Lewis et al 2005). While it is understood that these managers will regularly seek support and advice, they are time and resource poor and will often seek advice from close others as this is cheaper (usually free) and considered trustworthy (Gold & Thorpe, 2008).

Devins et al (2005) refer to the second group that micro business managers seek information from as network agents. There is a reasonable amount available in the literature on this cohort, although most specifically the research has been dominated by examining the role of accountants and banks (for example, Carey Simmnet & Tanewski, 2005; Day, Reynolds & Lancaster, 2006; Jay & Schaper 2003). Authors variously refer to this group as business advisers or consultants. Managers in micro business are forced to seek external advice to support their business. Unlike the resources available to a manager in larger organisations, the specialised knowledge and skills available within micro businesses are extremely limited. Accounting advice, legal information, and specialised sales expertise cannot be found "down the corridor" as in the case of medium and large organisations, rather, the gaps need to be filled externally. External consultants can add value to the business process by adding technical expertise.

Micro business managers tend to seek business advice that falls into one of two broad categories. The first is to fulfil obligations, mainly statutory requirements such as financial and taxation requirements, or responsibilities toward employees, such as rates of pay and leave entitlements. The other reason micro business managers seek external business advice is to develop their business capabilities. Unlike the first reason, developing business capabilities is seen as important but does not share the same urgency. Developing capabilities are thought of as 'soft skills' and may include growing the business, improving human resource practices or restructuring the business. Other reasons identified in the literature as to why businesses may seek business advice include staying up to date with developments in the field, to support them in a time of crisis, to gain specialist knowledge and fill the gap in some aspect of the business (Carey et al 2005; Day et al 2006).

Changes in management skills within SMEs are underpinned by organisational learning at basic levels. For micro business managers, the motivation for learning is often cloaked, as the emphasis is on tackling day to day issues. So, the need to tackle particular problems can act as a stimulant to learning. Enhanced organisational performance is the desired outcome and the long held assumption is that learning will result in improved performance in the future (Weick 1995; Fiol & Lyles 1985).

The aim of this study was to explore what sources of information and support micro business owners used to develop their managerial capabilities against the framework developed by Devins et al., (2005).

#### **1.4 The purpose of the study**

The purpose of this study is to examine the relationships micro business owners develop and inevitably come to rely on in developing their business, and in particular, their managerial capability. The study seeks to test an existing model proposed by Devins et al, (2005) which identifies three significant but discrete groups that micro business managers tend to seek for support and advice in developing and maintaining their business practices. This model suggests that micro business managers do not rely on traditional providers to develop their managerial capability, but do so on an ad hoc or need to know basis. Therefore, their reliance on formal training and development is minimal. Further, the model acknowledges the importance of business advisers (such as accountants and lawyers) in providing support for these managers. The model also explores the role of important others such as friends, family, suppliers or other members of the business as a group often heavily relied upon.

The study aims to test the appropriateness of this model to micro businesses in the Perth metropolitan area and identify any modifications that may be relevant to this region.

Identifying if and how micro business managers rely on these different groups may then have an impact on how these groups can and should provide support.

#### **1.5 The significance of the study**

Research in the area of small and medium enterprises has been sporadic, but certainly continues to grow. The subset representing micro business owners is far smaller. While SMEs have traditionally been viewed as being mini versions of their larger counterparts (Bryan, 2006; Devins et al, 2005; Floren, 2008), with only recent attention being given to their particular needs, the peculiarities of micro businesses have largely gone ignored.

There are various programs being delivered by government and private providers with the aim of developing managerial capabilities for managers of small and micro businesses.

While these are designed with the best of intentions, little is really known about how, why and when micro business managers seek support to develop their skills. While a variety of formalised training programs have traditionally been the mantra of management development in large organisations, the assumption has tended to follow that a downsized version will benefit micro business managers.

The vast difference in the environment of micro business suggests that developmental needs and wants are vastly different. They are different from each other and different from big business. Therefore a traditional approach to providing training may be ineffective for this group of managers. Using the notion of other sources of support provided by Devins et al., (2005) means that professional providers and even important others will play a role and therefore some alternate forms of development may need to be considered. This study will go some way to exploring this issue.

### **1.6 The research questions**

This study aims to explore the world of micro businesses and in particular how they go about developing their capacity to manage. This is based on an existing model that has identified a number of sources of support.

Therefore there are four main research questions that form the basis for this study. These questions are:

- 1. Does the model proposed by Devins, Gold, Johnson and Holden (2005) joining the micro business world and the three groups that supply management development**



**support, reflect the external contributors to managerial learning of micro business operators?**

- 2. What factors influence how managers of micro businesses source and use these three discrete groups (close others, professional advisers, network agents) in learning and thereby developing their ability to be successful and sustain their business?**
- 3. What role do internal contextual factors (such as culture, positive education experiences, climate, motivation) play in developing managerial competencies?**
- 4. What motivates micro business owners to seek support?**

The exploratory nature of the study and the diverse nature of micro business means that these research questions are expected to open up areas for further investigation.

## **1.7 Methodology**

A qualitative methodology was used to examine the research questions. As this research was highly exploratory in nature, it was important to gain some understanding of the nature of work for this sector. Therefore personal discussions with a diverse sample of micro businesses managers were undertaken to gain insight.

These discussions formed the basis of a series of case studies and took the form of semi-structured interviews with twelve micro business managers. Care was taken to select the

sample for diversity in such aspects as age, gender, length of owning the business, type of industry, education and work backgrounds. It was not intended that this would represent the micro business community, but worked to explore a cohort of managers that is under-represented in the literature.

Small business research is fraught with limitations (Kock, Gill & Ellstrom, 2009; Reijonen & Komppula, 2007; Zhang, Macpherson & Jones, 2006). One of these limitations is finding a sample large enough to represent the population. The diversity of the sector means that a representative sample is not only difficult to attain, but this may be dangerous to draw assumptions. Therefore, as this study seeks to explore the nature of managerial development in micro business, interviews were considered an appropriate tool to elicit as much information as possible, without the limitations of a highly structured interview or survey. Lindlof (1995) suggests that a qualitative interview can benefit the exploration process as it “creates an event in which one person (the interviewer) encourages another person to articulate interests or experiences freely” and goes on to say that the interviewer’s ability to “access experiential or subjective realities has made it a preeminent method in communication and the other social sciences” (p. 164). The main benefit of using a semi-structured interview in the qualitative, case study approach was the possibility of discovering more than was being asked which may lead to richer outcomes than the original enquiry (Partington, 2002).

### **1.8 Limitations of the study**

It is acknowledged that focusing on information gathered from a limited sample of case studies cannot be considered representative of the micro business sector as a whole. This

does not mean that the findings may not be applicable to all micro business owners, but does acknowledge this is a snapshot, providing insight into this group and how they make decisions with the hope of leading to more knowledge of this sector with the view to further research.

The study was limited by using a convenience sample aimed at examining a widespread cross-section of micro businesses. Therefore, the case studies examined are sought to shed light on this type of business, but does not suggest that any single case represents the activity of that business type.

A further limitation is acknowledged that the case study sample includes micro business operators from the Western Australian metropolitan area only and does not take into account factors that may influence micro business managers operating in regional areas. It is considered that these operators may have quite different approaches to developing their managerial capabilities based on different factors, such as remoteness, availability and access to support.

### **1.9 Operational definitions**

It is important to acknowledge the use of common terms used throughout this study. The research into small and micro business is at times confused with the use of terms, and certainly these terms vary between countries.

- Small business – represents businesses that employ less than twenty people (ABS, 2001)

- Micro business – are those businesses employing less than five people, including non-employing business (such as sole proprietorships and partnerships without paid employees (ABS, 2001)
- Close others – these people are well known to the micro business manager and usually have a significant interest in the workings of the business but are not usually involved in the day-to-day operations. These people tend to include family or friends, in addition to other stakeholders such as valued suppliers or customers (Devins et al, 2005).
- Network agents – network agents (also called professional service providers) include those who supply professional advice to business and include accountants, bankers and lawyers (Devins et al, 2005).
- Non-network agents – this group represent training suppliers, both Government-backed and privately provided (Devins et al, 2005).
- Micro enterprise – this term traditionally refers to businesses employing less than five employees, but most of the literature has adopted this term as an “anti-poverty strategy that flourishes in the third world” (Banerjee, 2002) and focuses on concerted effort by government and welfare agencies to support self employment as a strategy to improve economic independence. In recent years, this term has been used interchangeably with micro business in Western literature (Martin & Halstead, 2004; Monahan & Shah, 2011). For the purpose of this study, the term micro enterprise will not be used.

## **1.10 Summary**

The following chapters will examine the relevance of this proposed model by applying it to a sample of micro businesses within the Perth metropolitan area in Western Australia and examine how closely this model aligns with this sample of micro businesses.

Firstly a review of the current literature will be presented. This discusses an overview of who are micro businesses as well as identifying their development needs. Then the individual elements of the Devins et al (2005) model of managerial development in micro businesses are explored in more detail. This includes examining the literature regarding the relationship between micro business and ‘close others’ and informal advice networks; between micro business and business advisers or ‘network agents’; and between micro business and ‘non-network agents’ or training providers. Finally there will be an exploration of the literature pertaining to learning as it occurs in small and micro business.

Chapter three will discuss the methodology and design of this study. A comparison will be made between the use of quantitative and qualitative methodologies and the rationale behind adopting a qualitative approach will be made, demonstrating the importance of qualitative methods when exploring widely diverse cohorts such as micro businesses. The chapter then identifies the design of the study and the case study method in more detail. Details of the sources of data, the interview technique being adopted and the data analysis procedures will follow. Finally, the methodology chapter will address issues of validity and reliability in the study and identify limitations to the study.

The findings of the study are presented in chapter four and are explained with further discussion of these findings. This chapter begins with a profile of the respondents then discussion on their reliance on each of the three elements identified in the model to be tested,

that is how and when micro business managers seek support from training providers, business advisers and close or important others. Further discussion is included about the goals of these business owners, their education and family background and the type of advice they seek.

The final chapter seeks to draw conclusions from the study with regard to the research questions and suggest how the model may impact on management development in micro business. Factors are discussed that may influence how these business managers develop their capabilities including the role of internal factors and the motivation to seek support. Finally, implications for theory and practice are identified as well as suggestions for further research.

## **CHAPTER 2            LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews current literature examining the development of management capabilities among micro business managers and highlights the gap in the literature specific to this area. Most management literature tends to focus on Small and Medium Enterprises (SMEs) and while there are some similarities in the issues they both face in developing their managerial capability, micro business represents a particular niche group.

This chapter first examines background information about micro business as well as small and medium enterprises and their significance to the Australian economy. Next, the chapter explores the actual management development needs of micro businesses. The model that will underpin this study, highlighting the three major groups that micro businesses tend to seek support from is introduced and explained. These three groups are close others, business advisers and training providers.

The following sections of the chapter examine each of these three groups, first exploring micro business managers' relationships with close others, then the relationship with business advisers and the relationship with training providers. These three significant and discrete groups form the basis of the research framework for this study.

The final section of the chapter reflects on how learning and management development occurs in SMEs and how this can be related to micro business owners. This is important in providing a link between the provision of support and how micro business owners actually develop their practices.

The conclusions drawn from these areas form the basis for the research questions that shape the research methodology that will be outlined in chapter three.

## **2.2 Background**

Micro business owners traditionally focus on technical skills to develop their business, usually with little attention on strategically developing the business or their own management capabilities. Micro business as defined by the Australian Bureau of Statistics (2001) include all businesses employing fewer than five employees. Approximately twenty two percent of all businesses in Western Australia fall into this category with equates to approximately 47,000 businesses (Small Business Development Corporation, 2012b).

Micro business researchers (such as Devins, Gold, Johnson & Holden, 2005; Kelliher & Reinl, 2009; Matlay, 2008, and O'Dwyer & Ryan, 2000) all agree that owners of micro businesses tend to take a short-term, operational view of their business with little focus on strategic development. This section will review the literature regarding SMEs and in particular micro business in the area of management development, and how micro business owners' relationships with close others, business advisers, and training providers impact on their learning and development. Little literature is available specifically about micro business, so SME literature has been included here where relevant.



### **2.3 Management development and training in small and medium enterprises – an overview**

All organisations face the challenge of developing management expertise to keep them competitive. In small and medium enterprises, authors agree there is a strong need for increased management skills in the future, as the external environment continues to rapidly change and challenge previous status quos (Byron, et al, 2002; Massey, Tweed & Lewis, 2003; Storey, 2004). Developing management skills in SME owner / operators help equip managers to act more competitively within the context of their own enterprises. Training can be a suitable way to develop the learning required to improve management performance, but other methods may be important also.

Researchers have identified a lack of focus in the systematic development of management skills in SMEs (Ibrahim & Soufani, 2002; Massey, et al, 2003). There is some debate concerning the skills and traits that contribute to successful self-employment, resulting in confusion about the most effective method of development. Ibrahim and Soufani (2002) reflect current thinking that suggests that both entrepreneurial traits and management skills combine to lead to success in SMEs. Indeed, government policy in Australia and internationally has seen a shift in focus from just job creation through business start ups, towards developing sustainable and competitive small businesses, thereby reducing the number of business failures in their early years (Devins, 1999; State Training Board WA, 2003). A sustainable successful micro business is directly attributable to the competence of the owner-manager. Their ability to successfully manage the internal and external environment of the business is pivotal (Kelliher & Reinl, 2009; O'Dwyer & Ryan, 2000).

There appears little systematic attention paid to training requirements in small and medium enterprises in recent literature. Indeed, global SME research has only been a focus since the

1970s. Training to develop management performance has been considered, like so many other aspects of SME performance, to be a scaled down version of larger organisations. The focus has been fragmented and often with the intention of supporting government-funded initiatives (Massey, et al, 2003). Whilst the UK and Europe lead the field in business development research in SMEs, there is far from a definitive understanding of best practice.

A number of factors have been identified concerning SMEs and learning. It is argued that the sector is largely driven by subjectivity and assumptions based on intuition, as reliable rigorous performance data is often difficult to acquire in SMEs. As a result the evaluation of existing programs tends to focus on whether the operators considered the training and support helpful rather than the more specific outcome of whether it translated to actual, measurable improvements in performance (Devins & Johnson, 2002; Massey, et al, 2003; Storey, 1994). The sector suffers from a lack of pooled data and a resistance to information sharing. Therefore, gaining an accurate insight into training effectiveness is difficult (Eikebrokk & Olsen, 2009; Fuller-Love, 2006; Ibrahim & Soufani, 2002).

Another factor affecting developing managerial capability in SMEs and micro business is that traditionally, this sector is not quick to take up training. The reasons for this are attributed to lack of time; limited money; the training does not relate directly to the needs of the business; lack of resources; managers are not aware of the assistance being offered; they don't believe it will help and some are even hostile towards formal training (Byron, et al, 2002; Ibrahim & Soufani, 2002). Although individuals within SMEs are involved in informal learning (Breen & Bergin-Seers, 2002), a resistance still exists towards formalised learning, predominantly "off the job" or accredited training. Recent trends show a movement beyond formal training to provide specific skills required by the managers of SMEs.

Mentoring is gaining popularity in developing managerial expertise amongst SMEs (Ibrahim & Soufani, 2002). Devins (1999) describes a mentoring program used in the UK to give support to micro businesses by providing Micro Business Advisers (MBAs) to individual operators. The project was targeted at growth oriented existing micro enterprises.

Subsequent evaluation of the program indicated substantial (although not universal) success in the transfer of knowledge and management skills. A strong variable affecting the success was “the degree to which the personality and aspirations of the owner-manager ‘fit’ with those of the Micro Business Advisers” (p.90), the degree to which the individual micro businesses desired to become involved in such a relationship, and the strength of vision in what they wanted to achieve from the relationship. The evaluation does not specify how the businesses continued to perform after the removal of this support. The potential shortcoming of such a model of support may be that upon removal, operators tend to return to previous behaviours. Determining long term, embedded change and development is difficult to measure and ascertain.

Development of management skills traditionally has been considered the domain of large corporations, and as a consequence most managerial skills training is pitched at that sector. Ibrahim and Soufani (2002) categorise these management skills as “functionalist” training, enhancing the managers capacity to be effective, rather than the broader “decision making” skills that are required for owner / managers. Many existing support mechanisms do not appear to provide for the specific developmental needs of small and micro business (Devins, 1999; Lean, 1998; State Training Board WA, 2003). Developing enhanced managerial capability in micro business tends to be reactive, in response to changes in internal or external stimuli rather than proactive (Garengo & Bernardi, 2007).

Evidence appears inconclusive as to the success attributed to SMEs that adopt significant training (Devins & Johnson, 2002; Storey & Westhead, 1996). For many small and micro business owners, this confirms their suspicion towards embarking on formal training.

Research supports the notion that small businesses progress through various phases of development and a number of life cycle models have been suggested to describe these growth patterns (Jurik, 1998; LeBrasseur, Zanibbi & Zinger, 2003). Churchill and Lewis (1983) identify five stages a small business goes through, starting from existence, survival, success then to take off and maturity.

As the organisation does develop however, major changes take place in the management of strategy, resources and structures within the organisation and therefore management capability continues to evolve. LeBrasseur, et al (2003) and Garengo and Bernardi (2007) acknowledge that during the early phases, activity based or function based approaches to management are common and leads to fragmented use of the managers' time and use of organisational resources. This tends to be based on the personal experience of the operator and skills already acquired. However, as the firm grows in complexity it may be necessary to balance this practitioner approach to decision-making with a professional management style of leadership (Orser, Hogarth-Scott & Riding, 2000). To maintain organisational performance, the skill base of the operator therefore needs to move beyond the individual's technical capabilities.

How the SME operator makes this transition is a product of self-awareness, desire for success and intention. Azjen and Bird (cited in LeBrasseur et al, 2003) and Morrison, Breen and Ali (2003) suggest that the intention of the owner can be a significant contributor to SME success and growth. Success factors for micro business owners are often varied and not always clearly identified. Brown and Walker (2004) and later work by Reijonen and Komppula

(2007) acknowledged a wide range of financial and non financial measures that directly related to performance, growth and success. They did agree that intention and motivation of the owner was a determining factor. The level and intensity of these aspects may impact on how micro business owners develop the capability necessary to perform successfully.

## **2.4 Micro business and their development needs**

Micro business are defined as organisations employing up to ten people (Devins, et al, 2005) in many countries, but the Australian Bureau of Statistics defines micro business as those employing less than five people (ABS, 2001). They are a diverse group including such business types as professionals such as accountants and lawyers, trades people (plumbers and electricians), consultants, home based businesses, service providers (hairdressers and small cafes), farming and manufacturers. They cover all sectors including property and business services, construction, finance and insurance, agriculture, forestry and fishing and retail. In addition to the types of industries these micro businesses operate in, the heterogeneity of the sector is typified by the structure and purpose they represent. Devins et al (2005) identify some of these as start up business, self-employed, owner-manager, team managed, family business, ethnic business and hi-tech businesses.

Traditionally, the acquisition of skills to improve business performance by small business operators has been done on a 'just-in-time' basis, if indeed at all. Many small business and micro business operators do not perceive the need for training and development of management capabilities (State Training Board, 2003). The immediate training needs of these operators tend to be concerned with the acquisition of skills to achieve short term operational goals. In their examination of small business in Italy and their development of

managerial capability, Garengo and Bernardi (2007) confirmed the “tendency of SMEs to dedicate most of their attention to operational and technological aspects neglecting organisational and managerial problems” (p. 520).

While there are a variety of training models available to small business operators, there are many factors that deter them from pursuing training and development options. According to research conducted by the WA Small Business Development Corporation (2012a), 36% of the 800 operators that responded to their survey did not participate in any training in the previous twelve months. Reasons given for not engaging in training and development were lack of time, cost, training not structured to suit the business, and no relevant training available. A study by Morrison et al (2003) suggested a slightly higher rate of involvement in training at 50%. These figures still suggest over half of small businesses are not involved in regular training activities.

This highlights the need for training to be better tailored to the requirements of small business, which was a subsequent recommendation made by WA State Training Board. The Task Force (State Training Board, 2003) acknowledged that “while some training providers specifically target small business, there is further scope for training providers to tailor training to the needs of small business” (p. 8). As a substantial subset of the small business cohort, micro businesses mirror this individualized requirement for training and development. Their needs are further exemplified by the diversity of the industries they represent and therefore skill requirements demonstrated by micro business operators.

Micro businesses in Western Australia tend to develop their managerial expertise sporadically, and rely on traditional sources of advice (such as accountants, banks, other business operators and family and friends) to support their decision making (Jay & Schaper, 2003) on a ‘need to know’ basis, rather than developing longer term strategies to improve

their management capability. Gibb (2000) categorises the assistance sought by small business to develop their expertise as assistance, intervention or training. As such, each type of assistance is sought and used for a slightly different purpose, and in varying circumstances.

Micro business provides employment opportunities for many and the drivers for this form of self-employment include flexibility, autonomy, escape from traditional work models and fulfillment, economic reward and meeting demands of family (Jurik, 1998; Lean, 1998).

Jayawarna, Rouse and Kitching (2011) identify six different types of small business owners, dependent on the driving forces behind their decision for self employment. The first of these is termed 'reluctant entrepreneurs' who have opted for self employment out of necessity, such as providing security for self and family and 'buying' a job. The next is 'convenience entrepreneurs' who choose self employment as a lifestyle option to create a flexible work life, often to complement other demands, like family or private pursuits. Then they suggest 'economically driven entrepreneurs' who are predominantly driven by the desire to make money and view self employment as the best option. 'Social entrepreneurs' make up the fourth group, who are motivated by the desire to contribute to society. Then 'learning and earning entrepreneurs' who are driven to work for themselves as an opportunity to accelerate the opportunity to achieve. The final group identified here is termed 'prestige and control entrepreneurs' who are driven by both the high status associated with self employment and the ability to control their own work. These six groups highlight the differences among small business owners and therefore how they will define success. The reality of then growing a micro business inevitably requires creating new management responsibilities such as taking on more staff or out-sourcing work. These require new skills. Such expansion of the business may encroach on their earning capacity and autonomy, particularly in the short term.

It also creates an added pressure in managing a more complex organisational system, and most operators are not equipped to make that transition.

The development of management capabilities may be linked to the goal of the owner-manager of each micro business. There are still many concepts about just what management is. While text books may describe management typically as “the planning, organizing, leading and controlling of human and other resources to achieve organisational goals effectively and efficiently” (Waddell, Jones & George, 2011, p. 5) such definitions are drawn from large organisations. Alternate perspectives can include an emphasis on control, lifestyle choices, performance outcomes and profit generation (Devins, et al, 2005; Morrison et al, 2003). Owner-managers value their business and the development of managerial capabilities is often informal or accidental, but their application will require some change on behalf of the manager. Many of these managers see external management development provision as unattractive and even opposed to their immediate survival goals.

The current situation is that most small business training is facilitated from the supply side and not the demand side, that is, courses are offered and it is up to the business owners to access and attend the most appropriate ones, rather than determining customized courses that provide what the business owners actually need, and in a ‘just in time’ manner, rather than on a longer term, developmental basis. Most literature pertaining to training in small business focuses on the desire to increase innovation (Lee & Florida, 2002; Oliver, 2011; Sarri, Bakourous, Petridou, 2010; and Yusuf, 2009), or the general provision of training of employees (Bryan, 2006; Kitching, 2008; Matlay, 1999; Matlay, 2004; and Smith & Collins, 2007). The literature is scarce when discussing the issue of developing managerial competencies within these business types.



While the general importance of training has become a popular mantra, understanding how micro business managers learn and translate this learning in to continuous improvement within their business remains elusive. Organisational learning has been popularised and is widely associated with large organisations. The literature is limited in its diagnosis of how managers in small and micro businesses develop their capacity to learn. Therefore, there is a gap in the understanding of how these managers learn and therefore a gap in identifying what training and development best equips them to develop better, sustained business practices.

Sourcing the support for sustained management success for micro business owners is multifaceted. A lack of internal resources will always require these managers to go externally for support, or rely on inter-organisational networks (Jones & Macpherson, 2006). Devins et al (2005) proposed that much of the effective learning is complex and scaffolded in nature.

They identified three main groups who represent sources of support and learning from which micro managers develop their management skills. In some cases, they may access formal training providers, or seek information from professional advisers or consult important close others. Micro business managers are likely to use a mix of these three groups, but it would seem that informal advice networks made up of close others may be the most commonly sought source of information and most trusted.

### **2.5 Micro business relationship with ‘close others’/informal advice networks**

The isolation and lack of broad based skills is frequently noted as a limitation to organisational performance in micro and small firms. The informality that is most often associated with these firms gives rise to the reliance on business advice from friends, family and what Devins et al (2005) refer to as “close others.” Specifically, these people tend to

have “a significant interest in the working of the business but are not involved in its day-to-day operations, except perhaps on special occasions or in times of difficulty” (p.26). It most typically involves friends and family, wider social networks or valued customers and suppliers. The informality of small business owners and the changing environment in which they operate means there is a never-ending supply of problems, opportunities and issues to be handled.

Lewis, et al (2005) and Devins et al (2005) agree that this group provides an important source of advice and support for micro business managers, as well as enhancing informal learning by acting as a sounding board for ideas, and often providing informal mentoring. For more specific, technical advice, managers often seek out and pay professional business advisers. These personal networks are highly valued by these managers and considered highly credible and as such, are often the first port of call (Lewis et al, 2005). While it is understood that these managers will regularly seek support and advice, they are time and resource poor and will often seek advice from close others as this is cheaper (usually free) and considered trustworthy (Johnson, Webber & Thomas, 2007).

Ultimately, small firm managers learn by doing, interacting and talking with others (Gold & Thorpe, 2008). This can be most effectively accomplished with networks developed with this group of ‘close others.’ Jones, Macpherson, Thorpe, & Ghecham (2007) explain the importance for all small businesses towards organisational renewal in order to meet the changing external environment, even those firms who do not aspire to growth. Part of their capacity to achieve this is through social capital. The buildup of social capital is of even greater significance in micro firms, as the small number of organisational members limit personal and network interactions. Socialising and networking both within the business and outside the business is a significant part of developing social capital and it is here the role of

‘close others’ takes on a major role. While social capital appears significant, any in depth analysis is beyond the scope of this study. However, it is important to identify that “close others” provide a convenient, timely and trusted source of support and information for micro business owners. These factors are highly valued by these managers.

## **2.6 Micro business relationship with business advisers / network agents**

Devins et al (2005) refer to the second group that micro business managers seek information from as network agents. There is some literature on this cohort, although most specifically the research has been dominated by examining the role of accountants and banks (for example, Carey et al, 2005; Day et al, 2006; Perry, Cardow, Massey & Tweed, 2006). Authors variously refer to this group as business advisers or consultants. The title of ‘business adviser’ appears most encompassing of this group and will be adopted for this study.

### **2.6.1 Why do they choose external business advisers?**

Managers in micro business are forced to seek external advice to support their business. Unlike the resources available to a manager in larger organisations, the specialised knowledge and skills available within micro businesses are extremely limited. Accounting advice, legal information, and specialised sales expertise cannot be found “down the corridor” as in the case of medium and large organisations, rather, the gaps need to be filled externally. External consultants and business advisers can add value to the business process by adding technical expertise.

Johnson, Webber and Thomas (2007, p. 1982) identify “the demand for business advice services is also a derived demand. Advice is not sought for its own sake, but because it is thought by the business to be likely to lead to an improvement in an area of business performance.” Supporting this, Carey et al (2005) suggest “the decision to purchase advice from external accountants is influenced by the expertise available with the SME, i.e. if not available in house, they will go externally” (p. 15). Most often the decision to seek external advice is an economic one, when the choice to seek external advice is better than trying to battle on individually (Day et al, 2006).

Micro business managers tend to seek business advice that falls into one of two broad categories. The first is to fulfil obligations, mainly statutory requirements and compliance such as financial and taxation requirements, or responsibilities toward employees, such as rates of pay and leave entitlements (Breen & Bergin-Seers, 2002). These are often routine problems faced by managers and they may be recurring. For example, the submission of annual financial information is regularly required by the Australian Taxation Office, but benefits from specialised interpretation by an accountant and most regularly requires expert input. Other financial reports may be needed by managers in micro business, but with the aid of training or electronic software packages, micro businesses may choose to prepare these reports themselves (such as profit and loss statements or BAS statements). Breen, Suilli and Calvert (2004) have explored the role of external accountants in small firms and agree that the adoption of existing accounting software packages (notably MYOB) have changed the role of accounting advice for many small business owners. These accounting and book-keeping skills are usually referred to as ‘hard skills’ and these needs are often externally driven and urgent, in that managers have no choice but to comply.

The other reason micro business managers seek external business advice is to develop their business capabilities. Unlike the first reason, developing business capabilities is seen as important but does not share the same urgency. Developing capabilities are thought of as 'soft skills' and may include growing the business, improving human resource practices or restructuring the business. Other reasons identified in the literature as to why businesses may seek business advice include staying up to date with developments in the field, to support them in a time of crisis, to gain specialist knowledge and fill the gap in some aspect of the business (Bennet & Robson, 2005; Berry, Sweeting & Goto, 2006).

Managers in SMEs have long been regarded as time poor and driven by short term survival goals (Gold & Thorpe, 2008). It is probable then that the desire to develop business capabilities may be a function of the life cycle of the business, business objectives, opportunities to access support and internal contextual factors like the culture of the business and the attitude of the manager.

#### 2.6.2 Life cycle & business objectives

Micro businesses exist in many forms. They may represent a start up business with managerial intention to grow right from the formation of the business. Growth may be measured by turnover, profit, the number of staff, business units etc. Churchill and Lewis (1983) identified a typical growth model for SME starting with the existence phase, followed by survival, success, take-off and maturity. In terms of the characteristics mentioned above, this growth model could perhaps more accurately reflect lifecycle phases. Growth is not necessarily a linear function and may or may not be an objective of the micro business at all times throughout the business lifecycle

Alternatively, the nature of the business may be to remain small and satisfy lifestyle choices by the owner. Home based businesses, family businesses, farms and many other micro businesses may remain static, with little reason to grow. Often, owners of these businesses seek to keep the business at the same size because it may offer the owner the lifestyle they seek, that is regular clientele, stable income, ability to pursue other interests (both personal and professional), minimal stress and a feeling of intrinsic satisfaction at being able to manage the business effectively.

#### 2.6.3. Opportunities to access support

All managers, no matter the size of the organisation, face challenging decisions in the strategy they will adopt for their business and how they will best use their limited resources to achieve those. “The process of seeking and utilizing external support is a complex one” (Johnson et al, 2007, p.1982) and is further complicated if managers of micro businesses are limited in their resources, be that time, money or knowledge. Carey, Simmnet and Tanewski (2000) alert us to the reality that the decision by micro businesses to buy external business advice may be highly affected by its capacity to pay for it. Often at times when these businesses may most need advice the cash flow prohibits purchase of the most effective advice.

The demand for external business advice is not only a function of the business’ ability to pay, but also their willingness to pay. The micro business owner seeks external advice when they have expectations that it will improve performance to that business. This represents a situation of risk and uncertainty for these managers. It is often difficult for them to identify

exactly what is the best source of advice, particularly if the capability of the manager is limited (Berry et al, 2006; Johnson, et al, 2007).

#### 2.6.4 Internal contextual factors

Many internal contextual factors affect how managers in micro businesses seek external business advice. The management capability of the owner has a significant impact here. Owner-managers of micro business are motivated differently from professional managers employed in larger businesses. The reason behind the decision to own their own business is often driven by confidence in their ability to be successful and a strong sense of independence. Many have left employment in other organisations to put their knowledge and skills into practice. As a result, they value their business and their belief in their ability to perform well. They often see relying on external business advice as a symbol of failure or a submission to reliance on others, sometimes the very thing they were trying to escape (Devins et al, 2005; Dyer & Ross, 2007; Gold & Thorpe, 2008; Gray & Mabey, 2005).

Conversely, a number of researchers identified that managers who have significant experience in larger firms where they have been exposed to professional expertise tend to be more open to seeking advice from external business advisers, as do those managers who have been exposed to formal higher education and training, especially related to building organisational capacity (Devins, et al, 2005; Johnson et al, 2007; Kock et al, 2007). Research by Hussain, Matlay and Scott (2008) into micro business in the UK (particularly ethnic business) suggested that the majority of micro business owners researched had very limited formal education and displayed high needs of education to successfully operate their start up businesses, particularly in the areas of financial management. If the culture of the micro

business is one demonstrating respect for education and a positive climate towards change, the attitude of the manager is more likely to seek external business advice. Therefore, the culture of the business has a big impact in this area.

When micro business owners seek external business advice, it is affected by many things. The nature of micro business is complex and diverse. A study conducted by Johnson et al (2007) sampling 1500 SMEs in the South Yorkshire region identified four factors associated with SMEs using external business advice. These were:

1. Size and age of business was not strongly linked to the use of external advice. However, studies by Carey et al (2005) suggested that the smaller the firm, the less likely they were to purchase business advice.
2. Geographical location was a factor. Managers operating in a densely populated area are more likely to seek advice and will seek it from providers close by.
3. SMEs involved in Information Technology and Research and Development were more likely to seek advice
4. Those SMEs with plans to grow were more likely to seek external advice. As were those with recent or current problems and those wanting to raise capital.

#### 2.6.5. How do they choose external business advisers?

For business advisers to be used, managers of course must at some point consciously identify a need for the advice provided by external business advisers.

Business support comes in many areas. Johnson et al (2007) identified the following categories as areas of business support that can be purchased. Their survey of 1500 SMEs in



South Yorkshire ranked these twenty categories from the most relied on (training and development) to least relied upon and these are shown in Table 2.1.

**TABLE 2.1:** The categories small business most relies for external sources of support

Training and development	Quality initiatives
Business planning and development	Raising finance, grants
Health and safety	Sales
Recruitment	e-commerce, web design
Information and communication technology	Production issues, including technology
Legislation	Product approvals
Marketing	Exporting
Accounts, bookkeeping, tax	Product/service design
Environment issues	Relocation
Business information and research	Intellectual property and rights

Source: Johnson, Webber, Thomas, 2007, p. 1988

Much has been written about the level of relationship between the micro business manager and providers of business advice. Dyer and Ross (2007) highlighted that the approach of the business adviser is typically rational and analytical, representing a big picture approach to the business situation or “world view”. In contrast, managers of micro business tend to exert business behaviour that is informal and at times even idiosyncratic. This can be a catalyst for dysfunctional relationships between the two players. “The relationship between advisers and SMEs can be critical to their success” (Day et al, 2006, p.588).

The literature seems to reinforce the compatibility between adviser and SME (such as Berry et al, 2006; Carey et al, 2005; Day et al, 2006). Notably, Day et al (2006) studied the relationship between banks and SMEs suggesting that banks have changed their approach in providing business advice towards a more bureaucratic approach, away from the traditional approach, where account managers were assigned to individual businesses to provide information and advice. The result suggests that SMEs are less inclined to turn to banks for business advice. Day et al (2006) assert that the relationship between SMEs and business advisers is two-way, because the transfer of information is “symmetric”, acknowledging that successful supply and utilisation of advice must be an outcome of not only the adviser giving the information, but the SME successfully describing their vision for the business and teaching the adviser the specific features of their business. They also suggest that more “entrepreneurial” small businesses exert quite different behaviours from “non-entrepreneurial” SMEs and as a result will develop quite different business relationships with their advisers (Day et al, 2006). Entrepreneurial SMEs are considered those businesses that are innovative and proactive in developing their business.

While the relationship between the provider and user of this advice is considered significant, it is important to remember that traditionally this relationship is dominated by the supply side rather than driven by the demand side. This will impact on the micro managers ability to access advice, their motivation for seeking advice and their willingness to incorporate this advice into their business practices and therefore ultimately their learning. What needs to be remembered is that business advisers are in the “business” of providing this advice and derive profit from this activity. Their driving force is to sell their product or service, and therefore, their motivation is often fundamentally different from that of the micro business manager.

Many business advisers are medium and large organisations and share little real understanding or empathy for the micro business.

Four factors have been identified by Day et al (2006) that affect the relationship between the SME and business adviser. Firstly, whether the interaction is voluntary or involuntary. Secondly, that there may or may not be a desire for a mutually desirable outcome. Thirdly, what type of outcome is being sought and whether that is clearly defined. And finally, whether the contact is formal or informal. These factors will impact on the type of relationship, the commitment to taking on the business advice and the level of trust shared between these parties. McDowell, Harris and Zhang (2009) explored the importance of trust with small and micro businesses in the UK and acknowledged that heightened levels of trust in their supply chain relationship was directly related to enhanced performance. They noted that micro businesses in particular focused on high levels of communication, usually aimed at creating trusting relationships. This helped the micro business owners to trust the supplier and trust the quality of the information they were getting.

Access to the business advice is only the first stage. Having the new knowledge does not guarantee adoption by the micro business, nor does it necessarily affect learning or change. Successful adoption of new business advice will lead to some level of change or innovation within the business. "SME should develop a process of organisational learning to enable them to more effectively use the advice" (Berry et al, 2006, p.40). Research appears inconclusive as to the relationship between improved performance and seeking business advice. While there appears some correlation, it is impossible to tell whether the improvement in business performance is directly related to the implementation of advice, or because of the nature of the SME in identifying a need to seek advice in the first place (Dyer & Ross, 2007).

Professional and business advisers have been a traditional source of support and information for micro business managers, but the reasons why these managers choose this support varies widely and is often affected by their trust in these providers and the perceived importance of the information.

## **2.7 Micro business relationship with training providers**

Much of the literature available on training for SMEs and micro businesses tends to focus on training employees to develop specific skills, with little focus on management training and the development of management capabilities. There appears significant debate on whether training really does improve productivity and performance. Although there is a commonly held view that training has a positive impact on productivity and organisational performance, there seems little empirical evidence to actually support that (Eikebrokk & Olsen, 2009; Fuller-Love, 2006). Most of the literature indicates a preference by SMEs for informal training over more formal types.

Owner-managers within a micro business have a significant impact on the success of the business because they *are* the business. These managers shape the systems of the organisation and what they learn profoundly affects the business (Gold and Thorpe, 2002; Jones, MacPherson, Thorpe & Ghecham, 2007). Gold and Thorpe, suggest that what is important for these managers is the “day to day activity, combined with the overall responsibility for ownership, governance and direction of the business” (2002, p.3). Even for those businesses that employ a small number of staff, the micro business owner still retains a significant amount of power, control and influence over the performance of the firm. The development of management capability is strategic in nature and also includes succession

planning, development and review of knowledge acquisition and the development of necessary skill formation (Gray & Mabey, 2005). Therefore, management development can be described as “any learning concerned with helping managers do their work” (Gold & Thorpe, 2008, p.3).

The management literature has long implied a relationship between developing management capability through training and improved performance, and much research has been conducted to attempt to verify this notion, although there seems little hard evidence to support this (see Bryan, 2006; Gold & Thorpe, 2008; Massey et al, 2005). Gray and Mabey (2005, p.467) categorically state that “well managed small firms have a crucial role to play promoting and sustaining flexibility and innovation.” Labour economics theory suggests there is a direct link between increased training and increased productivity, but this is largely based on research within large organisations (Bryan, 2006). In their research, Gray and Mabey (2005) determined a positive correlation between increased management development from training in SMEs and performance. But what most SME literature suggests is that there is a perceived positive link, and that is sufficient to drive owner managers who do engage in training, to develop their capabilities via training. The causal relationship remains questionable. It may be that good management itself encourages training, and good management is instrumental in increasing performance, but not that training necessarily improves performance (Bryan, 2006).

Building management capabilities often only becomes an issue in micro and small business when there is competition in the external environment or a change in working conditions (new software introduced, new machinery or new needs for government compliance requirements). Too often, owner managers are too busy working in the business rather than on the business and list a lack of time and resources; no incentive to manage rather than run

the business; and not having the necessary skills as the main reasons not to engage in management development training (Massey et al, 2005). Other reasons noted include if high staff turnover makes it uneconomical, high levels of dissatisfaction with training episodes in the past, flat organisational structure limiting career development, cost, lack of need (most learn on the job or already have knowledge), training is considered to require a lot of paperwork, loss of working time, trained staff may be poached by other organisations, no perceived real benefit and that training is inadequate in terms of availability, content, quality or location (Bryan, 2006; Gold et al, 2008; Holden, Nabi, Gold & Robertson, 2006; Kitching, & Blackburn, 2002). Interestingly, Bryan (2006) identifies that micro and small business are more likely to engage in training during times of profitability as they have excess disposable income. In times of decline, training to develop management capability is seen as an unnecessary expense and reduced.

Traditionally, training was considered a function of the induction or orientation process and not viewed as a method of adding value to the organisation or improving competitive advantage for organisations, particularly small organisations. Bryan (2006) suggests that training is now considered indicative of a continuous learning culture and aids performance by stimulating staff and managers to better cope with change. So training as a method of increasing management capability can bring the following benefits:

- The development of human capital, thereby contributing to a situation of sustained competitive advantage
- Replaces lost knowledge which is becoming obsolete at an increasing rate.
- An increasingly competitive environment demands increased need for training
- Improve technical knowledge and skills

- Develop social networks, to enhance cooperation within the workplace
- Meeting legal obligations
- Develop future skills
- Acquiring qualifications

(Bryan, 2006; Kitching & Blackburn, 2002)

Owner-managers are reluctant to embark on training if they do not perceive value will be gained. The relative cost of training in small business is higher than in larger business, so value is paramount. Given owner-managers are time and resource poor, they are only inclined to embark on management training that they consider relevant and valuable.

Micro managers need good reason to justify time and money acquiring management skills. These skills are generic rather than business or industry specific. Because they are intangible, judging value is difficult (Massey, et al, 2005, p.10).

Given the tighter resource constraints of small business operators, the purpose behind management development is less focused on future objectives, but more about conserving or making better use of scarce current resources. They are driven by practical, short term outcomes such as customer satisfaction and staff retention (Gray & Mabey, 2005). It seems apparent that small firms rarely monitor their management needs and make decisions about training on an ad hoc basis.

SME researchers are in agreement that owner managers of small and micro businesses exert a preference for informal training. Kitching and Blackburn (2002, p.4) identify training “to include any activities at all through which managers and workers improve their work-related skills and knowledge.” Of course, such a broad definition may even include acquiring

information from a business adviser. More specifically, Patton and Marlow (2002, p.261) identify formal training as “initiatives which can be identified by both recipients and deliverers as an intervention which has a structured mode of delivery, where the aim is to impart new awareness or knowledge of a workplace process or activity.” Alternately, informal training is “ad hoc, fragmented and flexible” (Jayawarna, MacPherson & Wilson, 2006, p.261). The variety of options available to micro business managers are categorized, based on the work of Jayawarna et al, 2007, in Table 2.2.

**TABLE 2.2:** Types of training used by SMEs. Based on the categories of Jayawarna, MacPherson & Wilson, 2006

Formal training methods	Informal training methods
Course at university or college	Performance appraisal
Course from outside provider	Coaching
Distance learning	Mentoring
VET (Vocational Education and Training)	Temporary promotion / job rotation
Formal in-house course run by outside providers	Informal seminars, meeting, networking
Formal in-house course run by company staff	Reading (books, technical literature, web sites)
Internet based course	

Clear differentiation between the provision of training and interaction with other sources of support already mentioned (close others and business advisers) can be uncertain. For



example, Devins et al (2005) suggest meetings and networking would be the domain of close others.

Yet with the wide variety of training provision available, management performance still varies greatly. The successful development of management capability is still largely accurately unidentified, but most researchers in micro, small, medium and large firms agree it is a complex mix of further higher education, formal and informal training. The preference for informal training tends to be representative of the informal environment in which micro businesses often operate. It also reflects the micro business culture typified by individualism and anti-participation. “Off the shelf” products rarely meet the specific needs of micro businesses as these managers are diverse and complex in their needs and often lack understanding of their own needs (Massey, Gawith, Perry, Ruth & Wilson, 2005; Morrison, 2003). Micro business managers often find abstract concepts unhelpful and not applicable. According to Gold and Thorpe (2008, p. 19) they may not be able to translate these concepts to their “sense-making activities” which they need to do in order to relate these ideas to their view of themselves as leaders.

Gray and Mabey (2005) compared the use of informal versus formal training between micro, small and medium firms in Europe. While twenty percent of micro businesses did not undertake any training at all, the percentage of micro firms relying on informal training over formal training was high. This trend was reversed as firms got bigger (see Table 2.3).

**TABLE 2.3:** Percentage of businesses using training (note: businesses may use more than one source/type of training).

	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<b>Formal</b>	39%	56%	70%
<b>Informal</b>	61%	44%	30%
<b>No training</b>	20%	9%	4%

**Source:** Gray and Mabey, 2005, p.470

Micro business are often those in need of the most training to develop management and business capability as their isolation, small workforce and narrow skill sets preclude them from developing the diverse skills required to manage effectively, yet researchers regularly identify they are less likely to take it up (see for example Gold & Thorpe, 2008; Gray & Mabey, 2005; Jayawarna et al, 2007). However, it should be noted that informal training is still considered a very important form of learning. Experience and peer-to-peer advice is highly valued by owner-managers as it is considered the most relevant to their specific needs. Schmidt and Kolodinsky (2007) examined the outcome of an ongoing training program delivered in the US for startup micro and small businesses. Its continued success was considered the one-on-one coaching in addition to the personal mentoring style that was adopted. This allow a level of individualised support that could be accessed by these managers, which was highly valued.

Mentoring and coaching are growing in popularity with small business managers as it allows managers to work on a particular issue in the context of their business, which they find meaningful (Gold & Thorpe, 2008; Ibrahim & Soufani, 2002; Morrison, 2003). Gold and Thorpe (2008) go on to explain that this informal type of learning is especially useful in its applicability, is good for building relationships and to further stimulate a demand for

learning. One of the benefits of this peer to peer development is in providing stretch for the micro business manager. These managers are typically independent and isolated, so they construct knowledge in their known world. Working with a coach or mentor at their own pace, with their own problems takes them beyond their world to a bigger one. This may be one reason supporting the suitability of mentoring in small firms even more than in large firms, as was found in the research by Gray and Mabey (2005).

Some benefits from learning networks have been cited in the literature (for example Deakins & Freel, 1998; Floren & Tell, 2004). The notion of group or collaborative learning is important, particularly in overcoming the limitations of isolation experienced by micro business managers. The concept behind networks of learning make sense, but the reality for these managers is that while many of these programs flourish to start with, involvement becomes difficult to sustain as the issues of time and resource limitations re-emerge. Many publicly funded attempts have been made to develop networks of learning, but the long term commitment is rare. If members of the network are from similar industries, the content may be relevant, but managers sometimes fear sharing information with their competitors. Alternately, networks of diverse business types can be considered less relevant.

Like business advice, the provision of formal management development training to micro managers is dominated from the supply side. These tend to fall into one of three categories. The first is predominantly publicly funded agencies such as universities and technical and further education facilities. The second is membership and industry organisations such as Chambers of Commerce and Small Business Development Corporation and thirdly, private providers (Massey, et al, 2005). Each of these suppliers is driven by different motivations, but small businesses tend to favour membership groups, as they have a strong membership base and are perceived to have a more intimate knowledge of their needs. To be the most

effective, the supply of external formal training needs to be relevant enough to provide a useful solution, yet varied enough to provide varied solutions to future problems (Jayawarna, et al. 2007).

Formal training is often associated with quality of delivery and content however, the learning needs of individual owner managers in micro business is quite specific and varies from manager to manager, sometimes making the relevance of this type of training questionable. Some factors that impact on the management development needs include the situation, the particular leadership roles, the product and market conditions, the business ownership model and the structure of the organisation (Jayawarna et al, 2007). Therefore the decision on if and how to embark on developing management capability through training – either formal or informal, is a significant one for these managers.

Many small business owners do not recognise their need for learning (Breen & Bergin-Seers, 2002). They are confident in their functional role and often busy sustaining the business. So it is here that the role of informal learning becomes so significant.

Kitching and Blackburn (2002) suggest rather than purely focusing on the differences between formal and informal training, the notion of the quality and quantity of training should be taken into consideration. In this analysis, quality of training relates to having substantive content, the mode and organisation of delivery, the location (on-site or off-site) and accreditation. The quantity of training includes the number of employees receiving training as well as the duration and intensity of training episodes. Quality and quantity may be higher in relation to informal training, and subsequently more valuable. The following Table 2.4 depicts the relationship between external and internal sources of training and the notion of formal versus informal training.

**TABLE 2.4:** Examples of training based on external or internal source and formal or informal nature.

	<b>EXTERNAL</b>	<b>INTERNAL</b>
<b>FORMAL</b>	TAFE course VET qualification	Formal in-house course run by outside providers
<b>INFORMAL</b>	Professional mentor / coach	Mentoring from colleague

While it has been noted regularly in the literature that micro and small business managers prefer informal training, Jayawarna et al (2007) suggest that does not necessarily equate with better outcomes. They have identified five major reasons why formal training may be superior in the development of improved management capabilities and increased performance.

1. There is often a lack of suitable skills within the micro or small business itself to provide sufficient management development
2. Managers in these businesses are too busy to fully avail themselves of informal training and use formal, off the shelf courses which they consider are cost effective, to fill the learning gap.
3. Formal training is most often selected in response to a problem, and therefore can be highly effective.
4. The quality of external providers is often high. They are selected by recommendation or perceived expertise and can provide professional solutions quickly and efficiently.

5. In-house courses delivered by external providers can be customized to organisational needs and often very specific to management needs.

Again, the internal and external context affects training within SMEs. Several authors (Berry, et al, 2006; Schmidt & Kolodinsky, 2007; Jay & Schaper, 2003) suggest that over and above just the formal nature of training being more successful, those organisations that have identifiable policies or processes to support training, reap the most benefit. This is probably due to the culture this creates, which supports training and continuous learning. Micro businesses need to be aware of the inherent value of development activities and will greatly benefit from a developed process of organisational learning to enable them to most effectively incorporate new knowledge into their day to day work (Berry et al, 2006).

The reality for micro managers is a constant struggle between identifying the need for training to develop their management capability and the scarce resource issue threatening its uptake seems a perpetual problem for small firms. Current literature is adding another dimension in tackling this problem, introducing the notion of a “training broker.” Many authors (for example, see Gold & Thorpe, 2008; Holden et al, 2006; Morrison, 2003) advise that a training broker can be effective in providing a conduit between the manager and training provider. By forming a relationship with the micro manager over time and developing understanding of their day to day and strategic needs, they are better able to recommend relevant, timely, cost effective training most suited to their situation. Micro business managers do not lack support or even awareness of it, but their past experience often taints their view and restricts their openness to using training in the future. The training broker can play an important role in the effective use of management training. Devins et al, 2005, suggest the business adviser (such as accountant, lawyer etc) may be well placed to take on this role.

What does seem common amongst micro business managers is that learning, either informal or formal, supplied externally or internally will require some change in the way managers do things and requires some action outside the “normal” organisation life. Yet what managers in micro businesses do want is seamless integration into the workplace (Holden et al, 2006; Morrison, 2003). They need space, capacity and confidence to make those changes concrete. The objectives of the micro business manager are varied and may range from survival to growth, all of which are valid objectives and may vary with the life cycle of the firm. The external context ultimately shapes these objectives, so that even a micro business that has no growth aspirations, but strives to survive must continuously be involved in knowledge renewal to stay competitive.

Therefore, identifying a need for training and accessing the information at training is only the beginning of the process. Taking that newly acquired knowledge and integrating it into the workplace and updating that knowledge for future requirements is the ultimate goal. Jones et al (2007) propose the idea of strategic space to successfully take that knowledge and integrate with regular work practices.

To accomplish learning and transformation with SMEs there needs to be the time, resources, motivation and capabilities for different constituencies, particularly owner-managers, to reflect on and review existing organisational practices. (p. 287)

As suggested earlier, this reflection and review process is a rarity in small firms. The authors recognize two factors important in the development of strategic space, that is absorptive capacity and social capital. Absorptive capacity refers to the learning culture embedded in the firm – the processes and systems, their emphasis on learning, the willingness to undertake knowledge sharing activities. This is related to but distinct from the second factor, and that is social capital. Social capital relies on the building of relationships within and external to the

firm, social networks established, the use of meeting as a form of communication, the significance of delegating in addition to the interpretative frameworks used by the manager based on shared language, codes and narratives (Inkpen & Tsang, 2005; Jones et al, 2007). Both of these factors can be significant in the development of managerial capacity in micro businesses. The absorptive capacity impacts on the propensity for new learning to occur and become embedded within the business. Social capital strongly affects the impact of relational aspects for micro businesses in developing relationships with important others, business advisers and training providers.

Taking information and knowledge to the next phase and creating organisational learning is a complex process. The sources of this knowledge are varied – from important others, business advisers and training providers, but the external context and the internal context inevitably shapes the way this is integrated into the workplace.

## **2.8 Learning in SMEs**

The concept of ‘learning’ is much written about, widely researched but fundamentally still not well understood. Practitioners, educators, academics view this concept from many different perspectives. The aim of this part of the literature study is to adopt a representative definition of learning that will most broadly fit the context of micro business managers and their needs in developing their capability to achieve their business objectives. This section will explore different views of learning and factors that impact on learning with the view to exploring the role of the manager and their use of close others, business advisers and training.

Many definitions of learning exist. This study will limit itself to those regularly cited and relevant to the workplace context. Rae and Carswell (2000) identify learning as “the human



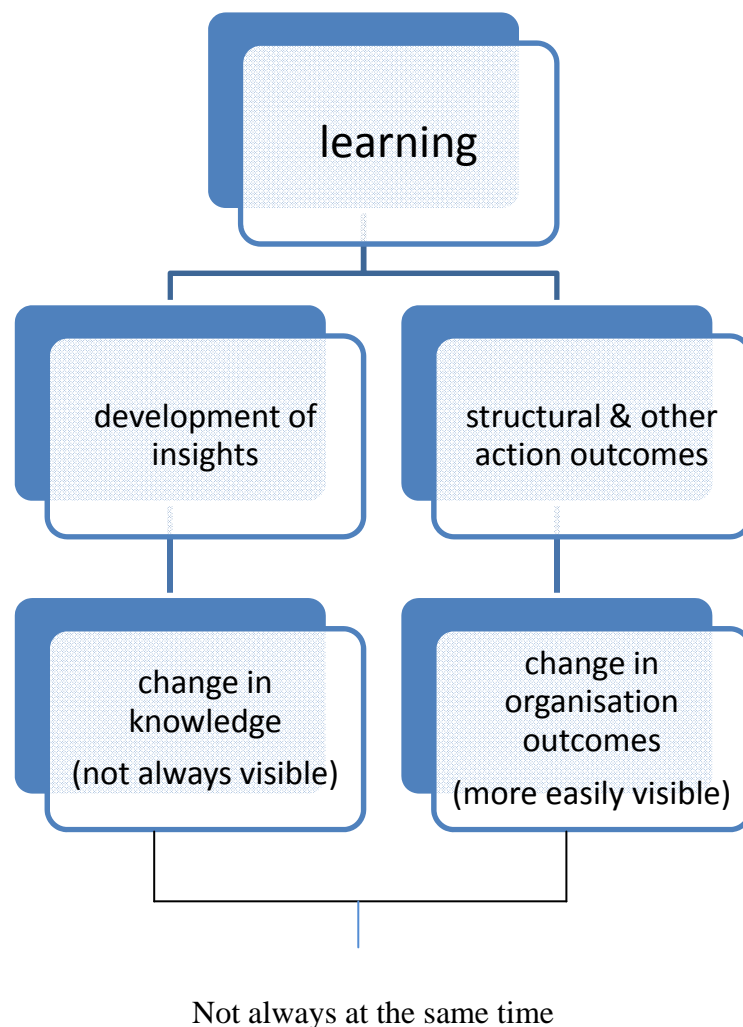
process by which skills, knowledge, habits and attitudes are acquired and altered, making meaning from experience, and generating solutions from existing knowledge.” (p. 153). This is a commonly espoused view of learning.

Early ideas of learning within organisations were influenced by Simon (1969) who described it as “the growing insights and successful restructurings of organisational problems by individuals reflected in the structural elements and outcomes of the organisation itself” (cited in Fiol & Lyles, 1985, p.803). Both of these definitions suggest two aspects of the process. The first is that learning requires some change in knowledge (this can be new knowledge, expanded knowledge or even ‘unlearning’). The second is that there must be some related change in the context in which one operates (adaptation, alteration – some outcome).

Fiol and Lyles (1985) suggest that this combination of knowledge and subsequent change in organisational outcomes is a result of cognitive learning and is what organisations should be seeking in the learning process. Anderson (1996) suggests a similar notion but refers to these concepts as declarative knowledge and procedural knowledge. Declarative knowledge is explicitly stated knowledge or facts. Procedural knowledge transforms that into practice in knowing how to do something. This becomes significant when considering micro business managers and the development of their management capabilities. In his view of learning, Huber (1991) goes a step further by suggesting “an entity learns if, through its processing of information the range of its potential behaviours is changed” (p.89). Therefore, Huber does not assume learning must demonstrate an immediate response or change, but that the capacity for that exists in a latent form.

Seeking advice, paying for professional services and undertaking training all serve to provide the first part of the learning definition – the acquisition of some new or modified knowledge

or information. The transfer of that to action is the pivotal part of the learning process and each aspect is reliant on the other to be deep or cognitive learning.



**Figure 2.1:** Depicts the components of the learning process

Figure 2.1 illustrates the two major components of the learning process, as summarised from the major contributors to learning within organisations. Of these two components, the action component can be highly visible. A change by the manager in implementing a new practice, a change in marketing strategy, recruiting new staff, for example are all visible and some

would suggest, evidence of learning. The complexity exists in determining whether a permanent or at very least a very entrenched change in knowledge has actually occurred. Learning is more complex than just an observable change in behaviour (Fiol & Lyles, 1985; Gherardi, 2000).

Training programs are often assessed for success by observing a change in subsequent behaviour. This suggests observing the manager doing things differently. However, as mentioned, any change may not be immediate (may be latent) or may not be easily observable. This presents a challenge in determining if successful training has indeed occurred.

The acquisition of knowledge can also be identified as successful learning. A manager attends a course on a new accounting process. He/she successfully completes a test that identifies they have gained the required knowledge to perform the new accounting function. Training is identified as successful. Why then, when faced with time pressures, customer and supplier deadlines, does the manager quickly revert to his conventional method, even though he may recognise the new method is superior? Certainly new knowledge has been acquired. The manager may even start to make a change and use the new skill, but under crisis, reverts to old behaviour.

The level of learning becomes significant in the overall transfer of knowledge. Fiol and Lyles (1985) identify this as lower level and higher level learning. Lower level learning involves the acquisition of new knowledge and often results in some rudimentary changes in the way things are done. It often is linked with repetitive and routine tasks. Lower level learning is most often short lived and tends to be dependent on controlling a situation. On the other hand, higher level learning “aims at adjusting overall rules and norms rather than

specific activities or behaviours” (p. 808). This is very similar to the concepts of single loop and double loop learning, made well known by Argyris and Schön (1996).

Argyris and Schön’s Model I and Model II (1996) exploration of ‘theory in use’ provide insight into the learning required by micro business managers and indeed all organisational members, to acquire skills and knowledge for effective long-term performance enhancement. These two models are directly related to single-loop and double-loop learning, the former relying on superficial changes in behaviour without any real change in the values that underpin the alterations. Double-loop learning, alternatively, is learning engrained with a relevant change in values, and results in long-term action changes.

Their view of Model I suggests that there may be a difference between the behaviour we espouse and the behaviour we actually adopt. This is particularly apparent in threatening situations when regular behaviour patterns resurface, and individuals become defensive. The impact on the learning system is one of mistrust, where new methods and actions are unsupported and become counterproductive.

However Model II recognises some governing variables to the learning system, including valid information, the use of free and informed choice, and internal commitment (Argyris & Schön, 1996, p.117). When new concepts and actions are created under Model II conditions, the inferences and meaning presented by the creator is open to scrutiny, and the reasoning that led to the formation of these ideas is freely understood by all. Outcomes are that defensiveness is minimised, there is a genuine desire to improve practices and changes are continued in the long term.

This model for organisational learning is significant for micro business operators, as one aim of the model to be tested (Devins et al, 2005) is to develop permanent, or at very least, long

term, embedded modifications in the way the operators develop their business practices. Establishing an environment that supports a genuine sharing of power between the practitioners and those presenting the knowledge is a fundamental principle of management development. Therefore, creating a trusting relationship between the presenters of new knowledge and the business managers becomes acutely significant in creating permanent change.

For organisational improvement, Argyris and Schön (1996) advocate continuous organisational learning, including thinking, knowing and remembering. Contributing to this learning, they acknowledge the importance of the actual practitioners as inquirers, whose role is “not just passive recipients of expertise, but as...inquirers” (p.43). For improved performance therefore, reflection and a desire to improve are essential ingredients. By their nature, micro business managers typically do not spend a significant amount of time in reflection or monitor their management competency (Gray & Mabey, 2005; Jones et al, 2007). Indeed, in the increasingly fast paced environment in which micro business managers find themselves, the opportunity for reflection is less and less available as action is valued rather than reflection (Prange 1999).

Modifications in management behaviour within micro business are underpinned by organisational learning at fundamental levels. Various models of learning adopted in small and medium organisations, along with those adopted by micro business operators, may have a moderating influences on micro operators. Learning in micro business can largely result from informal or incidental learning as well as under more formal conditions. Devins et al (2005, p19) categorised five major situations in which such informal learning occurs. They are:

- Learning by solving problems by oneself

- Learning by solving problems with colleagues
- Learning by asking for help or advice from experienced colleagues
- Learning by direct employee participation
- Learning new things under the responsibility of a boss or experienced worker.

Breen and Bergin-Seer (2002) go on to identify the wide range of conditions under which informal learning exists, and all of these can have merit in developing capability. The conditions where small business owners learn include learning from peers; by doing; by feedback from customers and suppliers; by coping; by experiment; by problem solving and opportunity taking; and by mistakes (p 51). So, a number of these scenarios overlap with information gained from important others (such as suppliers, customers, peers) and reinforce the role these groups play in developing management capability.

For micro business managers, the motivation for learning is often cloaked, as the emphasis tends to be on tackling day to day issues. So, the need to tackle particular problems can act as a stimulant to learning. Enhanced organisational performance is the desired outcome and the long held assumption is that learning will result in improved performance in the future (Fiol & Lyles, 1985; Weick 1995).

The most preferred outcome of learning for the micro business manager is sustained managerial competence. This will allow for improved performance by aligning the organisation with its environment, thereby facilitating long term survival. Deep or double loop learning enables managers to make effective choices on how best to align the organisation with its changing environment. Systems, processes, information and knowledge are all important factors feeding into this, but pivotal to survival and success is the ability of

the manager to manage these interrelationships and learn how to learn, developing double loop learning routines to sustain the organisation in the face of changing environments (Burgoyne, Hirsh & Williams, 2004; Fiol & Lyles, 1985; Gherardi, 2000).

It is relevant to note the concept of organisational learning, as it may be just as applicable to small and micro firms as large ones. Organisations are living entities, and as Weick (1995) suggests are not inanimate objects but the result of events, interactions and ideas that change and adapt within a social context. Organisational learning therefore, is not simply the cumulative sum of individual learning, but a complex system that emerges from relationships between individuals and groups within the internal context of the organisation and depicts the spirit of the organisations. There is an inseparable connection between learning individuals and the social system that will end up benefitting from this interaction (Gherardi, 2000; Styhre, Josephson, Knauseder, 2006). Prange (1999, p.23) explains organisational learning as the “processes of individual and collective learning – both within and between organisations.”

True organisational learning emerges as organisations develop and maintain systems to continuously promote learning. This learning is deep or double loop learning, founded on non-repetitive learning, so it can provide solutions for the future. As Fiol and Lyles (1985, p.804) suggest, it “enables organisations to build an organisational understanding and interpretation of their environments and to begin to assess viable strengths and weaknesses.” This becomes especially significant in micro business, where the manager *is* the business. The culture enacted by the owner-manager will dictate the sustainability of the organisation in developing and maintaining systems and learning that most effectively responds to the environment.

## **2.9 Summary**

Micro business owners face significant challenges in their business. The day to day success, continued sustainability and responsiveness to adapt to every changing environments is held in the hand of usually one or a small number of people. How they view success and approach the changes and challenges presented daily make the role of a single business manager bigger than many a corporate CEO. Therefore the role of others (training providers, professional advisers and important others) becomes crucial in creating a strong mix of knowledge and information to improve performance and enhance success.

Management development is an important aspect of business performance and managers must identify their need to embrace new ways of doing things. They are often time and resource stretched, so may be reticent to invest in development opportunities unless they are certain they will impact favourably on their outcomes.

Devins et al (2005) identified three main groups that micro business owners turn to, when developing their management skills. These groups are close others, business advisers and training providers. The extent to which micro business owners will use any of these groups tends to be related to their level of trust, quality of support for their needs, timeliness and accessibility.

It is ultimately about change. Bringing about some change in the way these managers operate to become better equipped to do business. This change is a result of learning. How managers learn, how they change the way they operate and who they rely on are strongly related. This study is designed to explore the development of managerial capacity by micro business owners and how these groups may impact on that.



## **CHAPTER 3     METHODOLOGY**

### **3.1 Introduction**

This study aimed to ascertain how micro business owners access information and support in developing their management skills and how closely the model of micro business management development, proposed by Devins, Gold, Johnson and Holden (2005) aligned with actual practice amongst micro businesses in Western Australia. As this study was exploratory in nature, a qualitative methodology based on a sample of case studies was considered most appropriate. These cases were examined based on semi-structured interview questions posed to each respondent. The rationale behind this methodology and how it was undertaken is discussed in this chapter.

### **3.2 Quantitative versus qualitative research**

As Lindlof (1995) acknowledges, the catalyst for research is generally a fascination with a particular phenomenon. The opportunity to view something of interest and examine it further, leads to a set of functions or activities designed specifically to solve existing or future problems, explore the phenomenon or understand it better (Cavana, Delahaye, & Sekaran, 2001; Hussey & Hussey, 1997).

Distinctions between approaches to the research of the phenomenon to be studied are generally divided between quantitative and qualitative approaches. Quantitative approaches focus on the collection of numerical data and applying statistical measurement. This approach values precise data and rigorous measurements. It follows a highly structured approach. The

primary intention of quantitative research is to use deductive reasoning to test a theory in the hope of supporting it or refuting it. To this end, the researcher will start with specific hypotheses that can be clearly tested (Creswell & Plana Clark, 2007). This positivist approach emphasises “quantifiable observations that lend themselves to statistical analysis” (Remanyi, 1998, p. 33). Alternatively, qualitative approaches acknowledge the complexity and unpredictable nature of individuals and the situations they find themselves in. It therefore tends to be more subjective in nature and revolves around exploring and reflecting on perceptions with the objective of gaining deeper understanding (Cavana, et al, 2001; Hussey & Hussey, 1997).

It is significant to note, that while distinctions are drawn between the two approaches, rarely does a study totally comply with all the dimensions of either qualitative or quantitative approaches. The distinction between each is represented more by a continuum than two extremes and many authors (for example Cavana et al, 2001; Creswell, et al, 2007; Remanyi, et al, 1998) acknowledge that most studies have elements of both. This supports the philosophy that research, for whatever purpose is not an exact science, but a constantly changing investigation.

When examining the use of quantitative and qualitative approaches, some fundamental methodology assumptions must be addressed. Firstly, in light of ontology, the nature of reality must be assumed. From a qualitative perspective, it is assumed that the researcher has some impact on the creation of reality. It assumes the world is socially constructed and deeper understanding is only gained by exploring the perceptions of the participants. It acknowledges that the observer has some impact on the object being observed (Hussey & Hussey, 1997; Roberts, 1997). By its very nature, qualitative research incorporates a certain degree of subjectivity as a result of this interaction between the researcher and the

phenomenon being investigated and will feature some bias in its observation. While methods can be taken to reduce these biases, the experience, knowledge and expertise of the researcher will be reflected in the interpretation of the phenomenon, but that is likely to enrich the analysis and findings.

In terms of ontology, quantitative research sees the role of the researcher as quite separate to the phenomenon itself and the nature of the data retrieval seeks to remove all bias.

Quantitative research views the world as objective and external to the researcher. This approach suggests a more objective view of what is being studied, but does not reflect the complexities of many real world situations (Creswell, et al, 2001; Hussey & Hussey, 1997).

While ontological assumptions focus on the nature of reality, epistemology is concerned with just how these assumptions can be known, and thereby, what can be accepted as being valid knowledge. Positivism has long been associated with quantitative research (Remanyi, et al, 1998). Positivists suggest that only phenomenon that can be observed and measured can contribute to knowledge and thereby seek to keep the role of the observer independent from the experience. This approach is useful in hypothesis testing and identifying external factors or variables on the phenomenon. “Phenomenologists attempt to minimise the distance between the researcher and what is being researched” (Hussey & Hussey, 1997, p. 49). This qualitative approach assumes that the viewed behaviour is a direct response to the experience, rather than accounting for other external factors. Each situation examined is unique, and characterised by the actors involved. This will have a direct impact on the research design and outcomes from the research (Remenyi et al, 1998; Roberts, 1997). However, the acknowledgement of the specificity of this epistemology does not make it any less valid of a choice, but is precautionary in the outcomes that can be concluded and the ability to apply these to a widespread cohort. It is the exploratory nature of the phenomenologist approach

that makes it so valuable and is particularly important in the study of learning in SMEs, as so little is known about this phenomenon, and so little research is currently available.

Based on these assumptions, a phenomenological paradigm appears most suited to this research. This is because the role of the researcher will inevitably cross boundaries with that of the participants during the research process and the subsequent data analysis, so it is impossible to report from a truly external, non-participative perspective. Indeed, the interaction between researcher and respondents is important in elucidating information about this phenomenon. Despite the levels of rigour being sustained, some level of subjectivity will occur. Inevitably, qualitative research will be affected by the meanings, interpretations and actions of the researcher (Dick, 1997; Lindolf, 1995). A phenomenological paradigm does not attempt to make assumptions about the situation being studied and thereby assume them to be representative of a wider population, but reports on selected excerpts of data seeking to better understand the objects of interest to the researcher. The experiences of the managers of micro businesses as the subject matter for this research, has the potential to provide rich research data, which is likely to be best interpreted adopting a qualitative approach, but may benefit from a combination of approaches.

Curran and Blackburn (2001) have acknowledged that until recently, like most business and management research, quantitative analysis and positivists explanations have dominated small business research. However, they suggest this trend is changing as qualitative, non-positive approaches are more suited to this cohort. The main reason for this is the nature of small business as such a diverse group. Making generalisations about small business from quantitative enquiry may be of limited value, as the nature, industry, practices and styles of business are so diverse in this group. Therefore, qualitative research methods have become more common as a method of exploratory enquiry into the subtle experiences of this cohort.

The reality of business research is that the lines become blurred between approaches, and some attempt to mix the approaches can provide a wider picture of the phenomenon being studied. One approach need not be taken to the exclusion of others. Mingers (2001) advocates adopting a multi method approach to research. Most notably, this can be in an attempt at triangulation to improve validity of the research in mixing the methods of data collection, investigator triangulation, methodology triangulation or triangulation of theories or perspectives (Stake & Usinger, 2010). Data triangulation can involve data being collected at different times or from different sources. Investigator triangulation relies on a number of different researchers independently collecting data and comparing results. Methodology triangulation encourages both qualitative and quantitative methods being adopted in collecting and analysing data. Triangulation of theories encourages a cross disciplinary approach to explaining a phenomenon (Eisenhardt, 1989; Hussey & Hussey, 1997; Remenyi et al, 1998; Yin, 2009). The use of both quantitative data, typically gained from questionnaires and qualitative evidence, from interviews and observations form a valuable source for qualitative analysis by researchers (Eisenhardt, 1989; Yin, 2009). Quantitative evidence keeps the focus of the researcher on track and can provide useful indicators of relationships between the data, and thereby increasing validity (Eisenhardt, 1989).

In addition to increasing the validity of the research findings, Minger (2001) suggests adopting a multi method approach more appropriately reflects the realities of the phenomenon being observed, as research is rarely a one-off, discrete event, but an activity that proceeds through a number of phases. These different phases present different tasks and opportunities to the researcher, so it is useful to combine these. He also acknowledges that a multi method approach increases creativity in the research, by widening the scope of the

study. Rather than cloud and confuse the process, this can help the researcher identify potential new areas for future study.

Therefore, a qualitative approach was thought appropriate to explore the way in which micro business managers approach their own management development activities. The diversity of these businesses suggests that a quantitative, 'one method fits all' approach will not reveal the realities of the development of management capabilities within this cohort.

### **3.3 Qualitative methodology**

This research has utilised a qualitative approach with the aim of better understanding the learning experience of owner operators in micro businesses. It will incorporate investigation of case studies which as Yin (2009) advocates is a valuable choice of research methodology when focusing on real-life situations and attempting to explain, explore or describe the situation. Stake (2000) describes the inclusion of case study research as having become one of the most common ways to do qualitative inquiry. The study can provide several units of analysis within the one context. This provides the researcher with comparative data, and this should enhance the rigour of the study.

While many research writers classify case study research as part of the qualitative approach (Cavana, et al, 2001; Hussey & Hussey, 1997), Yin (2009) contends that the research strategy adopted does not have to limit itself to exclusively a quantitative or qualitative approach, and that case study research can include quantitative approaches, qualitative approaches or a combination of both. Indeed, "case studies can be based on any mix of quantitative and qualitative evidence" (p. 14). Therefore, the utilisation of multi method data collection will

broaden the scope of the research subject and add rigour to the process. (Eisenhardt, 1989; Yin, 2009).

The opportunity to explore the long-term organisational learning in developing and improving management capabilities of micro business operators, provides qualitative research as an appropriate choice of methodology. Eisenhardt (1989) acknowledges that case study “is a research strategy which focuses on understanding the dynamics present within a single setting” and can focus on single or multiple cases (p. 534). It can be employed as a method to achieve a variety of outcomes including testing theory, generating theory or providing description. Yin (2009, p. 31) argues that case study methodology is a suitable choice “when you are trying to attribute causal relationships”, generally between the phenomenon being observed and the context within which it is occurring. He regards case study as an appropriate research methodology when the focus is on a “contemporary phenomenon with some real-life context.” (Yin, 2009, p1). In this study, the development of managerial skills through organisational learning is the phenomenon and the context within which this is being observed is the utilisation of external support from important others, professional advisers and training providers. The current gap in management literature focusing on learning and SMEs provides a suitable platform for the use of qualitative research design as an exploratory tool, potentially leading to theory building in this area.

The research design, or choice of methodology therefore appeared to select itself. There are two main reasons for choosing predominantly qualitative research designs as the most appropriate methodology. Firstly, the phenomenon being studied did not seem to fit more traditional research methods, as the micro business operators were being studied as part of their natural setting and secondly, the findings are expected to be exploratory and not necessarily representative of the small and micro business sector as a whole. Qualitative

enquiry is expected to provide authenticity and improving the likelihood of raising further areas of study in the future.

Dick (1997) acknowledges that the most effective research methodology is one that produces data and creates the environment for subsequent interpretations that are appropriate to a given situation. This is made all the more crucial when variables cannot or should not be controlled. Qualitative research allows the researcher some scope to interpret for themselves the meaning of the experiences as they occur. Some participation is involved to share these interpretations and further add to them. It also allows the continuous development of these interpretations, as the researcher remains open to new opportunities and insights.

A qualitative case study methodology provides the opportunity to explore this diverse cohort of business owners with the intention to validate the model espoused by Devins et al (2005) and discover if there are other ways that micro business managers develop their management capabilities.

### **3.4 The disadvantages of qualitative research**

In some instances, qualitative research methodology has been the subject of debate and criticism. Yin (2009) identifies several possible areas of concern. The most common criticism is based on the perceived lack of rigour, with researchers sometimes allowing bias to influence findings. This is most commonly been attributed to the focus of case study as the basis of data gathering. In this research the use of multi methods of data collection and qualitative data analysis aims to enhance the rigour of the findings.

Another common concern centres on the issue that it is difficult, if not dangerous to draw generalisations from the evidence provided in relatively small qualitative samples. The aim



here is not to make generalisations about a wider population, but to deepen the understanding of the phenomenon in its context, with the possibility of triggering further research about organisational learning in small and micro businesses. A third complaint targeted at qualitative methodology is that it can be time consuming to collate in addition to being lengthy and difficult to read the findings.

Some other problems associated with qualitative methodology include gaining suitable access to organisations for the purpose of research; the problem of setting adequate boundaries for the study, as limits do not always present themselves as clear; the phenomenon and context to be studied are influenced by historical aspects and future prospects which are likely to be beyond the scope of the study, yet have significant influence on the interpretation of the situation (Cavana, et al, 2001; Hussey & Hussey, 1997).

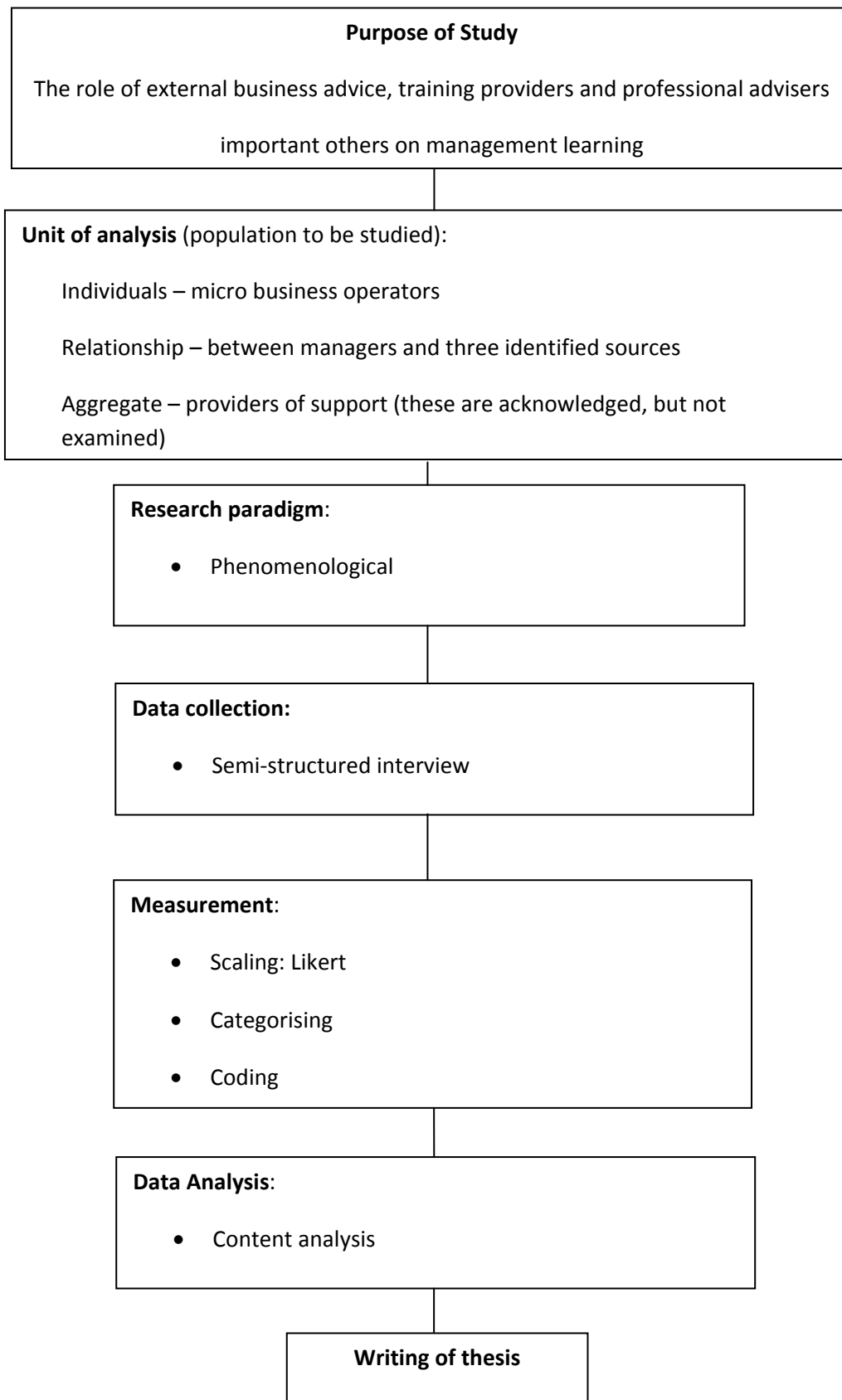
As the main purpose of this study is exploratory, access to participants in this study will largely be based on convenience, topical relevance and feasibility. The case study participants will be selected to represent the diversity of this sector. It is important to note that the aim is not to make generalisations regarding all micro business managers, but to investigate and highlight the processes they may currently undertake in developing their management capabilities.

### **3.5 Design of the study**

To maximise the validity of the research findings, some combination of methodologies will ultimately be utilised, drawing predominantly from qualitative fields and relying on case study methodology. Remenyi, et al, (1998) advocate combining techniques to demonstrate their relatedness, rather than treating them separately. This combination of methodologies

within the one study of the same phenomenon is defined as triangulation (Hussey & Hussey, 1997). It can add validity and reliability to the research by minimising bias (Bryman, 1988).

The design of the study will include a number of steps as demonstrated below in Figure 3.1.



**Figure 3.1** The research process

### **3.6 The case study sample**

The data collection methods to be adopted will be influenced by the sample group of individual units of analysis. The population to be studied here is described as all micro business operators in the Perth metropolitan region, which represents approximately 47,000 micro businesses (Small Business Development Centre, 2012).

As discussed, a key feature of qualitative research is to examine a small sample of the population in their context and therefore be able to take an in-depth approach to the study (Curran & Blackburn, 2001). Patton (2002) acknowledges that qualitative research is not bound by prescriptive numbers of units to be studied. He argues “the validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information richness of the cases selected and the analytical capabilities of the researcher than with sample size” (p. 185).

As the aim of qualitative research is not to make generalisations, but to develop understanding of a phenomenon, one approach is to examine a single case within one single context or setting and take an in depth case study approach. However, multiple case sampling is useful to add confidence and validity to findings (Eisenhardt, 1989; Miles & Huberman, 1994; Yin, 2009). Miles and Huberman (1994) explain that by looking at a range of similar and contrasting cases, the researcher can draw more valid conclusions about how, where and possibly why the phenomenon occurs. Yin (2009) concurs, and suggests that multiple cases should be chosen with the view to replicating the study and because the research predicts similar results will be found, not because it represents a larger sample within the population. This will serve to make the findings more robust. So, broadening the sample size will still not necessarily seek to provide generalisations, but the evidence should be more compelling.

In this study, the phenomenon to be observed is the learning that may be experienced by micro business managers and how it is influenced by the interaction with various cohorts. Individual micro business operators form the unit of analysis within the context of these interactions (Yin, 2009). Yin (2009) explains the significance of determining the unit of analysis within the study. The size of the sample (the number of units) within a study is not subject to a definitive formula. Instead, two selection criteria for accessing units of analysis within qualitative study design, as identified by Yin (2009, p. 34) includes the following:

- Topical relevance – for example, some unit is best for the phenomenon being studied
- Feasibility and access – for example, some person or group is willing to be the subject of a case study.

The quantity of units to be researched should be based on the above criteria, rather than statistical representativeness. More than fifteen units can cause too much difficulty in analysing the data and does not generally improve the validity or suitability of the findings (Miles & Huberman, 1994). Due to the limited number to be sampled, units of analysis should not be chosen at random, but in order to replicate potential outcomes in addition to provide examples of differences within the population in addition to being easily accessible. Eisenhardt (1989) cites examples of samples of between one and ten. She goes on to suggest that samples should not be subject to statistical determination, as the purpose is to provide insight into the phenomenon being studied, or as she describes as “the process of interest is ‘transparently observable.’ ” (Eisenhardt, 1989, p. 537).

The sample used in this study was identified on the basis of convenience (that is feasibility and access) as well as the capacity to replicate outcomes and display topical relevance (Curran & Blackburn, 2001; Remenyi et al, 1998; Yin, 2009). The total number of micro

businesses operating in Western Australia is approximately 47,000. Twelve operators were selected to represent a variety of industries and business types, as well as a variety of lengths of experience and phases of the business cycle, therefore individuals were selected on their contribution to new insights in this exploratory study (Flick, 2006). Initially, it was anticipated to interview between ten and twenty business owners. As the interviews progressed, the findings corroborated the pattern of findings already found, so twelve was a useful sample size in developing the ideas being sought. Flick (2006) describes saturation as the point at which no additional data is being discovered to add insight to the ideas being studied. This was considered the case with the twelve participants being interviewed. Participants were all owner-managers of micro businesses and were sourced from business incubators, from client lists of professional service providers and referred by small business owners known to the investigator.

The differences within the sample are based on those participants that actively sought and worked with either or all of the following, or indeed, none of them: professional advisers, training providers and important others. In terms of the conceptual framework presented for this research, it is expected some participants took on a more proactive role in their organisational learning than others.

### **3.7 Sources of data collection for qualitative research**

The data collection involved two phases. The first phase was the selection of case study participants and then the interview process constituted the second phase.

As suggested, the participants were selected as a convenience sample identified as representing a cross section of micro business owners. The characteristics that were

identified were gender of owner; industry type; phase within business life cycle; experience of owner in small business prior to this business; years of operation; and other work experience of owner. The case studies were purposefully as diverse as possible with the view to identifying significant issues among these business owners when developing their management capabilities.

Interviews were with twelve participants and followed a semi-structured interview format (Hussey & Hussey, 1997). It was anticipated this semi-structured design would be the most suitable for the case study methodology, as it is likely to uncover perceptions of the business operators with regards to their learning experiences and subsequent development of managerial skills. The aim of the interviews was twofold. To attempt to align micro business practice with the model identified by Devins et al (2005) as well as exploring any other aspects of management development that was evident within this cohort.

As an exploratory study, it was considered appropriate to use semi structured interviews with a diverse range of case study subjects to begin to develop some understanding of what the experiences and views are of micro business owners when developing their management capabilities.

### **3.8 Personal interview schedule**

From a phenomenological perspective, the use of interviews is sound as a means to elicit deep understanding of the situation. Fontana and Frey (2000, p.645) acknowledge the interview as “one of the most powerful ways in which we try to understand our fellow human beings.” Because the aim of qualitative methodology is not to make generalisations to apply to a wider population, but to gain insight into a specific phenomenon, the interview is an

important source of data collection that can aid in the achievement of this aim. The use of personal, semi-structured interviews allows the researcher to ask more complex questions and elicit more detailed information by asking follow up questions, rather than relying on written, formal questionnaires. In addition, researchers agree that a higher degree of confidence can be placed in the replies during this process, as additional information enhances the replies, such as body language and attitude (Frazer & Lawley, 2000; Hussey & Hussey, 1997; Remenyi et al, 1998; Yin, 2009).

The interview process also allows the respondent to include their own interpretations and insights into the phenomenon (Yin, 2009) creating a richer exploration of the issues.

In qualitative research, one interviews people to understand their perspectives on a scene, to retrieve experiences from the past, to gain expert insight or information, to obtain descriptions of events or scenes that are normally unavailable for observation, to foster trust, to understand a sensitive or intimate relationship, or to analyse certain kinds of discourse. (Lindolf, 2005, p5)

A valuable outcome of the interview process is that those being interviewed may shed insight onto a situation not previously considered by the researcher, and the interview process is useful in allowing this to happen. This can form the basis of future research (Yin, 2009). For the purpose of exploratory research, this is an important by-product.

The types of interviews used in research tend to range across a spectrum, distinguished by the degree of structure. At one end are open-ended or unstructured interviews. The other end of the spectrum is characterised by structured, closed or focused interviews. The extreme example of these are personally administered surveys which rely on 'yes', 'no' or multiple choice answers (Cavana, et al, 2001; Kwortnik, 2003; Yin, 2009). The most common type of interview are semi-structured, allowing some focus by the researcher in eliciting appropriate



information, but giving scope to the informant to answer in their own language and present their own views. This allows for immediate clarification of issues raised by the informant, and minimises misinterpretation of responses. In this research, although each informant was subject to a standardised set of questions, all informants were encouraged to elaborate on their views, and some responses led to modifications in subsequent interviews.

The possible problems to be encountered with semi-structured interviews can be by informants either giving too much unrelated information or not opening up to give enough information. Kwortnik (2003) suggest minimising this problem by thorough planning and testing the interview before administering it to the final informants, to test for suitability of questioning techniques. However, one of the advantages of using interviews as a data collection method is that, unlike other data collection methods, semi-structured interviews tend to be adaptive. Indeed, “the questions used to propel the interviews for the first few informants will differ from questions used later in the sampling frame” (Kwortnik, 2003, p. 121). This adds to the richness of the data collected.

Permission was sought from each participant for each interview to be recorded. Immediately after the interview, each recording was listened to once, ensuring no damage was encountered to the quality of the recording. Subsequently, all recorded material was transferred to computer hard drive for storage in MP3 format and labeled with details of date and interviewee name. It was then presented for transcription. A single page contact summary was drafted after each interview to summarise the findings of each interview, highlight immediate reactions of the interviewer, and act as a “jogger” for later data analysis (Miles & Huberman, 1994). Full transcripts were made, including the interview questions and small talk between the parties. This adds to the mood and scope of the interview, which may impact on the interpretation and aid in understanding meaning (Lindlof, 1995). After

listening to the transcripts again, they were annotated to indicate speech patterns and non-verbal gestures that might support or refute the language used.

### **3.9 The interview guide and questionnaire design**

As the information gained from the participant interviews was pivotal to the data collection, a semi structured approach to question design is considered most suitable. While a totally unstructured approach has the benefit of leading to open discovery, it can be restrictive in that matters explored may vary widely from interview to interview (Hussey & Hussey, 1997; Sekaran, 2003). To ensure reliability of data, care was taken to administer the interviews in the same way each time, as much as possible. This involves posing the question in the same manner and to take steps to ensure the questions are understood in the same way by each respondent. Care taken in the development of the questions is designed to stimulate equivalence (Hussey & Hussey, 1997).

The question design has taken into account three major considerations:

1. The relevance of all questions with regard to the research problem (Frazer & Lawley, 2000).
2. The ordering of questions to minimise bias and develop a suitable interview pattern (Cavana, et al, 2001; Frazer & Lawley, 2000).
3. The advantages of using a mixed method of question type, incorporating open-ended questions, closed questions and scaled responses (Cavana, et al, 2001; Frazer & Lawley, 2000; Hussey & Hussey, 1997).

Conducting personal interviews can be time consuming and participants can lose focus if the time period continues too long. Although the fundamental purpose of the interview is deeper exploration of underlying and sometimes unseen issues, too many questions can run the risk of losing focus (Frazer & Lawley, 2000; Yin, 2009). To maintain relevance, all questions have been mapped both to the research problems identified for this study and the theoretical framework underpinning organisational learning in SMEs. Any questions that did not directly address the research problem or support the theoretical framework were eliminated. This makes the process of analysis more straight forward as direct links can be made to responses and research expectations.

Secondly, attention was given to ordering the questions has significant values. Cavana, et al (2001) describe the benefits of developing a logical pattern to the interview, predominantly through expediting the interview process due to the removal of communication barriers and encouraging the flow of information. This begins with selecting a suitable setting, developing rules for the interview and providing background to the purpose of the interview and briefly previewing the style and expectations. In this study, the obligation of the participants was reviewed, in addition to revising the details of the Information Letter they had already received, and the letter of consent. Once both the interviewer and participant were at ease, was the interview proper able to begin. Here the order of the questions is paramount. Frazer and Lawley (2000) suggest that opening questions should be “simple, interesting and non-sensitive in order to gain respondent cooperation” (p.29). The subsequent order is important to minimise order bias and ensure responses are consistent and not influenced by the order of the questions. A copy of the interview questionnaire is attached in Appendix 1.

As the purpose of the interview was to elicit deeper knowledge, a genuine intimacy and rapport needed to be achieved. Cavana et al (2001) suggest this results from caring, authenticity and sensitivity from the researcher. In this study, the comfort and confidence of the participant was kept in mind at all times, with care taken by the interviewer not to pursue aspects that proved uncomfortable for the respondent. In accordance with the views demonstrated by Cavana et al (2001), the final phase of the interview focused on demonstrating similar consideration of the participant in reviewing the outcomes of the interview process, soliciting questions and concerns from the participant and advice regarding future action to be taken.

Thirdly, the most effective way to gain a deeper level of information during these interviews was to adopt a variety of question types in the question design. Open-ended questions while being time consuming to administer and difficult to analyse, are useful in exploratory research and allows respondents to express themselves freely and minimises researcher bias in 'leading' responses. Cavana et al (2001) recommend the use of 'stem-plus-query' design, which includes the subject matter followed by the proposal of the question. This style was often adopted as it softens the questions, thereby making them less inquisitorial. This also has the advantage of creating intimacy and confidence identified as important for this type of data collection. Open-ended questions are useful in soliciting new information. The research design for this study focused on semi-structured interviews, so as Yin (2009) suggests, this encourages the respondent to assist in developing ideas that are important, and as such their role may become more of an 'informant' than just a respondent.

Closed questions were limited in their use during this interview. Choices tended to limit or lead the responses, but were sometimes used for ease for both interviewer and participant, and provide some data for easy analysis. A dichotomous scale was occasionally used to

focus responses in some basic areas (Sekaran, 2003). Rating scale was the other question type used, as this often allows participants to give more discriminating responses. It also has the advantage of being simple for the respondent to complete and simple for the researcher to code and analyse (Hussey & Hussey, 1997). During a face to face interview, the use of this question type can extract more precise information in a short amount of time. A six point Likert scale was included in this interview, supported by the use of show cards to clarify response choices, and add to reliability of the responses (Sekaran, 2003). Six points (three favourable and three unfavourable) was chosen over the typical five point scale, as it forced participants to make a choice, rather than allow for indecision.

In qualitative research, the most valuable outcome of the interview is to develop an understanding of the respondent's world. It is acknowledged that the interview is an interaction between the researcher and participant. Question design and delivery underpin the success of this method of data collection (Cavana et al, 2001; Hussey & Hussey, 1997).

### **3.10 Data analysis procedures for qualitative research**

The fundamental goal of analysing qualitative data is to develop a better understanding of the phenomenon being studied. This involves more than just 'reporting' on findings, but interpreting and understanding what has occurred. In qualitative data analysis, this can be done by identifying themes and subthemes present in the data (Cavana et al, 2001). Yin (2009) acknowledges that the analysis of qualitative evidence tends to be the most difficult aspect of this type of research, and recommends taking a structured approach, where possible. The multiplicity of data sources and types can create a problem for the analysis and interpretation of the data (Miles & Huberman, 1994).

Content analysis is a common form of qualitative data analysis (Cavana, 2000; Hussy & Hussey, 1997; Miles & Huberman, 1994; Remenyi, et al, 1998). It involves “identifying, coding and categorising the primary patterns in the data (Patton, 1990, cited in Cavana et al, 2001). Content analysis typically involves seeking key words and phrases, which then point to major prevailing themes in the data. Identifying these major themes is the first step, but making meaningful interpretations is the next phase. Minichiello, Aroni, Timewell and Alexander (1990, cited in Cavana et al, 2001) suggested that data exists at least in two levels – the manifest content and the latent content. The manifest data is the most obvious and can be immediately identified by words and phrases elicited from interviews, questionnaires etc. This represents a more positivist approach and used on its own may limit the findings of the research. Latent content signifies the symbolism that is represented at a deeper level, or the deeper, sometimes hidden meaning behind the words and supports the phenomenological approach. This may require the data to be interpreted for wider meaning. Annotations made on interview transcripts will benefit this level of interpretation. Here the researcher would “postulate the importance of issues from a more interpretivist stance” (Remenyi, et al, 1998, p.55). According to Yin (2009), Miles and Huberman (1994) are some of the few writers to have developed a prescriptive approach to analysing and displaying qualitative data. Their case display matrix suggests the systematic display of the information to allow the researcher and the reader to draw conclusions and interpretations in a systematic way.

The qualitative data for this research was drawn from interview transcripts of semi-structured interviews and any documentation provided by the respondents acting as evidence towards the case study. The data was coded to identify major themes and subthemes, and displayed in the case matrix format suggested by Miles and Huberman (1994). This allowed both repetitive concepts and single-use responses to be identified. On occasions, single-use

responses meant that material from other respondents was re-visited to verify if these were indeed “one-off” responses, or were phrased in a way that had previously had uncertain meaning. The responses were cross-checked several times, looking for themes present.

### **3.11 Addressing validity and reliability**

For any research, the significance of the findings is reliant on the accuracy of the findings. The instruments adopted in any research impact on this accuracy and determine ‘goodness’ of the research (Cavana et al, 2001).

Every effort has been made to ensure that the reliability and validity of responses was maintained at all times. Reliability refers to the stability and credibility of the findings (Cavana et al, 2001; Hussey & Hussey, 1997; Lindlof, 1995). Questions were designed to serve as cross checks of other questions. Before administering the interview, all questions were pre-tested to determine the likely length of the interview, and to ensure comprehension of all questions. The interview questions were pre-tested with three small business owners who were not part of the sample. The questions were administered in a situation that closely reflected the actual interview process to be undertaken. These people were selected because they had similar experience and knowledge of the field being studied and their responses were able to highlight if any questions were ambiguous or misleading and as a result, two questions were modified before the final interviews began. Yin (2009) identifies the importance of repeating the delivery of questioning closely to replicate the case study protocol. This is a tenuous aspect, as acquiring new information from respondents is an important aspect of case study design. Therefore, using well defined interview questions as a starting point is important in retaining reliability.

Validity is concerned with how authentic is the relationship between the cause and effect, as identified in the case, and the how suitable to assumptions that are developed from the research are generalisations or predictors of the external environment. The former is known as internal validity while the latter is referred to as external validity (Cavana et al, 2001; Hussey & Hussey, 1997; Lindlof, 1995). Cavana et al (2001) acknowledge there tends to be a trade-off between internal and external validity. Qualitative methodology, by its nature may be limited in its external validity. As the intention of this style of inquiry is one of discovery, it is not necessarily intended to provide a generalised representation of a wider population. Stake (2000) identifies the significance of interpretations made from case study and the value of case study in contributing to a body of knowledge. Yet, he acknowledges that much of the interpretation is up to the reader, going on to suggest “even less understood is how a small aspect of the case may be found by many readers to modify and existing understanding about cases in general, even when the case is not typical” (p.443). Lindolf (1995) concurs, suggesting qualitative research by its nature may not fulfil the traditional roles of internal and external validity, as the research is characterised by changing cultures and perceptions of the researcher, within a context of altering social actions. “The move to generalize in the traditional sense is neither warranted nor particularly desirable” (Lindolf, 1995, p.238).

In this study, internal validity was achieved through the reliance on multiple sources of information to provide triangulation and through specification of appropriate unit of analysis (Stake, 2000; Yin, 2009). Questions were designed to serve as cross checks of other questions. Before administering the interview, all questions were pre-tested to determine the likely length of the interview, and to ensure comprehension of all questions.



### **3.12 Limitations of this study's methodology**

The limitations of this study involve the selection criteria for the participants in the program. The vast number of micro business operators in the Perth metropolitan area makes a representative sample almost impossible. Every effort was made to include a cross section of business operators, but the researcher acknowledges the difficulty with that. Operators from regional areas were not included, as they were considered to characterise wider and possibly alternate aspects of management learning.

As the types of businesses represented amongst the participants was varied, as was their business objectives, this sample may be skewed in its representativeness and this cannot be foreseen prior to data collection.

### **3.13 Ethical considerations**

Ethics approval for this study will be required for the Edith Cowan University Ethics Committee. There are several important considerations that will strictly apply to maintain the confidentiality and credibility of this study:

1. All participants in the program will be informed of the purpose and importance of this research.
2. The process of data collection will not identify any participant by name, but be coded by label. During the interviews, no information obtained by any participant will be revealed to any other participant.
3. Data gathered from questionnaires will not be used for any other purposes.

### **3.14 Summary**

The research attempted to determine how micro business developed their managerial capability using three major cohorts of support – close important others, professional advisers and training providers. This group had previously been identified in a model developed by Devins, Gold, Johnson and Holden (2005).

The exploratory nature of the research and the diversity of small and micro business lead to the choice of a qualitative methodology being adopted. Specifically the data collection would be reliant on case study samples that were considered to provide the richest source of information. Care was taken to ensure the best possible outcome was achieved, given the constraints of time and access to the study participants. The number of participants was limited to a sample large enough to demonstrate a trend in data.

## **CHAPTER 4 FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter reports the results of the case study interviews, which are then used to address the four research questions. The research questions that underpinned this research were:

1. Does the proposed model, by Devins, Gold, Johnson and Holden (2005) reflect the external contributors to managerial learning of micro business operators?
2. What factors influence how managers of micro businesses source and use these three discrete groups in learning and thereby developing their ability to be successful and sustain their business?
3. What role do internal contextual factors (such as culture, positive education experiences, climate, motivation) play in developing managerial competencies?
4. What motivates micro business owners to seek support?

The exploration of these research questions in relation to the case study data will form the basis of this chapter. This is done by an in-depth interpretation of the narratives resultant from the semi-structured interviews with these micro business owners.

In examining the findings, it is important to first identify the individual case study subjects and then explore the tendency for these owners to acknowledge the need for developing management skills. Then will follow an examination of how these micro business managers use network agents, training providers and close others to support their development of management capability. The discussion will explore how internal factors such as the goals of the business, education and family background have on the support groups sourced. Finally,

some examination of the type of learning that may have resulted and how this may lead to the development of managerial capability.

## **4.2 Respondents**

In total, twelve micro business owners were interviewed for this study. The case study subjects represented a diverse group of micro business owners in terms of the length in business, education background, family experience in business ownership and goals of the business. This was important in exploring what factors may influence a manager in seeking support. The fact that these respondents were willing to take part in this study, may have some bearing on the findings. It should be noted that non-participants may reflect a completely different view with regard to their own capability and the preference for gathering information.

The following table (table 4.1) summarises these characteristics for each of the case study subjects. The length of time in the business is indicated as the number of years in this business, and for those who had previously operated another business, the number of years is indicated in brackets.

<b>Business type</b>	<b>Length in business</b>	<b>Number employees</b>	<b>Education background</b>	<b>Family experience in owning business</b>	<b>Business goals</b>
Hair dresser	3	2-3	Year 11 TAFE	yes	Growth; lifestyle
Café owner	5 (20)	1 partner & 6 p/t	Year 10. TAFE	Yes	Lifestyle; buy job
Plumber	25	1	Year 12. TAFE	no	Lifestyle; buy job; technical
Designer	5 (15)	1	Year 12; TAFE	No	Lifestyle; utilise talents
Gift shop	10 (15)	1 partner 8 p/t	Year 12	Yes	Growth, profit
Web based retail	1 ½	1	University	No	Utilise talent.
Physio-therapist	8	5	University	No	Professional; lifestyle
Accountant/ developer	13	1 partner + 3	University	Yes	Growth; profit; opportunities
Mining supplies	6	5	Year 11 equivalent	No	Growth; profit
Wine warehouse	5 (5)	4	University	No	Lifestyle; utilise talents
Engineering	3	2 partner + 2	University	No	Growth; profit
Limousine service	5	4 p/t	Year 12	No	lifestyle

**Table 4.1:** Details of case study participants.

### **4.3 Identifying the need to develop management skills**

This diverse group of micro business owners saw themselves as ‘business people’ but tended not to readily identify themselves as ‘managers.’ Many of the micro business owners had an almost ‘tunnel vision’ of their business and how it operated in a short and medium term.

Their focus was very operational. The concept of managing in the broadest sense was something they struggled with and often drew surprise when questioned about it during the interview.

Management can be broadly thought of as achieving organisational goals with and through other people (Samson & Daft, 2012; Waddell, Jones & George, 2011). For a micro business (a business with five staff or less) this raises the question of *which* people are actually involved in the achievement of these organisational goals and this may expand wider than the conventional definition to incorporate extended network members. These may include suppliers, family and friends with an interest in the business, business advisers and more. The idea of developing management capabilities can be a confusing concept and is rarely measured. Micro business managers may develop these abilities on the job or as a need to know basis. Gold and Thorpe (2008) acknowledge that all information that SME’s use to shape their business is a form of management development.

During the interviews, most respondents were surprised when asked how they viewed their management skills. The questions: “Do you have the capabilities to run your business in the way you want?” and “What skills/capabilities are you lacking? How do you know?” caused some consternation in most participants. Most respondents were honest enough to suggest they were busy focusing on creating and sustaining a successful business (in the immediate or longer term) as suggested by the work of McElwee (2006), Storey (2004) and many other authors. More probing resulted in almost all respondents falling back to their technical focus

rather than talking the ‘management’ perspective. For example, when further investigated about their management capabilities, typical responses were:

*“It is important to keep up with new techniques, tools, methods of doing the job. Customers expect it and it keeps us competitive. Managing these new ideas can get complicated.”*

*(Plumber)*

*“Cash flow can be a problem. I stay awake at nights thinking of creative ways to manage the cash flow.” (Warehouse owner/accountant)*

So, while these technical aspects of the business are very important, contextualising them and incorporating them into a wider strategy for the development of the business appears limited. It could be that these managers actually do this, but just don’t realise. However, even with prompting, there was little identification of this process or indeed acknowledgement that it was needed. Jay and Schaper (2003) acknowledge that most small and micro businesses undertake training and development sporadically and on a ‘need-to-know’ basis. This is definitely supported by the sentiments of these micro business owners.

In general, many owners felt their technical expertise was enough to sustain their business, although some acknowledged they needed more skills in the management area, but were unsure and lacking in confidence in how to get these.

Three main groups tended to emerge:

1. Did not have adequate managerial skills/capabilities
2. Was aware of the importance of improving managerial skills and capabilities and making conscious effort to work toward this in a mix of formal and informal way.
3. Believed they had all the skills they needed to successfully manage the business.

This last group had two sub-groups. The first sub group are those with business/professional backgrounds (typically accountants). These micro business owners generally had high degrees of confidence in operating in the business world. They had either worked in paid employment for a period of their working life or had owned and operated their own business for many years and felt they knew the ‘ins and outs’ of the business world. The other sub group tended to be made up of those with trade or technical backgrounds (e.g. plumber) who viewed their business as their trade. These micro business owners tended to have acquired a trade that was the basis of their business and saw that *as* the business. So success was measured in relation to their ability to perform the trade.

All respondents shared the common characteristic that they were busy! Many suggested they might like to do things differently, if they had the time and resources to do so. Bonfield (2003), Bryan (2003), Jay and Schaper (2003) and O’Dwyer and Ryan (2000) are just a few of the authors who acknowledge this view from managers of small and micro businesses. Many respondents agreed there were better ways to manage their business, although they did not have the capacity to identify the best way or the time to try different things. The mining supplies operator said:

*“I have grown this business from a one man operation to a five person business, outsourcing many aspects of the business to keep costs down. Turnover has increased by over 500% in five years. I know there are better management practices as my business gets bigger, but I just don’t have time to step out of the business to find out what they are....let alone run the risk of testing them out. Stick with what I know.”(Mining supplies)*

This supports findings by researchers such as Byron, Parker and Harris (2002) and Ibrahim and Soufani (2002) who found a lack of time and a general reticence on the part of many small and micro business owners to be proactive in developing their managerial capacity and



take up training. Devins and Johnson (2002) and Storey and Westhead (1996) indicate that research is still inconclusive as to how successful training even is for these types of businesses. The nature of small and micro business, the vast variety of industry types covered and the difficulty in reporting and determining changes in these businesses will make it difficult to accurately measure how training impacts on developing managerial skills for these businesses. Much of the evidence is anecdotal and it is likely that the results for individual businesses varies greatly.

It would seem that the first step in developing managerial skills for many of these micro business owners was cognitive identification that it was an important key to business success. Once identified, determining the most suitable and effective method of developing those skills became an important consideration. This may be a conscious or subconscious choice between training providers, professional advisers or important/close others, or indeed a mix of these.

#### **4.4 Training providers/ non-network agents**

While a considerable amount is invested by both government and private providers in providing training programs for SMEs, the micro business operators interviewed for this research accessed them very rarely. From the respondents interviewed, only the hairdresser acknowledged that she had gone down the path of using training providers to develop her business and management skills. She had sought to undertake a Certificate IV in business at a technical college (TAFE) in a focused effort to understand the needs of her business better. Her experiences were disappointing, but that did not deter her from the prospect of future training programs. Although she had left school without completing a higher school

certificate, she grew up in a family that owned and operated their own business and was exposed to that SME culture all her life.

Three of the respondents suggested they would consider some formal training programs, but all suggested the reasons they had not taken up the opportunity was that most training packages they were aware of, were expensive, generic and therefore not specific enough to adequately meet their needs and too time consuming and that usually meant taking time away from their business. One respondent summed up the prevailing attitude regarding training in suggesting “*they just don’t seem right for me.*” (*Limousine business operator*)

The sentiment was shared by all of the respondents that in general, ready-made programs were just not the best use of time, money or other resources for developing their business, as suggested by much of the literature (see Gold & Thorpe, 2008; Jay & Schaper, 2003; Massey, Gawith, Perry, Ruth & Wilson, 2005; Morrison, 2003).

There did not seem to be a correlation between the education level of the micro business owner and their propensity to seek formal training. In some instances the managers that had high levels of education were most reticent to seek formal training. They felt they had adequate formal training in their professional education, so more of ‘the same’ was unlikely to be beneficial. Businesses that were new (that is less than two years old) had varying attitudes to formal training. One relied on formal training as a stepping stone to success and one considered it might be useful “down the track” but acknowledged things were too busy at the start up phase of the business to be taken away from operations to attend training.

The managing director of the engineering business was young (approximately 30 years of age) and a qualified engineer. When asked about the idea of training and if that might be a consideration in developing his business, his reply indicated surprise. He had been intent on

growing the business and appeared to be a capable and intelligent man. He believed he had all the skills necessary to manage his business and used the steep growth and increasing profit as an indicator of his capabilities. Concentrating on developing his management skills as opposed to developing his business was not something he considered. *“Maybe down the track.”* (Engineer).

The owner of the Limousine business entered into his own business later in life, disenchanted with corporate life. He believed he had developed enough life skills to manage his business and so did not consider training to be necessary. *“It is a small business. It’s not ‘rocket science’. You look after your customers. You look after your drivers. The rest just pretty much takes care of itself.”* (Limousine business owner).

Categorising informal training can be difficult at times. Jayawarna et al (2007) included meetings and networking as informal training, however Devins et al (2005) tend to allocate this to the close others outside the business category. This suggests some blurring of the boundaries between these two areas. The need to clearly categorise these elements may not be as beneficial as focusing on the outcomes they provide. Formal and informal training can come from sources such as the internet, books/publications, videos and even watching television programs (such as Kochie’s Business Builders TV Series on Australian free to air television). Respondents did not readily consider these experiences as part of their learning until they were prompted. Approximately half of those micro business managers interviewed confirmed they had sourced information from one or more of those sources in the previous twelve months, and that information indirectly informed their managerial capability as a result.

Some respondents favoured web sites as a source of information. These sites may be actively sought in relation to a management issue, or may be stumbled across while searching for

other things and add insight that added to their capacity to manage the business. However, at least one (Plumber) rarely used the Internet as part of his business (or even wider life). *“I guess I would go on Google once or twice a month, not for work though.” (Plumber)*

Most information about the provision of training (both formal and informal) was received on an ad hoc basis, as suggested by Jay and Schaper (2003) and Massey, et al, (2005). Several of the micro business owners suggested it was prompted by an informal conversation, or as part of an industry publication/periodical or via a media publication (such as on a radio program or in a newspaper advertisement). All respondents identified that such information sparked some interest, but was really only noted in passing. Rarely did it stimulate a response that led to action, in terms of follow up or lead to an enquiry into the training program. In terms of learning, information accessed in this manner had the potential to lead to changes in managerial behaviour, but few respondents could identify actual examples of that happening. The learning could potentially be deep and alter rules and patterns of thinking, but there appeared little evidence.

So training providers or non-network agents were typically not considered a highly valued contributor to the development of management capabilities, by this group. It is true, they were aware of the services and support offered, but were resistant to using these more formal sources. However, deeper exploration suggested that a considerable amount of informal learning occurred via ‘non-traditional’ training methods, via websites. Most of this was accidental or on a need-to-know basis.

#### **4.5 Network agents**

Most interviewees sourced the expertise of professional service providers at some point (Devins et al, 2005, refer to these actors as ‘network agents’). The nature of all these micro businesses required some level of interaction with most typically their accountant and bank business manager, and to a lesser extent (depending on the business type) web designer and lawyer.

While these agents provide typical/standard professional support and advise, their role can go further into developing managerial capacity. Devins et al, 2005 suggest “these network agents may go beyond their basic transactional activity and influence practice within the business if they are in tune with the interests of the micro business manager at a given point in time” (page 544). This is where the real change and learning takes place.

Still, the reliance on these providers tended to be largely from a technical support aspect. For example, the web based business operator tended to rely very heavily on the professional advice she got from the web designer. This became integral to her management strategy.

Her expertise was in the development of the product and using a web site as her main distribution channel, was a strategic decision. But with a change in the environment in which she operated, the adoption of such a strategy became crucial to her success or failure.

Therefore, it was not only the way the site looked that was supported by the professional advice, but how this became an integral part of the business. Just as advice on finance and cash flow management are an integral part of strategic (and operational) business success, so too is the management of the web-based distribution channel. In this case, information from the professional provider was beyond the technical help and supported the web-based business owner to learn and develop managerial capability. The learning here was informal but brought about a change in thinking resulting in a specific change in the way she operated

her business, managed her resources and implemented strategy. The professional adviser was pivotal in supplying technical information, but that was integrated to enhance the management of the business.

For most others, the support given by professional advisers was not so integral in developing management capabilities. Most managers used the professional advisers for basic legislative information and support. It was almost always accessed on a need-to-know basis. The information was considered significant in complying with basic legislative requirements and organisation survival. The micro business managers that tended to use professional advisers for a more developmental purpose were where the owners had a professional background (accountant). The business developer and the wine warehouse owner were both accredited accountants. They both espoused the value that accountants could add to their business processes. They were also the only two micro business owners that actively sought support from their lawyers to support their management development.

In fact, the respondents replicated the findings of researchers such as Bennett and Robson (2005) and Perry, Cardow, Massey and Tweed (2006) who suggest that the group most commonly sought by small and micro business to provide professional advice was accountants and banks. This is the most familiar and at some level trusted source of advice, other than family and friends. Some business owners implied a relationship with professional advisers as being a 'necessary evil.' Some openly groaned at the notion of relying on their accountant, bank manager or lawyer for anything more than the most urgent of information. Some considered these professionals as blockers to their business rather than supporting and adding any real opportunity for development.

*“Each time I have a great idea about what to do in my business, the accountant or lawyer tell me all the reasons why it won’t work! I think next time I will just go ahead, and worry about the consequences later.”* (Mining supplier).

One of the micro business owners had developed a very strong and positive relationship with his accountant over the years. Having worked on his plumbing business for about 25 years, he considers both he and his accountant had grown in their careers and had taken care of each other. He trusted his accountant, met with him socially and considered his accountant had a genuine and deep interest in the success of his plumbing business. The plumber would often call him on issues wider than purely accounting issues and particularly relied on him to help develop his management capabilities. As Bennett and Robson (2003) suggested, this is one of the most effective type of relationship a micro business manager can hope to establish, however Watson (2003) warned of the negative consequences for some small business owners to place too much trust in these professional agents, as their advice can be directly attributed to the cause of many small business failures. This fear is shared by many micro business managers who have not developed a trusted relationship with their advisers.

Such a relationship was true for the physiotherapist. He expressed dissatisfaction with the professional advice he received from his accountant. He felt he did not know enough about accounting and finance matters to ask the right questions and that the accountant did not volunteer any additional advice to support his business development. He expressed the desire to form a relationship with professional advisers that could help to further develop his managerial capabilities, which he identified as needing enhancement.

All respondents agreed the role of business adviser was very important in success of their business. Johnson, Webber and Thomas (2005) noted this as a ‘derived’ demand. These micro business managers concurred with the notion of derived demand, as they did not have

the resources of larger businesses, by being able to employ a variety of specialists in the business, so had to rely on specialist, professional advice externally. The extent to which this advice was trusted and fully integrated into their business did vary. Carey et al (2000) and Day et al (2006) noted this economic imperative as a significant driver for small and micro business to rely on external professional advisers.

As noted by many authors (Berry, Sweeting & Goto, 2006; Carey et al, 2005; Gold, Thorpe & Mumford, 2010), the decision to seek advice from professional advisers falls into several categories. The most common were to comply with statutory and other requirements and to acquire specialist knowledge, but other reasons included to develop business capabilities, keep up to date with trends and developments in the field, to handle a crisis situation or fill some gap in the business. This was supported by the respondents. The following table illustrates all the micro business owners that were interviewed and identifies what were the major factors that motivated them to seek support from professional advisers. The table indicates that all of the micro businesses owners interviewed shared some common motivations. The need to comply with statutory requirements was the only reason shared by all study subjects. The next most common motivator for seeking support from professional advisers was to acquire specialist knowledge.



	<b>Com- pliance with statutory re- quirement</b>	<b>Develop business cap- abilities</b>	<b>Keep up to date in the field</b>	<b>Support during crisis</b>	<b>Acquire specialist know- ledge</b>	<b>Fill a business gap</b>
Accountant / developer	✓		✓	✓	✓	✓
Building designer	✓		✓		✓	
Café	✓			✓	✓	
Engineering	✓				✓	
Gift shop	✓			✓	✓	
Hair Dresser	✓	✓	✓	✓	✓	
Limousine services	✓					✓
Mining supplies	✓					✓
Physio- therapist	✓	✓	✓	✓	✓	
Plumber	✓	✓			✓	
Web-based retail	✓		✓		✓	✓
Wine warehouse	✓	✓	✓	✓	✓	✓

**Table 4.2:** Motivators for micro business owners to seek training

All respondents acknowledged one of the challenges of small business ownership, particularly micro business ownership was the need to develop an understanding of such a wide variety of business aspects. Unlike their larger business counterparts, who had the

benefits of a variety of business advice from business specialists within the business, micro business owners must become conversant in most aspects and rely on detailed information from professional advisers.

Carey et al (2005) found in their research that this decision to engage external professional advisers was often dictated by their capacity to pay. Two of the respondents (the physiotherapist and the mining supplies business) felt they received unsatisfactory support from many of the external providers they used. Because this was common across their experience and common in the experience of colleagues, they unhappily put up with unsatisfactory support. They felt it was just the norm, or perhaps felt too busy to fully explore other options. They conceded that if they had the capacity to pay higher professional fees, they may be able to access better quality information and support. As a result, they did not see the professional advisers as having the interest of the business at heart, and rarely experienced deep learning that changed their way of managing in the long term and helped develop stronger managerial capabilities. This supports the idea that Day et al (2006) suggested when noting that the relationship between the professional adviser and the micro business owner had a strong impact on the success of the business.

Therefore, the use of professional advisers in supporting the development of managerial capabilities among micro businesses is varied. For most of the micro business owners interviewed, the use of information from professional advisers was to comply with requirements and acquire expert knowledge. In some cases it was considered almost a hindrance to improving the business skills, but others had developed a strong relationship with certain professional advisers, which helped them to develop managerial aspects of their business with confidence.

#### **4.6 Close/important others**

This category seemed to be the most common, significant and valued source of information and learning for all of the micro business managers interviewed. All managers included using important or close others as a significant source of their development of managerial capability. Devins, et al (2005) expand this to include those within the business, such as partners, colleagues and co-workers (immediate other) and those outside the business such as family and friends (close other). *The Café owner* suggested it was the most obvious way to increase managerial skills, by discussing with his business partners. One partner now worked within the business, so was a regular source of advice. He had considerable experience in the industry, so was a trusted source. The third partner (not involved in the day to day running of the business) was an accountant and owned a variety of different small businesses, so was valued in his ideas. He said,

*“I am lucky to have someone to bounce ideas off and who has a lot of experience in the industry. It was tougher on my own, when there were no partners to regularly work with. The staff are all good workers, but they were just that - staff. They had little input in more strategic decisions and looked at things from an operational perspective.” (Cafe owner)*

Other than the Café Owner, most owners did not have other senior/experienced/ management type staff within their business. So the nature of the business owners interviewed means that immediate others or those within the business tended to provide less helpful advice than those outside. So ‘close others’ – those outside the business became a very significant source of advice for most other businesses.

*The Hair dresser* was in constant communication with her parents relating to business and managerial matters. Her parents had owned and operated businesses all her life, so she

valued their input and ideas. Although they did not live in the same city, she was in regular communication with them. They were the first people she turned to for advice on the business.

*“Mum and dad are my first port of call for most queries I have with the business. As I continue to grow the business, the type of advice I need is changing. I trust them to give me good advice or to be honest when I should seek professional advice elsewhere (like the bank or accountant).” (Hair dresser)*

The Physiotherapist admitted it had been easier previously, when other business partners he had were more experienced in the management aspects of the business. These partners have subsequently left the business to start their own practices. He knows his professional knowledge is of a high standard, but constantly questions his capacity to manage the business side well.

*“Through my networks in the profession, we have formed a ‘management group’. These are other physios who run their own practices and are struggling to keep up with managing a practice and complying with all the requirements. So we meet once every 6 weeks at the Country club and have lunch to discuss pressing issues. There is a formality to it and we try to bring in some expert in the field to give us information. Next month is an IR consultant to help us understand and apply the new IR laws. Most of the other guys didn’t even know things were changing!” (Physiotherapist)*

All of the micro business owners used important others as a major source of advice. For many (like the hair dresser and web based retailer) these were based on personal relationships like parents and spouse. These people were valued for their expertise, knowledge and genuine interest in the business, due to their personal relationship. For others (such as the

physiotherapist and plumber) the close others mainly constituted other professionals who were in similar businesses. Some attempted to formalise this learning (like the physiotherapists “management group”) while others (like the plumber and building designer) relied on informal networking with others that they valued and respected for advice. The advice was generally sought in response to problems or reactive, and rarely seemed to be proactive or strategic in nature.

*The Accountant/developer* by the nature of his business was the most proactive of all the micro business managers interviewed. He actively sought advice and information from a wide network of important others outside his business.

*“There is so much to know. I spend a significant amount of my time building networks of people who can be of value to me. You never know when that expertise may come in handy.”*  
(Accountant/developer)

Bennett and Robson (2005) extensively investigated how small business sought support for their business and although professional providers were important, the main group that as valued and accessed was family and friends. Although the findings from Lewis, Ashby, Coetzer, Harris and Massey (2005) did not rate family and friends as the highest group sought, they were in the top five. This supports the finding in this study, which suggests that all of the business owners felt most comfortable seeking support from ‘close others.’ This was largely based on trust and feeling that these people had a vested interest in the outcome of the business decisions. The ‘close others’ group is a diverse group with considerable influence on the operations and development within micro businesses.

There are other factors that underpin the choices made by micro business owners in accessing support and these include the goals of the business, the level and type of education of the

business owners and the family experience in business ownership as well as the type of support sought and the type of learning that may occur.

#### **4.7 Goals of the business**

Each of the micro business owners had differing goals for their business so it was interesting to note if the business goals had a relationship to the use of external sources to support managerial capacity. The findings suggested that managers can be grouped into three categories. Some managers were able to clearly identify and articulate their goals for the business and in most cases, further probing using open ended interview questions, these goals were supported. Some managers had less clear goals, and further questioning suggested some confusion regarding their perceived goals and their actions.

The third group admitted to having given little attention to developing clear goals that directed their business practices, instead it was “*what I do*”. This group tended to be uncertain about what would happen to the business when they no longer worked in it, and making a good living and having a suitable lifestyle was enough.

There are a number of reasons for individuals owning their own business (Monahan, Shah & Mattare, 2011; Walker & Brown, 2004) It was either a lifestyle choice; the idea of buying a job; to provide long-term job security (being responsible for their own job satisfaction and eliminating the risk of being made redundant) or to increase prosperity with aims of growing the business. Each of these managers fitted into one of these categories, and in some instances, more than one. Because not all managers were able to clearly identify their business goals, some assumptions were made based on further interview questions.

The following table (table 4.3) indicates the major goal or goals for each interviewee.

	Lifestyle choice	Buying a job	Job security / satisfaction	Growth	Propensity to seek support
Hair Dresser	✓			✓	Medium-high
Physiotherapist			✓	✓	Medium-high
Accountant / developer	✓			✓	Medium-high
Mining supplies		✓		✓	low
Building designer	✓				medium
Gift shop			✓		medium
Engineering	✓			✓	low
Web-based retail		✓	✓		medium
Wine warehouse	✓		✓		medium
Café	✓	✓			negligible
Plumber		✓			negligible
Limousine service	✓	✓			low

**Table 4.3:** Major goals of micro business owners, related to propensity to seek support

Clearly articulated goals	Less clear about goals	Not identified goals
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Generally, the managers that clearly identified growth as their main priority (four managers) were the managers that took the most proactive approach to developing their managerial skills. There was however one exception. This manager (mining supplies) demonstrated a very low propensity to seek information that would help him develop his management

capability. He was focused on growing his business and the business had experienced high growth in recent years. His attitude toward improving managerial skills was low. In all other cases, there was a positive correlation between growth goals and propensity to improve managerial skills.

So it can be inferred that having clearly articulated goals had some correlation with actively seeking support to develop management capabilities, particularly when the goals focused on business growth. However, this was not specifically articulated and could be considered in further research. These micro business owners had a strong sense of the direction they envisaged for their business.

#### **4.8 Education and family background**

The issue of level of education experienced by each of the micro business owners and the experience of the families was probed in each of the interviews. It seemed plausible that participants may be more pro active in seeking support, particularly from more formal sources (training providers etc) if their own experience of formal education were higher. This was not necessarily the case.

It also seemed plausible to assume that exposure to a culture of small business in their own family while growing up (having a history of the family owning a business) would impact on the attitude toward seeking advice. Again, there was no particular correlation.

The four business owners who had family experience in owning a business displayed various attitudes towards seeking support. The café owner sought almost no support for developing managerial capacity. The gift shop owner was rated as medium. He explained he had been more pro-active in seeking support, particularly from family members who had owned



similar retail businesses in the early days of his business. He admits that now, it was in the “back of his mind” but was not a very high priority, as he considered his experience was more significant in developing his managerial competence. The hair-dresser and accountant/developer were some of the micro business managers interviewed that displayed the highest propensity to seek support and these outcomes are illustrated in Table 4.4.

	<b>Level of education</b>	<b>Family history of owning business</b>	<b>Propensity to seek support</b>
Physiotherapist	Masters degree	X	Medium-high
Web-based retail	Post graduate certificate	X	Medium
Accountant / developer	Degree	✓	Medium-high
Wine warehouse	Degree	X	Medium
Engineering	Degree	X	Low
Building designer	TAFE Diploma	X	Medium
Café	TAFE – trade	✓	Negligible
Plumber	TAFE – trade	X	Negligible
Limousine services	Year 12	X	Low
Mining supplies	Year 11 (equivalent – obtained overseas)	X	Low
Gift shop	Year 11	✓	Medium
Hair Dresser	Year 11	✓	Medium-high

**Table 4.4:** level of education and family experience in micro business owners.

Overall, there seemed little relationship between the level of formal education and the propensity for micro business owners to seek support. Similarly, there was no visible relationship between those micro business owners who had been exposed to small business ownership within their family. This seems to suggest that the propensity to seek advice to support management development sits within the individual rather than being affected by these contextual factors.

#### **4.9 Type of advice/learning sought**

##### **4.9.1 Factors affecting the type of advice sought**

There were a number of factors that impacted on the type of advice sought by managers and the level of learning that took place. Trust and the social capital invested were important issues by the micro business owners in their choice and adoption of advice and support in developing their managerial capabilities. The other important factors were the cost involved and the appropriateness or suitability of the support.

Day et al (2006) explain the significance of developing a trusting relationship between the business owner and business adviser. Most of the business owners interviewed had some business relationship with external professional or business advisers, such as an accountant, lawyer or bank manager. It was often trust that moved that relationship forward from purely giving professional advice, to a strong source of advice that could possibly lead to deep learning. In most cases, the business owners paid for the advice and viewed it as important for compliance purposes.

The plumber was an example of a business owner that had developed a trusting, long term relationship with a network provider, in this case his accountant. He was quick to say he looked to his accountant for more than purely accounting advice. They had built up a trusting relationship over the years, and he was comfortable asking his for advice.

*“I knew I could count on his advice....and the clock was not always running.”(Plumber)*

So, while the micro business managers interviewed all sought information from some professional advisers, the affect it had on developing their managerial capability differed. Rarely was it more than to assist in compliance, but those that did use this source of information for deep learning, did so as a result of strong trust they had in the provider.

Agyris and Schön (1996) identify trust as being an important factor in learning. It is influenced by past experiences and uncertainty. This trust can affect learning that occurs in all forms, formal and informal learning. Not only did it relate to building trusting relationships with professional advisers or network agents, but also with training providers. Many of the micro business managers interviewed shared a common disappointment with their experiences in attending formal training. The general feeling was that they were satisfactory, but did not quite address the needs of the individual business owner. In other words, they did not trust the prospect of formal training programs to deliver what they needed. Their past experiences, or experiences they had heard from others cast doubt on their view of training as being a useful tool for developing their business and managerial capabilities.

These business owners seemed most ready to seek support and advice from close others.

Lewis et al, (2005) and Johnson et al, (2007) explored why business owners are so ready to use close others as a constant source of advice, and identified one of the main reasons is due

to the trust they place in these people. They consider them highly credible sources of information. These close others may be a spouse or relative. In this case they have the best interest of the business owner at heart. As a supplier or associate (either within or outside the business), these important others probably do not have a vested interest in the business, but do have strong knowledge and insight into the business and its environment. They often take the role of “critical friend” in which they see things from a different perspective and can offer informed advice.

Because these close others usually have a long term commitment to the business owner, they hold a position of trust. The owner of the engineering business relied on a former colleague he had worked with in a previous firm. They had been business associates, they remained friends and as a source of advice, the former colleague understood the nature of the work and the environment. He was able to offer advice from “outside” without the constraints of working in the business and being focused on improving business.

*“Tim [former colleague] knows heaps about this industry. I talk with him often because I value his knowledge. Sometimes I get so stressed keeping this business on track – it’s growing so fast – that I appreciate his rational, level-headed perspective on things.”*

*(Engineer)*

This was a typical response from several of the micro business owners interviewed. They had developed trust in the advice that these close others gave them. For some, they acknowledged advice was sometimes sought from close others that had little insight into the business, but because they knew the business person so well, they were helpful in providing guidance.

The limousine operator explained how he loved running his business, that it was a delightful change from working in a commercial business. He admitted he thought the business would “run itself” but fell on some challenging times in the first year of operation. It was his wife that helped him to see changes that were necessary. While her knowledge of the business was limited, she had a sound understanding of his personal characteristics. She talked about how he could change the way he approached some issues of staffing, to more align with his character and this led to the development of an improved staffing process. Deep learning had occurred in changing the underpinning rules that he had applied to managing his business. In this instance, he trusted a close other when seeking how to develop managerial capabilities. This insight created significant learning that resulted in an embedded change in developing his managerial capability. On reflection he added that it may have sparked a change in thinking that was the catalyst for subsequent managerial improvement.

Trust appears to be an important factor for micro business owners to establish an environment where they can safely learn and develop managerial capability, whether it is from professional advisers, training providers or close others.

#### 4.9.2 Informal versus formal learning

Much of the learning that took place for the micro business owners interviewed tended to be informal. That is, it was not usually in the context of a formalised training situation and often not even a prescribed discussion or information exchange during which the micro business manager sought to learn information or skills to develop his/her management capacity.

The literature is dominated by the view that small business is generally reluctant to seek out and take up formal training (for example Bryan, 2006; Devins et al, 2005; Jay & Schaper,

2003). This is supported by this group of micro business owners. As suggested in the previous section, they are reluctant to undergo formal training to develop their managerial capability. While a lack of trust in the outcome and experience was a factor, price and not specific to their needs were cited by nearly all of the respondents as reasons. These were often linked with being time poor. If they did not perceive they would receive a strong outcome, then sacrificing time to attend was not an option.

While the lines between formal and informal learning can be clouded, Jayawarna, MacPherson and Wilson (2007) provide a useful guide categorising the following as formal training: a course at university or college, a course from outside provider, distance learning, VET, formal in-house course run by outside providers, formal in-house course run by company staff and Internet based courses. This was the description suggested to the interviewees.

The following table (Table 4.5) highlights the consistent views held by these managers as to how they perceive formal training as a source of support in developing managerial capability.

	<b>Cost prohibitive</b>	<b>No time</b>	<b>Training not relevant / suitable</b>	<b>Lack of good experience from past formal training.</b>	<b>Possibility they would consider training in future</b>
Accountant / developer		✓	✓	✓	Low
Building designer	✓		✓		Low
Café	✓	✓	✓	✓	No
Engineering		✓	✓		Low
Gift shop		✓	✓		No
Hair Dresser	✓	✓		✓	medium
Limousine services	✓		✓		No
Mining supplies		✓	✓		No
Physio-therapist		✓	✓	✓	medium
Plumber	✓	✓	✓		No
Web-based retail			✓		medium
Wine warehouse		✓	✓	✓	Low

**Table 4.5:** Micro business owners' attitude to formal training.

The table illustrates that that most of these owners demonstrate no interest in seeking out further formal training options. The most proactive of this group was represented by three owners. However they still only rated the possibility that they may seek formal training in the future to develop managerial capability as 'medium'. All the rest said not at all or rated the likelihood as low.

Informal learning was preferred by all of the micro business owners interviewed. They believed learning on the job and learning by trial and error was the best education. None of them had positive outcomes from formal learning experiences. Jayawarna, et al, (2007) identified the following as examples of informal learning: performance appraisal, coaching, mentoring, temporary promotion / job rotation, informal seminars, meeting, networking and reading (including books, technical literature, and web sites). The micro business owners voiced a preference for using this type of learning resource. It was more cost effective and they could access relevant information on a need-to-know basis. Accessing web sites and informal networking were quoted most regularly as the preferred approach.

The deep learning that resulted from these approaches remains questionable. Certainly the information gained from these informal sources was useful, but tendency by many of the owners was to resist accessing such support until often it was crisis. The often passive nature of this type of informal learning meant there was no accountability for demonstrated outcomes. The manager assessed the usefulness and the necessity to apply this new found knowledge. It appeared this often went unchecked. Several of the interviewees cited examples when they searched for information on the Internet. On closer investigation, this usually related to technical information rather than support to develop managerial capabilities. After considerable probing, when a small number of examples could be cited,



there was reluctance to demonstrate how that had brought about change in the way any of the managers managed their business.

Having instant access (or nearly instant access) to much of this information was comforting for managers. It provided a 'safety net' in times of uncertainty.

*"In the old days I don't know what we would have done. I think we had to cram a lot of prescribed information into our heads before starting a business. Now we can develop as we go with the help of the internet and associates who are willing to give advice. I am not sure if we are now in a better or more vulnerable position."* (Wine distributor)

Informal learning has all the benefits of flexibility, timeliness and low cost. These are all attractive attributes for the micro business owner. However, it does not compel managers to have to do things differently. Most micro business owners interviewed showed that the use of this type of support was reactive and there was little evidence of a longer term or strategic view. For many of these managers, while the business was surviving, there was little incentive to manage things better. Informal learning was therefore a useful support mechanism and very often provided in association with close others.

#### **4.10 Deep learning and permanent change**

As suggested by many learning theorists such as Agyris and Schön (1996), Fiol and Lyles (1985) and Gherardi (2002) the deeper, more permanent learning, leading to a more deeply embedded change in behaviours stemming from a modification in the rules and norms was indeed quite rare.

Very few of the micro business managers interviewed demonstrated strong evidence that deeply embedded changes in their behaviour had occurred, or that the rules and norms that guided that behaviour had altered. The physiotherapist and the web-based retailer were the only managers whose responses suggested learning at a deep level that may have brought about this level of change. The physiotherapist actively sought new ways of managing his practice. Sometimes formal avenues of learning were sought. These included books, professional magazines and websites. He enrolled in one formal short course, but did not complete it.

*“I thought it would be useful going to this day seminar offered by one of the centres attached to a university. It was informative, but I got a phone call half way through and had to head back to work to manage a bit of a crisis. It was ok, but not quite what I needed.”*  
(Physiotherapist).

His most consistent source was from important others. He established a regular forum with other physiotherapists who owned their own practice, to meet and discuss issues specifically relating to the management of the practice, rather than physiotherapy skills development. This forum often included specialists in areas such as industrial relations or taxation. These were areas identified as gaps in his knowledge and were usually highly successful in providing targeted, timely and useful information to assist managing the practice better.

An example of deeper learning involved a change in employment relations practices. Prompted by reforms in legislation, he was motivated to find out more about the rationale behind the changes and how they needed to be implemented to ensure adequate compliance. However, the decisions that he made went beyond mere compliance. He undertook online research to familiarise himself with every aspect of the legislation, then sought advice from an academic specialising in the area to fully understand the spirit of the reforms. This gave

him deeper insight into some of the subtleties of managing in the small business sector, and allowed him to manage these practices with a whole of business approach. He admitted other practice owners did not have much interest or desire to implement changes in light of the legislation. He said they were likely to comply with the legislative requirements, if the need became apparent, but did not see these aspects as crucial to their business.

The physiotherapist demonstrated deeper, double loop learning in this instant. Firstly he was motivated to find out what he should do with regards to the new legislation. Then he became conversant with the changes, using formal, traditional sources of information. But the real and permanent change came about because he sought to understand what this legislation was trying to accomplish, so a second level of learning took place. As Agyris and Schön (1996) suggested, a change in the rule that shapes behaviour occurred, embedding the new learning into a new way of doing things. In this case, a new way of managing the practice.

On further questioning, this micro business owner had a number of examples of this type of learning that shaped his managerial capacity. It was often difficult for him to recall, as the new way of doing things had now become so deeply embedded. This separated him from most of the other micro business owners. Their stories of management development tended to be more in line with what Agyris and Schön (1996) refer to as single loop learning. That is, they learn new information and implement it in their business practice, not usually conversant with how and why this is good practice and how it fits with other aspects of the business. In such cases, the changes may be transitory, if additional pressures are added to the business and the reaction is to revert to original practices.

The web-based business owner demonstrated similar experiences in developing deeply embedded learning. Her business was a start up and she suggests that due to her professional experience and age (she was over 50), she was cautious and considered in her approach to the

management of the business. For her, getting the business established quickly and successfully was a priority. Her past experience in working in industry had alerted her to many of the challenges she was to expect. She took considerable time in establishing most aspects of the business prior to starting the business. She spent approximately two years trialing the product, researching the market and researching the business model before starting the business.

Her learning was a combination of formal and informal. The formal component was via technical information provided by a state government small business agency, information from the Internet and post graduate business studies. The web-based business owner sought what she considered information relevant to her business needs in addition to more generic management skills (during her post graduate university studies) and most of this was prior to set up. Informal learning was from an important other. She established a relationship with a small business owner who had considerable experience in distributing in a web-based environment. He assumed an informal mentor role as was a strong source advice about improving the management of the business. The micro business owner had known her mentor for approximately five years and she trusted his experience. She was able to access specific information and support from him as she needed and was confident that he would give her extra information that she may not have identified, which would support her capacity to manage the business.

*“In a course I am exposed to a lot of extra information that is really not relevant for me. Working with my mentor meant I was confident the information was more targeted for my needs. Time is money. Working with my mentor allowed me to maximise the quality and quantity of information to better develop my management skills.” (Web-based business owner)*

For this business owner, learning was deeply embedded. She sought specific information that was significant for the sustained development of her business. The information was not just about the product. Her technical expertise was in developing a range of cosmetic products. She was confident in her product development, but successfully managing the business was something she identified as a gap. The extended time spent in developing her capabilities in running the micro business was a significant motivator for her. She sought out skills and requirements to successfully run her business. She identified how these would lead to success. She explored why they were fundamental to business success and changed several ways of managing her business because of a sound understanding of these.

While it is true that all the micro business managers interviewed worked hard and consistently to be successful, these two examples stood out as owners that made significant efforts in identifying the importance of management in their success. What they shared was that both took responsibility for and saw the need for learning, and that is when the deepest learning (appeared) to occur. Double loop learning or more permanent change in behaviour and practice is a lofty goal for micro business owners (or any managers), but these examples indicate some movement towards this outcome. This was linked to motivation to understand the impact of management capacity building in long term sustainability of the business.

#### **4.11 Summary**

The model by Devins, Gold, Johnson, and Holden (2005) identified three main cohorts that micro business managers tended to rely on to develop their management capabilities – close/important others; network agents (or professional advisers such as accountants, lawyers etc) and non-network agents or training providers. This provided an interesting

categorisation of support networks for several reasons. Firstly it can highlight three discrete sources of learning for micro business owners. How owners access the information from each of these groups and how this impacts on the development of business is important in understanding the preference exerted by this sector of business owners and for future policy and planning implications for providing worthwhile support for these managers. Secondly, how these three groups may cross over or interrelate will provide insight into the significance of these information sources. And thirdly how each of these impacts on managerial development can provide direction for future funding and effort in developing small and micro business.

These general groupings identified by Devins et al (2005) did seem to accurately reflect the sources used by the micro business managers interviewed in this study. While these groups provide clear delineations, the reality is there are cross-overs at some time and micro business managers use these sources in varying ways.

## **CHAPTER 5 SUMMARY AND CONCLUSIONS**

### **5.1 Introduction**

This chapter discusses the conclusion and implications as identified as a result of this study.

The outcomes of each of the four research questions will be examined in relation to the findings identified in chapter four and also in relation to the wider literature as suggested in the literature search in chapter two.

The second section discusses the implications of this research on the theory of micro business management development, with particular reference to the model proposed by Devins, Gold, Johnson and Holden (2005). It will also discuss the implications for practice recommending how the findings of this research may shape the government focus and the role of private providers in the future. The final section of this chapter discusses the limitations of the research that became evident during the research phase and the implications this study has for research in the future.

### **5.2 Conclusions related to the research questions**

The research questions explored in this study were:

1. Does the proposed model reflect the external contributors to managerial learning of micro business operators?

2. What factors influence how managers of micro businesses source and use these three discrete groups (close others, professional advisers, network agents) in learning and thereby developing their ability to be successful and sustain their business?
3. What role do internal contextual factors (such as culture, positive education experiences, climate, motivation) play in developing managerial competencies?
4. What motivates micro business owners to seek support?

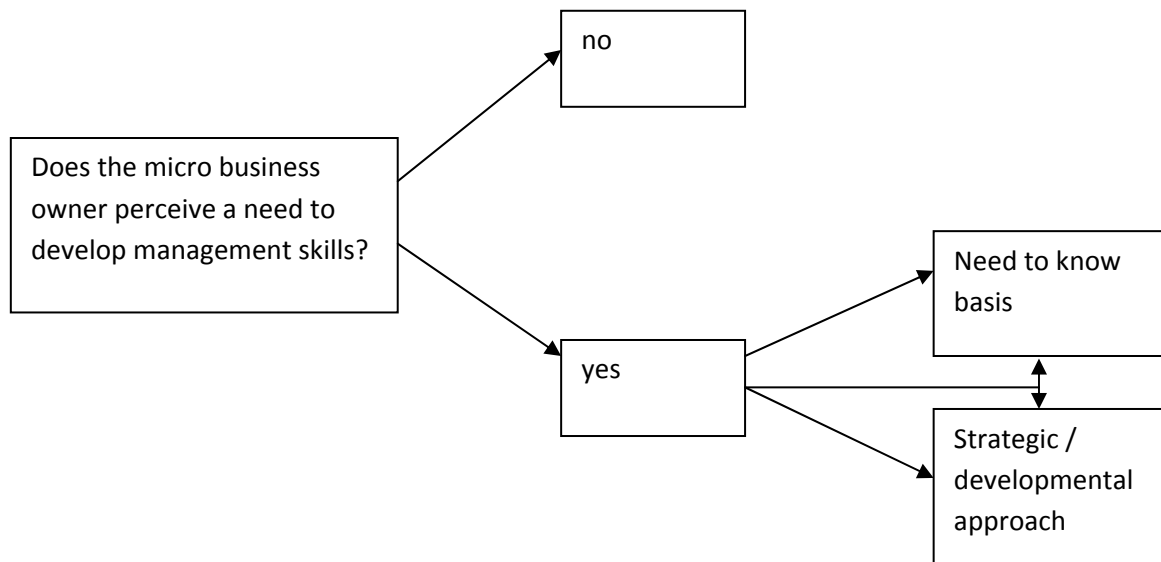
The following sections discuss the conclusions drawn from the findings of the research and in the context of literature available on the area.

### **5.3 Linking the model to management development within micro business owners.**

The model proposed by Devins, Gold, Johnson and Holden (2005) suggests that micro business owners develop their managerial capabilities from a variety of sources and in a variety of ways. The main categories identified in this model included close others, network agents or professional advisers, and non-network agents, such as training providers. While most of these are external to the business, close others will often include other staff working inside the micro business, and may be a business partner, life partner or trusted employee.

The study highlighted two aspects for consideration here. One is the perceived need by business owners to develop their managerial skills and the level to which they will develop them. The other aspect for consideration is for those that do see this need, what, how and where do they go?





**Figure 5.1:** The decision to develop management skills.

The figure above suggests that micro business owners who do perceive a need to develop their managerial skills may do so on a ‘just in time’ or ‘need to know’ basis, or they take a long term, more developmental approach, or there may be a combination of both.

When considering those owners who did perceive a need to develop their managerial skills, the results of this study supported the fact that there were indeed a wide variety of sources of support and information relied upon by micro business owners. The group interviewed did not tend to follow a particular pattern of behaviour and displayed either haphazard choices, or choices that followed their traditional path – that is, doing what they had always done.

In accordance with the model, all respondents relied on close others at some time to support their managerial role. This supported the findings of Lewis, Ashby, Coetzer, Harris and Massey (2005) and further work by Devins et al, (2005). The next most common group was network agents, typically their accountant. This was most usually in a paid, professional relationship. The reliance on non-network agents was the most varied, but as the model suggests, these can be a significant source of support and information. The resistance by micro and small business owners to formally undertake training is well documented in the

SME literature (for example Bennet & Robson, 2005; Berry, Sweeting & Goto, 2006; Jay & Schaper, 2003; and Johnson, Webber & Thomas, 2005). This group of micro business owners were no exception.

While many respondents indicated that they liked face to face interaction in developing new skills – both with professional advisers and in training situations, they commonly suggested that time away from their business to attend face to face training prevented many of them doing so. An outcome of this is that some external contributors to management development were in fact “faceless” by turning to websites, television shows and written material to up skill.

On the basis of the findings here, the Devins et al, 2005 model quite accurately reflects the external contributors sought by micro business owners as they develop their managerial skills. The key groups are close others, professional advisers and training providers.

#### **5.4 Factors that influence how micro business managers develop their management capability**

Many micro business owners operate with very tight constraints in their business. Their decisions have little scope for error, so how they use their resources – time, money, expertise – are extremely precious to them. There are five main factors that influence their choice of sources of information to help them develop their learning. These are trust, personal and business goals, perceived goals, cost and accessibility.

Trust is a significant determining factor for these business owners. With little margin for error, micro business owners are often risk averse in their day to day decisions. These managers are faced with diverse decisions and their need for a variety of managerial skills is

wider than in any other size business. This is because they have few resources and limited support available to them within the business. Therefore, micro business owners seek to maximise the value of their choices. With time, money and other resources being scarce, trust becomes a crucial component in their management.

From the participants interviewed, they most readily sourced support and information from providers they trusted. This varied widely between close others and professional advisers or network agents. Here close others, when there was a suitable person available, generally was awarded the highest level of trust. As a friend, partner, or business associate, they were generally considered to have the best interests of the business owner at heart (Lewis et al, 2005). This level of trust was sometimes found in professional advisers as Day et al, (2006) identified as an important basis for these business owners in choosing and relying on the particular professional advisers that they choose. Several respondents indicated that they had developed a long and strong relationship with a network agent (most typically their accountant) and trusted that their advice was more than professional, but committed to improving the business. Even some respondents who did not have this relationship lamented the lack of trust built up in such a relationship and identified that it was something they sought.

There was rarely such evidence of a level of trust with non-network or training advisers. Little evidence emerged among the respondents that such trust could be or had developed. The closest example was a reliance on some websites and trade literature as a valuable source of information, including material that informed their management practices.

Trust had a significant impact not only on how these managers sought support, but as Agyris and Schön (1978) suggested, also on the learning that took place in actually developing their managerial skills. So, not only was it important for these managers to trust their sources, but

it was also important in cementing long term changes and improvements in the way they managed.

The goals of the micro business owner, both personal and professional, was another factor that influenced the choice of support used. The business owners that identified well formulated goals were more inclined to take an active role in using external agents for support. The group most likely to be used was professional advisers, but those managers that also had well formulated goals were strongly inclined to approach close others for support. It was felt that the close others had a good knowledge of the business and were well placed to offer useful advice to help them develop their managerial skills.

There often seemed little delineation between personal and professional goals for these micro business owners, as the two were tightly linked. Many of the owners interviewed acknowledged their goals were somewhat vague and changed regularly. As Gold and Thorpe (2008) found, most actions by small and micro business owners were driven by short term goals.

Another factor impacting on the choice of support was the perceived relevance of the advice and information. These business owners reported that they rarely had the capacity to scan a wide range of information but were driven to find useful, timely and relevant information in making decisions and developing their managerial capability. The perception was that professional advisers knew their business best and could therefore provide the most relevant information. Training providers were often condemned as being irrelevant and while many micro business managers suggested it would be a bonus to be exposed to some of the information provided, most acknowledged that it was probably not highly relevant and therefore was not accessed.

On occasions, informal training from the Internet or trade literature was deemed relevant, but trawling through vast volumes of information was tedious and not productive, so often bypassed as a source of support. Close others with a sound understanding of the business were sometimes considered relevant, but professional advisers were the strongest choice in this factor.

Cost was an important factor for micro business owners in choosing support for their management development. Like relevance, it was a high priority as a prudent use of resources. The most cost effective source of support was close others. Particularly when the operators had high levels of trust in a close other, this became an important source of support and information, because the monetary cost was negligible.

The cost associated with seeking professional advice was often considered prohibitive, leading to operators only relying on advice that was crucial to significant business decisions. In other cases, operators relied on these professional advisers to a vast extent, believing their expert knowledge a necessary cost to the successful running of the business and in some cases did not hesitate in paying for the information. Carey et al, (2005) and Day et al, (2006), supported the idea that micro and small business owners gave a high priority to value for money when enlisting the support of professionals.

The cost associated with training was often considered a luxury. More often than with professional advisers, micro business owners were highly critical of the cost-benefit ratio associated with paying for training.

The last of the major factors affecting a micro business managers' decision as to which type of source was to be considered was accessibility. Many of these managers relied on developing their skills on a 'just in time' or 'need to know' basis and having timely access to

support was crucial. Again, close others met this criterion and online sources of information were perhaps the most accessible – dependent on the nature of the business and the ease with which the business owner engaged in online information. For example, the plumber was busy in the workplace all day, and was not a large user of the internet for any purpose. This view was shared by several other respondents.

Even for those businesses that were more strategic in developing their management skills, accessibility was a major attraction. They were not keen to travel long distances or spend what they perceived as excessive time in undertaking professional development, as it was often at the expense of time on their business.

Overall, there were five major factors that influenced the choice of support networks for micro business managers developing their managerial capability. No one aspect fulfilled all the criteria for these managers, so the diversity of support continues to be a feature of development for these owners.

### **5.5 The role of internal factors in developing management competencies**

The role of internal contextual factors on a business owners' attitude to developing their competencies was a difficult aspect to determine. Common sense suggested that the level of education for example might highly affect their attitude to seeking further training, but this did not seem to be the case, nor did the culture of the business. Motivation towards self development was, as anticipated, a difficult dimension to identify and may be an area that could be researched further in the future. External factors, such as the economic climate however, was a factor.

It was expected that those micro business owners that had more experience in formal education would be more inclined to take up training than those who had limited experience with formalised education. The reality was that there was no direct relationship between these factors. In some cases, those business owners that had high levels of education (tertiary and post graduate qualifications) considered they were well informed and had enough exposure to education experiences to enable them to manage most situations that might arise, and the resources to tackle any others. In other situations, owners that had similar high levels of education were eager to undertake further education and training to develop their skills. Even those owners who had less formal education (that is, may not have finished high school) had mixed responses to further training and education. This mixed outcome seemed both counter intuitive and did not support ideas suggested by Devins, et al, (2005); Johnson et al, (2007); Kock et al, (2007) who found greater uptake of formal training by those business owners who had both higher education levels and recent previous experience in large firms that participated in formalised training and development.

The culture of the business seemed to have little effect on the development of managerial skills. The culture of these micro businesses directly reflect that of the business owner, as the business is so small. So individual values and goals was a more appropriate factor of influence than organisational culture on the development of managerial skills.

External factors, specifically economic conditions played a role in developing skills. Most of the respondents were interviewed at a time immediately after a substantial world-wide economic downturn. As micro business owners, they were acutely aware of the volatility of the economic climate and the sensitive nature of the market they all operated in. Being mindful that expenditure was a priority and spending on training and even professional advice was given considerable thought. Carey et al, (2005) and Day et al, (2006) both

suggested that these business owners were driven by an economic imperative. That is, they expected value for money in seeking support, and most specifically at a time when disposable income was limited.

Internal contextual factors were very difficult to identify and attribute to these micro business owners, but some external factors, such as the economic climate appeared to have an effect. This may have been exemplified due to the extreme economic conditions of the time.

### **5.6 The motivation to seek support**

As mentioned, motivation towards self development was, as anticipated, a difficult dimension to identify. The motivation for micro business owners to seek support is an important factor in their eventual learning and ability to develop managerial capability. The diversity of this group continues to add to the complexity of understanding motivators or driving forces that influence micro business managers to seek support.

Accurately identifying motivation, or driving forces, or influencing factors is a complex task and it is dangerous to assume that any researcher can accurately identify or measure such an indeterminate and uncertain force. What seems apparent is that the driving forces for developing managerial skills are widely diverse and not static. Some respondents had little apparent motivation to develop their managerial skills. They either felt they had the appropriate skills to successfully run their business, or were too busy, or were confident that the best way to develop their skills was on the job.

The other end of the spectrum saw some respondents that were highly aware of their deficiency in management expertise and actively sought to improve that. These micro business owners were typically specialists in a particular area and while they had significant



practitioner ability, had limited management experience. They tended to be acutely aware of demands in managing staff, complying with legislation, growing their customer base, etc which drove them to seek support in better managing these aspects of their business.

The more common motivation seemed to be a “just in time” drive to either comply with requirements or address a problem as it arose. In some cases the learning that occurred was cemented and made a permanent change in the way these managers subsequently did things. In some cases, it was a ‘quick fix’ and often not considered again, especially if the manager considered the situation was unlikely to occur again.

Much has been written about small and micro business owners reluctance to participate in training (for example Bryan, 2006; Gold et al, 2008; Holden, Nabi, Gold & Robertson, 2006; Kitching & Blackburn, 2002; Massey et al, 2005). Seeking support and taking a more holistic approach to developing their management capabilities appears to be a different consideration and probably should be considered from a multi – supplier perspective and a multi- outcome perspective. As with many aspects of human endeavour, motivation is one significant aspect of achievement, but is difficult to capture, define and identify, no less with micro business owners than any other group.

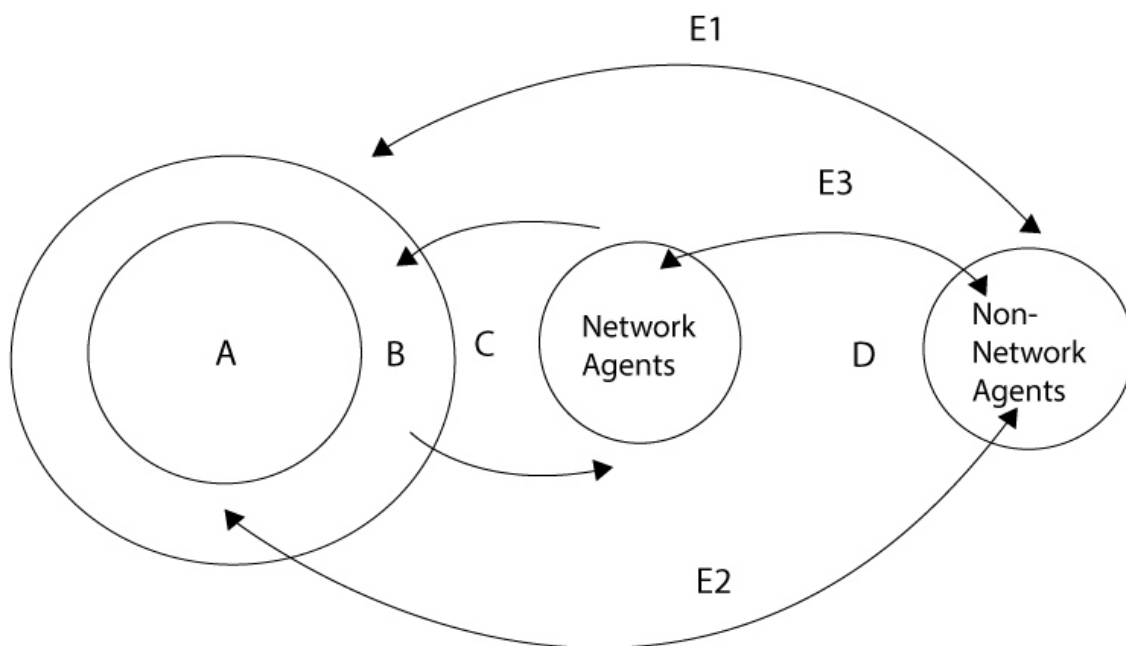
This study supported the model postulated by Devins et al (2005) and confirmed much of the literature around small and micro business. This was significant, because the current literature on micro businesses and the management development by their owners is limited, so their attitude to management development and motivation was important to explore.

## **5.7 Implications for theory**

The section aims to provide a broader view of the research findings within the wider body of knowledge related to management development in SMEs and micro businesses. The discussion has two main areas of focus, the first examining the implications of this research for the theoretical framework developed by Devins et al (2005) and the second considering the implications of this research on SME theory.

## **5.8 Implications for the theoretical framework**

The model on which this study is based is shown in chapter two and reproduced here. The following diagram (figure 5.2) depicts the wider idea of the relationships between all groups.



**Figure 5.2:** The expanded conceptual model developed by Devins, Gold, Johnson & Holden (2005) p.546.

The Devins, Gold, Johnson and Holden (2005) model identifies that the main source of support and information to develop management capabilities by micro business managers is found within close others (either within or outside the business) and network agents.

Network agents are typically providers of professional services such as accountants and lawyers. The model focused on the reliance by micro business managers on these main groups, and was largely dependent on the perceived need by the managers in developing their management capabilities.

The expanded model includes all three groups relied on by micro business owners, including close others (those within and external to the business), professional advisers or network agents the third group that are identified as non-network agents or training providers. These external providers of training and development activities can be from both the public and private sector. It is here there may be the highest potential for change. Again, their level of interactivity was often based on perceived needs by the micro business owner and most commonly were driven by the supply side. That is to say, that these non-network agents were well placed to provide support and training to micro business managers, but most commonly were not utilised thereby not permeating the boundary of the micro business, as demonstrated by link E1. In some instances, micro business managers did take on external training, and these providers did manage to break through (indicated by link E2). This presented a problem in that providers appear plentiful in supplying training and development support, but the demand from micro business managers was low. The final stage of the model suggests that network agents (accountants, lawyers etc) may provide an important link between the micro business manager and more sophisticated and strategic management training. They are best positioned to identify performance gaps and the need for training and development. These network agents would not be the providers of training, but the actors that identified

training needs and even identify training providers to support the micro business managers. This is depicted by link E3 on the final model.

This would see a change in the role of network agents and may require a significant shift in thinking. As depicted in the final stage of the model (E3), the reciprocal relationship between the network agents (accountants, lawyers etc) and the non-network agents (training providers) would need to grow. Developing an orientation towards training and development of skills is a desired outcome and a re-think towards a different role for professional advisers may become necessary. As supported by Bryan (2006, p.636) a focus on training is necessary for “stimulating managers and employees to cope with change.”

The emphasis would move to a ‘push’ for development and training via the professional service providers, rather than the traditional ‘pull’ by training providers. This ‘pull’ by training providers traditionally had limited results and support from small and micro business managers. The research findings did support this reticence by many of the micro business managers interviewed to actively seek professional development from training providers.

The research findings also clarified the relationship depicted between network agents and micro businesses. The model suggests the relationship is strong here and thereby permeates the micro business. This research suggests that this relationship is not a given and this may have implications for any type of management development.

The nature of learning and development by micro business owners remains difficult to pin point. The interviewees in this study indicate a generally positive approach to development activities, but limitations of time, cost and applicability continue to curb the uptake of active engagement in development activities. Rae and Caswell (2000) acknowledge the positive correlation between business success and learning, accepting that learning occurs in many

forms, including problem solving as challenges are presented, using social interactions to develop greater understanding and application of management skills as well as applying new techniques when the opportunity presents itself. These informal learning activities add to the development of management skills, without necessarily accessing formal advice from any of the groups identified in the model – important others, professional advisers or training providers. However, deep learning can occur when these actions have allowed these micro business owners to change the way they actually do things (Argyris, 1991; Fiol & Lyles, 1985; Rae & Caswell, 2000).

The study did identify that trust and relationship building were important for micro business managers when seeking support. This indicates that the proposition by Devins et al (2005) for a stronger, reciprocal role to be undertaken by professional advisers, in the development of managerial competence, as in some cases, a relationship has already been established between these owners and the professional advisers. This becomes important in the efforts to increase the quality and uptake of training and development.

### **5.9 Implications for practice**

This section looks at the implications for policy and practice. The significance of the study in validating the proposed model, is to elucidate possible improvements in the provision of training and development for micro business owners.

Management development is a complex process, for individuals and organisations of any size. Ultimately, individuals are responsible for developing their own management capability and this inevitably requires some cognoscente decision, often to undertake some formal learning or reflective practice that changes work behaviour. Larger organisations often

provide incentive for individuals to undertake management development, either by offering incentives for performance, or on-site training, or compensation for formalised off-site training and development.

The incentive for micro business owners is quite different and the drive comes from a more complex and competing range of pressures. The model by Devins et al (2005) has suggested a haphazard relationship between micro business managers and management development processes, sometimes via knowledge providers (network agents) and sometimes through more formalised training processes.

This research has confirmed that most development occurs sporadically and is a function of perceived need, timeliness and opportunity cost. Based on the proposition that business performance and outcomes will be increased for micro businesses who are actively engaged in the management development process, comes the push from government and industry bodies to increase the uptake of management development opportunities.

What does seem evident is that the continued supply of training for micro businesses is not the most effective route. Even though the methods have changed, offerings continue to be diverse in both the delivery style and content, the reasons for micro businesses not engaging with these persists. The suggestion within the Devins et al (2005) model suggests some merit as it approaches management development from a multi dimensional approach.

Typically, micro business managers are required to seek support and information from professional advisers. Their engagement with these providers is a necessary and fundamental part of their business survival. The notion of using these professional groups to identify management development needs in micro business managers and push them into appropriate

training and development areas is a useful one. These agents typically have an ongoing relationship with the micro business manager and can often identify performance gaps.

The problem at this point is that the professional advisers are not well informed about training and development opportunities and may not be able to furnish the best advice. This is where a shift in emphasis is going to be needed. Government agencies, industry bodies and training providers of all types (formal, informal, face-to-face, online) will need to target these “middle-men” in addition to the end user. This requires a paradigm shift, but it does have several benefits.

The first benefit is an opportunity for growth of the training and development market, in an area that is currently undersubscribed. The second benefit is that coming from another direction, the likelihood of micro business managers undertaking management development opportunities is therefore increased. The third benefit is that development opportunities are more likely to be relevant, because an external third party (network agent) has been able to make an objective assessment related to the need for development. And the other benefit is that this leads to a stronger, more holistic relationship between the micro business manager, the professional adviser and the training provider.

As identified, this will require a shift in focus by training providers and government and industry bodies will need to target professional advisers as advocates of development opportunities. It is not suggested that professional advisers should necessarily undertake the training and development role. Although this happens in some instances, this may compound delicate relationships and not afford micro business managers the benefit of experiencing a varied approach to management development. Instead, their role may expand to proactively identify gaps in performance by the micro business owners and direct these owners to the most suitable providers for their needs. This will require information and training to the

professional advisers in addition to a broader spectrum of support, which may include mentoring, professional shadowing opportunities and online forums. In this situation, the roles of the three groups identified in the model may begin to overlap.

Current approaches to management development for micro business managers appear to be scaled down versions of training for management development in large businesses. While there is some merit in this method, a different approach may be more valid and meet the needs of these managers better. The involvement of professional advisers in identifying development needs and directing them to appropriate training opportunities appears useful. The professional advisers may even take a pro-active role in co-development of development activities, given their strong understanding of the micro business.

### **5.10 Limitations**

Some limitations of the research were identified in chapter 3. This section discusses other limitations that became apparent during the execution of the research and analysis processes.

A significant limitation of the research was the sample size used. The complexity of the subject matter being investigated suggested that semi structured interviews of micro business managers would be a more revealing choice of methodology. The decision to use a varied sample was purposeful, to minimise mitigating factors such as industry type, time in business etc. This meant that individual case studies provided a rich source of information for this exploratory study. However, the disparity amongst the participants raised many questions and drawing conclusions was difficult. However, in itself, this finding has reinforced the diverse nature of micro businesses. The recommendations in the following section suggest focusing



on a set of businesses that have common characteristics (such as the industry in which they operate) that may provide greater clarity of outcomes.

Another limitation was the ability of respondents to accurately be able to identify the aspects that were being researched. The semi structured interviews gave the opportunity to attempt to clearly articulate what elements were being examined, but often it was evident that the respondents had another vision or perspective of these elements. For example, even though all elements were defined (such as success, management capability, training), these were very much open to skewed interpretation, biased by experience, confidence and level of interest in the subject concept. It was the complexity of some of these elements that lead the investigation to focus on case sample interviews rather than quantitative surveys in the first instance.

The economic climate of the time of undertaking the research provided another possible limitation. The period over which the research was undertaken spanned a time frame during and as the global financial crisis plateau. As micro business owners, the impact of tightening economic activity tended to have a high impact and may have clouded the perspective of many of the respondents. This was a major economic influence for businesses large and small and the respondents were affected by these environmental conditions. It is hard to ascertain precisely how that may have skewed their responses, but as training is often considered a luxury in uncertain economic times this is likely to have had some impact.

This group of business owners is typically difficult to make generalisations about. This study confirmed the broad nature of these businesses and the variance among their attitudes. While some limitations were identified prior to the study, the limited and varied sample size, the cognitive interpretation of the issues and the extreme economic conditions may have impacted on the findings.

### **5.11 Implications for further research**

This study was exploratory in nature, and as a result provides many opportunities for further research.

The research was limited to Perth urban micro businesses. A replicated study using a similar methodology is needed for regional areas of Western Australia, to ascertain whether isolation factors may have an impact on the development of managerial capabilities in micro businesses managers. The assumptions and evidence demonstrated here suggest a resistance towards involvement in training – this may be heightened in regional areas where opportunities for training and development, particularly in a more formal and face to face environment remain limited.

Due to the diverse nature of the respondents, a recommendation for further research would be to focus on more homogenous business types. The vast differences in business profiles made it difficult to determine what, if any variables impacted on the attitude to management development by micro business owners. It may be useful to study micro business managers who operate in the same industry to determine whether industry is an influential variable. Alternatively, it may be worthwhile studying micro businesses that have been operating for a similar period of time to detect any difference experience in operating may have on the development of managerial capabilities.

Examining micro business managers who had actively undertaken training and development to increase their managerial capabilities would be an important area of research. Little has been published that really looks at what learning has resulted from various development activities by micro businesses. At this point, policy and practice is driven by ‘gut feel’ with little hard evidence to suggest the results of formal and informal training. The participants in

this study were too small a sample to determine the outcome of management development activities.

Other areas that may be explored would look at trialing the new model recommended by Devins et al (2005) and supported by this study, in promoting and developing a stronger connection to training by professional advisers. Assessing attitudes from the three groups (micro business owners, professional advisers and training providers) would be an important first step, in addition to industry peak bodies and government agencies. The exploration of alternate or complimentary methods of management development also warrants further exploration. Programs in the UK focusing on the provision of mentoring for micro business managers is an area for further study. This program provides many features identified as lacking by micro business managers in traditional small business training. The one-to-one mentoring allows information and support to be provided on a need-to-know basis; it is relevant and tailored to specific business needs; and if supported by government funding, it can be cost effective. Further study and exploration of these alternate training methods should be explored.

Micro business continues to play an important role in the Australian economy. The motivators and goals are as varied as the industries they represent. Continuing to focus on their capacity to succeed and provide successful training grounds for staff and future managers provides a large scope for continued research. The findings of this study highlighted several areas that could be further investigated, including examining the provision and up take of training and development opportunities in regional areas; exploring if different industry types displayed different outcomes; exploring the effect and outcome of current development practices as well as trialing alternate development programs.

## **5.12 Summary**

Micro business provides a fascinating and constantly changing component of our economy. The reasons why individuals adopt a micro business models as a business option continue to vary widely. The type of business owners that operate micro business also varies greatly, in terms of age, education, business experience, expectations and family background and exposure to small business. Research into the effectiveness of the managerial expertise of these business owners is limited and each new study adds to our knowledge and casts some light on their needs and capabilities. These are important insights. Micro businesses continues to be a popular option for many, and like most economies around the world, the Australian economy is dependent on these micro businesses to provide fundamental services as well as providing employment and acting as a vehicle for innovation, and in many cases a possible training ground for management development.

With the breadth of variety in micro businesses in Australia, it would seem impossible to conceive providing comprehensive, relevant management development initiatives suitable for adoption across these businesses. However, this study has highlighted and confirmed a number of significant aspects, including the types of micro businesses operating in Australia are diverse; the motivations and reasons for owning a micro business are varied; micro business owners continue to be adverse to committing to training and development; and that these owners tend to adopt a short term approach to development activities, rather than using a more strategic, integrated approach.

Micro business types are varied. They encompass one person operations providing essential skills and trades, such as plumbing, physiotherapy or accounting. They include the provision of knowledge-based consultation in highly specialised areas such as mining and IT. They

include web-based sales and marketing of niche products and many, many more. Such a varied cohort can make attempts to develop managerial capability complicated.

The reasons why people own a micro business varies widely. For some it is a chance to offer a service or product and fill a void. For others it allows for innovation. Some micro business owners prefer the autonomy of working for themselves rather than the constraints of working for others and many enjoy the lifestyle self employment brings. Some of these business owners are content with making enough money to afford them a reasonable living, while others see this as a starting point to growing a larger, more significant business. Therefore, their expectations and motivations are likely to have some effect on how they will manage the business and the level of commitment they will have to strategically developing their management capabilities. This variety of motivation will have an effect on the effectiveness of attempts to support the development of managerial capabilities among micro business owners.

While the benefits from formal training are still questionable, the time and effort committed to formal training by micro business owners is limited and there tends to be a general resistance to embracing management development training that is available. The universal reasons identified for this resistance is a lack of time and limited relevance of the typical training offered. This is unlikely to change significantly in the near future, so this does present a challenge in attempts to try to improve the level of managerial competencies in this important cohort.

Support for development is often sought by micro business owners in a 'just in time' timeframe, rather than as a longer term, strategic activity. It is very much based trust. Therefore important others continue to be highly influential, as the model proposed by Devins et al (2005) suggested. Professional business advisers appear to be a significant

source of support in developing managerial capacity, but again, trust and immediacy are significant factors in choosing these groups. The role of these agents may have to broaden to become a more significant part of the deep learning and development that changes practices in the long term. This may mean a shift in the education and training effort away from the business owners themselves, instead towards professional advisers to identify needs and provide broader managerial support.

Micro business owners who continue to adopt 'trial and error' approaches are likely to continue to discover this style can be costly and ultimately time consuming. Certainly more research needs to be done to determine the best mechanisms for micro business owners to develop their managerial capability and perhaps be open to alternate support systems being introduced.

## APPENDIX 1 SEMI-STRUCTURED INTERVIEW QUESTIONNAIRE

1. Do you have the capabilities to run your business in the way you want? *Rate on scale 1-6*
2. What skills / capabilities are you lacking? How do you know?
3. Who helps you develop you ability to manage your business?
4. Have you used any of these sources in the last 3 years?
5. Rank the importance of advice from these sources (*use list below*)
6. If you have a problem, where would you go? (*use list of sources below – choose as many as relevant*)
7. If you wanted to make changes to your business, where would you go? (*list of sources – choose as many as relevant*)
8. Outside of your business, what are the most valuable sources of support? (list/choose3)
9. Do you have a formal plan for your business for the next 1 year? 3 years? An informal plan?
10. Do you have a formal management development plan/policy
11. How often have you as the manager participated in training to develop your management capability (not technical ability) in the last 3 years? (list)
12. Would you like to undertake training more often? If yes, why? If no, why not?
13. If you encounter a problem within the business and you do not have the resources to adequately handle it, what choices would you consider to tackle it?
14. Do you think you and your business would benefit from more support from professional business advisers? If yes, what prevents this from happening?
15. In last 2 years, how many contacts have you had with Professional business advisers?
16. In last 2 years, how many contacts have you had with Training experiences (including informal)
17. In last 2 years, how many times would you have sought advice from Important others?

18. Which of these sentences best describes your feeling:
- a. I learn best on the job, working through problems and sorting through them
  - b. I learn best asking others – friends, peers, networks, other small business
  - c. I learn best getting some professional assistance that I rely on
  - d. I learn best involved in some relevant training program

19. Why did you choose the sentence you did?

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20. Think of an occasion in the last 2 years where you acquired new knowledge and implemented to make substantial and long lasting change. Describe what happened

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21. Have you continued to use the skills developed? Why or why not?

22. Do you feel your ability to manage your business has improved as a result of this experience? Why/ why not?

23. How do you improve your business?

24. If you pay for business advice, how important is it to have a relationship with the provider?

25. Is learning to do things differently or better, important for your business?

26. When you need to seek support, how does this make you feel?

27. How do you decide where to get support?

28. Is learning seen as separate to the functions of running a business? Is it applied?

29. In your opinion, is it worth involving yourself in activities that may only have a long term positive outcome?

30. How will you know if training or paid advise has been successful? Define success?

31. Which learning activity/experience/medium to you find most beneficial?

32. How do you feel about doing things differently?



33. Do you feel you are aware of the resources available to help you improve your business?
34. Apart from you, who knows your business best?
35. Whose opinion do you value most?
36. What 3 things would make your job of managing more effective?
37. What best describes your business today – start up (less than 2 years old); in a growth phase; in between jobs; lifestyle choice
38. Where do you see you and your business in 5 years?
39. Where would you say you have got your management/business ability from?

### Likert Scale – question 1

1. Do you have the capabilities to run your business in the way you want?

No capabilities			strong capabilities		
1	2	3	4	5	6

Have you used any of these sources in the last 3 years? (based on Lewis et al, 2007)  
Questions 4, 5, 6, 7, 8

Accountants  
AusTrade  
Australian Taxation Office  
Banks  
Books/magazines  
Chambers of Commerce  
Competitors  
Employees  
Family  
Friends  
Important others  
Industry/employer associations  
In-house trainers  
Lawyers  
Local Economic Agencies  
Local Government

Mentors  
Management consultants  
Other government depts. (e.g.  
Consumer & Employee  
Protection)  
Parent/related company  
Personal/social networks  
Private training provider  
SBDC  
Seminars/training  
Small Business Centres  
Supplier/distributor  
TAFE  
Trade associations  
Universities & business schools  
Websites / Other

### **Demographics questions**

1. How long have you operated this business?
2. Have you had business in the past or concurrently?
3. How many employees (FTE)?
4. Type of business/industry
5. Expectations for business?
  - Start up
  - To grow
  - Provide an income/job
  - Grow with view to sell within 5 years
  - Downsize
  - Retire
6. Where do you see yourself in 5 years time?
7. What best describes your business today –
  - start up (less than 2 years old);
  - in a growth phase;
  - providing work in between jobs;
  - good pocket money
  - lifestyle choice
  - dream
  - convenient option
  - other
8. Why do you have your own business?
9. Are you the major income provider for your family?
10. Highest level of education?
11. What is your trade, profession, area of expertise? Is this the nature of the business?
12. Experience in large organisations?
13. Have your parents have owned a business?
14. Do you plan to go back into the paid workforce? Why or why not?

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