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Small business owners' measures of success

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SMALL BUSINESS OWNERS' MEASURES OF SUCCESS

By

ELIZABETH ANNE WALKER

A Thesis Submitted in Fulfillment of the
Requirements for the Award of

Doctor of Philosophy (Business) Degree

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USE OF THESIS

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

ABSTRACT

Small business plays a significant part in the economy of all nations because of its revenue contribution and as a generator of employment. In the Australian context, small businesses account for 85% of all businesses, employ 40% of the total workforce and contribute \$75 billion annually to Industry Gross Product. All of these numerical indicators highlight the financial importance of small business, which is also how small business success has traditionally been measured. These traditional success measures have been by increases in financial performance criteria, such as return on investment, turnover or profit, or by increases in number of staff.

There has been an assumption that financial criteria is the most appropriate measure of success, regardless of the size of the business. This assumption fails to take into account the fact that small businesses are not scaled down versions of larger businesses, or that small business owners might not use financial criteria as their principal success measure.

This study sought to discover if there were other measures, based on non-financial affective criteria, that owners of small businesses used to measure their success, which could be substitutes for, or additions to, financial criteria. These affective measures, which are referred to as lifestyle criteria, were more aligned to the reasons that the owners started their businesses in the first instance, rather than simplistic economic rationale which only relate to financial criteria.

Given that small businesses are not an homogeneous group and the inherent difficulties of researching such a diverse group, only one industry sector was examined, which was Property and Business Services. This industry sector is however the biggest single category and the third fastest growing, in terms of number of new businesses, in Australia. It also contained a reasonable dispersion of the key variables which were to be tested.

The study found that owners of small business in industry sector used both financial and non-financial lifestyle criteria to measure the success of their businesses, depending on circumstance. The strength of these two different measures was tested against three key variables, which were gender, size and location of the business. In addition the motivation for starting the business in the first instance was used as an additional independent variable.

The results showed that the majority of the sample measured the success of their business by non-financial criteria to a greater extent than financial criteria. The financial aspects of small business operation were important, given that all businesses must be financially viable to survive, but were not the most important. Personal satisfaction and personal achievement were valued more highly than wealth creation.

In relation to the key variables which were tested, there was no overall gender difference in the use of either financial or non-financial measures of success. This indicated that the men in the sample were similar to their female counterparts in that they were less financially motivated than had previously been reported. However, the location and size of the businesses did show significant differences, with larger businesses, as defined by number of employees, being more financially orientated than smaller businesses, and home-based businesses having a higher lifestyle orientation than businesses which operated from external premises.

In addition, owners of small businesses whose initial motivation for starting their business was positive, were more inclined to measure their success both by financial and lifestyle criteria to a much greater extent than owners who initially felt that they were pushed into small business ownership in the first instance. Finally the aspect of whether businesses in this industry sector considered themselves to be family businesses was examined. The results indicated that the majority of these small businesses, were mono-generational, that is the owners did not think of themselves as operating a family business nor did they intend to maintain their businesses indefinitely for their children to join them at a later stage.

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;
- (ii) does not contain any material previously published or written by another person except where due reference is made in the text; or
- (iii) contain any defamatory material

Elizabeth Anne Walker

20th August 2001

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CHAPTER 1

INTRODUCTION

1.1. INTRODUCTION

Small business is an integral part of all national economies because of its importance as a generator of Gross Domestic Product and employment. This importance has generated a considerable body of academic research on issues ranging from the type of people who begin their own enterprise to its overall operation. Such research can broadly be defined as being either pre-entry or post-entry, pre-entry being the reasons and motivations for people to start the business in the first instance and post-entry being issues related to the performance and operation of the business once it has become established. When the business has become an established entity, its success has often equated to its performance and has traditionally been measured in economic or financial terms, such as profit or return on investment.

However somewhere in between these two broad areas of pre-entry and post-entry there is a metamorphic phase when the originator of the small business becomes the actual small business entity. Given that the small business owner is such an intrinsic part of the business operation, previous research is not clear on whether small business owners are similar to owners of larger businesses in how they principally measure the success of their business, which conventionally is by financial criteria. Whereas it is accepted that all businesses, irrespective of size are required to be financially solvent to survive, there has been little research into whether small businesses use the same traditional measurements of success as do larger businesses.

An alternative measure of small business success is the attainment of the owners personal goals within the business environment. These are frequently the motivation for starting their business, which are often expressed as affective non-financial criteria, and which therefore might be a truer measure of the business owners own perception of success.

The main topic of this research is to establish whether there is a difference between the traditional tangible financial criteria and the alternative intangible affective criteria which might be used by small business owners as measures of their success. Factors which will also be considered, are the personal characteristics of the owner, where the business is operated from and whether the reason for business start-up is a determinant on how the small business owner measures their success.

1.2. ECONOMIC IMPORTANCE OF SMALL BUSINESS

The importance of small businesses both to the Australian economy (Howard, 1997) and the world economy is well documented (Frank & Landström, 1997; Goffee & Scase, 1987; Storey, 1994). This is because of the contribution small business makes both to employment and the revenue it generates. In Australia small business employs 40% (3.4 million) of the total workforce (Australian Bureau of Statistics (ABS), 2000a). For the period 1995-96, small business contributed \$75 billion to IGP (Industry Gross Product), which equates to 30% of total IGP (Purcell, ABS, personal communication, 31st July 1998).

The strength of the small business sector is sometimes posited as a 'cure' for unemployment. Atkinson & Storey (1994, p.1) begin their book "Employment, the Small Firm and the Labour Market" by stating:

In 1978 the thirteenth Report from the Expenditure Committee *People and Work, Prospects for Jobs and Training* argued that 'if each small business could take on one more employee, the unemployment problem would be solved.

This is a very simplistic argument, which is acknowledged by Atkinson & Storey. The real question is whether small business creates employment *per se* or whether it merely responds to current production trends, which have therefore created employment opportunities in those areas. If this is the case, then the size of the business is incidental. The argument as to small businesses being substantial creators of employment was posited by Birch in the late 1960's (cited in Atkinson & Storey, 1994) when referring to

the US situation. However Birch's views have to some extent been refuted, as it has not been proven that small businesses are indeed the real generators of jobs. What is more likely is that in periods of high employment growth, jobs are created in larger organisations first, and small business merely responds to supplying goods and services in a support role to the larger organisations. What this creates is a 'win win' situation for all sectors of the economy. Therefore in times of economic growth, all sizes of businesses prosper.

However the small business sector as a whole, does not become the conduit for job creation, as very few new jobs are actually created. In their overview of small business performance, Storey, Keasey, Watson & Wynarczyk (1987, p. 152) state, "Employment creation therefore takes place in relatively few small firms...In the broadest terms one-third of the jobs are found in less than 4 per cent of those businesses which start to trade".

In Australia, Judy Gray (1994) found in her study of the New Enterprise Incentive Scheme (NIES), that "anecdotal evidence suggests that some small business proprietors are more concerned about improving their lifestyle than job creation and they do not intend to expand their businesses" (p. 10.15). What also needs to be considered is that job creation is not a primary function for most small businesses. As Smallbone & Wyer (2000, p. 410) state "although employment generation may be an appropriate growth criterion for public policy, for most SME owners/managers it is a consequence rather than a prime objective of business development". Employment creation, as a social phenomena, is the responsibility of government and therefore the relevance of policies that link employment and small business depends on the importance placed on these issues.

A staff research paper by the Industry Commission, places small business within the Australian economic environment as merely part of a larger process and not an independent entity that exists in isolation. It states;

A modern view of labour markets (from almost any methodological perspective) pictures small firms as cogs in a complex machine. The jobs ultimately created in small business depend inextricably on the functioning and organisation of the economy as a whole. In this case, small business is

not an independent engine generating new employment opportunities (Revesz & Lattimore, 1997, p. 70).

The link between small business, job generation and overall employment is important to all economies and needs to be considered in relation to environmental factors. However these factors effect all business and not just small business.

Further evidence of the importance of small business to the Australian economy is exhibited in analogous government statements which refer to small business being “the engine room of the economy” (Howard, 1997, p. iii) or “the seedbed for entrepreneurial talent” (Micro Business Consultative Group, 1998, p. x). Prime Minister Howard went on to subsequently state that small business is a “vital source of enterprise, innovation and jobs” (1997, p. iii). These analogies give an impression of a large dynamic conglomerate of individual businesses all striving together for a common purpose and to the same end, yet they fail to take into account the irrefutable fact that small business ownership is an individual and very personal circumstance, which principally centres around the experience and aspirations of the owner or owners.

These policy documents also made statements implicitly linking economic growth to these businesses. For example the Micro Business Consultative Group (1998, p. x) stated that, “A vibrant and dynamic micro business sector is indispensable to the future growth of the Australian economy”. This implies that the majority of micro businesses, or small business should be dynamic and experience continuous growth. Failing to do so could have dire consequences for the national economic wellbeing of the country. However it is questionable as to whether most micro businesses view themselves as part of the bigger economic picture, rather than as a mechanism of supporting themselves and their family. If it is the case that most micro businesses are more interested in their self-survival and personal satisfaction than in growing their businesses, then they are less likely to view their businesses as potential vehicles for continuous financial gain.

Such policy statements assume that small business is a homogeneous group, all of whom want to grow, and therefore growth becomes an acceptable success measure. But are these assertions true? Is small business is a homogeneous mass? Do all small businesses, regardless of size, want to grow? Is growth how they measure their success?

Whether these assumptions are true or not has a bearing on whether the traditional financial measures of business success can be applied to all small businesses or whether alternative non-financial affective measures are more appropriate, given the different circumstances.

1.3. HOMOGENEITY OF SMALL BUSINESS

The assumption that small businesses are homogeneous has been challenged by previous researchers (Atkinson & Storey, 1994; Moore, 1990; Woo, Cooper & Dunkelburg, 1991). An initial reason is because there are various definitions of what constitutes a small business and which also varies between countries, with the Australian definition of a small business being quite different to that used in US, which is a reflection of the size of the two different populations. This makes comparisons based on size difficult.

The size of the business influences aspects such as management structure, financial decisions and strategic planning (Chaston & Mangles, 1997; Lyles, Baird, Orris & Kuratko, 1993; Gaskill, Van Auken & Manning, 1993). As Jennings & Beaver (1997, p.64) state "The management process in the small firm is unique. It bears little or no resemblance to management processes in larger organisations". This means that even businesses that are the same size are likely to be managed differently, as the management structure is normally in the personal sole control of the owner and not a management team. Therefore decisions made by the owner will be from a personal perspective and not necessarily the most rational or logical perspective. That is not to say that personal decisions are not rational or logical or that all decisions made by a management team are rational and logical, but the owner of the enterprise has a vested interest whereas a management team should be more impartial.

Neither is small business merely a scaled down version of 'big' business (Burns, 1996; Gibb & Davies, 1992; Keats & Bracker, 1988). As Fenrose (1980, p. 19) stated in 1959:

The differences in the administration structure of the very small and the very large firms are so great that in many ways it is hard to see that the two species are of the same genus...We cannot define a caterpillar and then use the same definition for a butterfly.

Yet given the fact that small business as a discrete entity within the business world is not a new phenomena, relatively little research has been conducted into the differences within the category of small business, that is, between very small micro businesses and other larger small businesses. Neither has substantial research been conducted into micro business as its own discrete entity either in Australia (Still & Chia, 1995) or elsewhere (Reid, 1995)¹.

Part of the reason for the paucity of research into micro business is the difficulty of identifying them (Deschamps & Dart, 1998). Some very small businesses operate on the fringe of legitimate business, in the murky world of the gray or black economy (Birley, 1996), which is situation that appears to exist worldwide. The black economy in Australia is estimated to be worth anything from \$3.9 billion to as much as \$15.1 billion (Blondell, 1998), although in reality this is something of a guess. These businesses are not counted in official statistics because of their wish to remain invisible (Carter, Van Auken & Harms, 1992).

Micro businesses are often operated from home, which is a further classification within the category of small business. Home-based businesses account for 62% of all small businesses in Australia (ABS, 2000b). Even though home-based businesses make up such a large proportion of small business, why people choose to operate their businesses from their homes has not been extensively researched. As there has been little research conducted into either of these subgroups, micro business or home-based business, they have often been absorbed into the generic grouping of small business. By grouping all small businesses together, irrespective of inter category size differences or whether they are home-based, has meant that these factors have not been examined as possible differentiating variables on issues such as business performance measures such as the pursuit of growth or success measures. Yet the reason why some businesses chose to

¹ Exceptions are the works by Baines & Wheelock (1998); Baines, Wheelock & Abrams (1997) and Chell & Baines (1998) in the UK and by Deschamps & Dart (1998) in Canada.

operate from home, or choose to remain very small in size could be critical to these issues.

1.4. THE PURSUIT OF SMALL BUSINESS GROWTH

The growth achieved by small business is an indicator used by governments of its overall economic performance and is measured in percentage change terms as either increases or decreases in employment and income (ABS, 1998c). Because the small business sector is so important these figures show an overall picture of a nation's economic status. Interestingly with regard to both employment and income, the majority of small business, including micro business, recorded static growth for the period 1996-1997 (ABS, 1998c). Therefore contrary to government expectations, small businesses are not demonstrating that they are the engine room of the economy.

This is not really surprising, given that most small business do not actively pursue growth (Rosa, Carter & Hamilton, 1996; Storey, 1994). In a longitudinal study conducted by Colin Gray (1998) in the UK, in 1996 only 33% of the respondents were classified as growth-orientated, compared to 37% in 1991. The corresponding 67% and 63% were either growth-averse or were exiting/retiring or selling their businesses. There is no comparative Australian study, however it could be assumed that the results would be similar, given that the UK data are often used for baseline comparisons in Australian research. This would imply that rather than small businesses being a dynamic economically expanding entity, they are perhaps more concerned with self-containment and the pursuit of personal satisfaction as opposed to economic expansion.

A subsidiary aspect of whether businesses wish to grow, or remain static relates to the overall plans that the operator has for future development. Future growth plans may incorporate whether the current owner perceives the business to be a family business and whether the business is to be continued on indefinitely, or at least for long enough for other family members, primarily children to join. This could also have an impact on how the owner of the enterprise measures their success.

1.5. MEASURES OF SMALL BUSINESS SUCCESS

Historically, measures of small business success have been of an economic or financial nature, such as increases in turnover, profit, ROI (return on investment) or staffing levels (Brüderl & Preisendörfer, 1998; Gray, 1997; Kalleberg & Leicht, 1991). Jennings & Beaver (1997, p. 67) sum up this economic perspective by stating, "Existing studies commonly define success in narrow accountancy terms using criteria based upon financial analyses and ratios such as sales growth, profitability, cash-flow and productivity".

One reason for the popularity of using economic measures is the ease with which they can be administered and applied. They are very much 'hard' or objective measures (Chell & Baines, 1998; Gibb & Davies, 1992; Ibrahim & Goodwin, 1986) as opposed to 'soft' measures which are more subjective, such as job satisfaction or the ability to balance domestic and work responsibilities (Green & Cohen, 1995; Parasuraman, Purohit, Godshalk & Beutell, 1996).

These 'hard' measures are easy to collect and can be used in a comparative way against existing data and as benchmarks for future data, whereas the subjective measures are harder to determine. Economic measures are normally applied to business in general, but it is unclear whether they are equally applicable to small business. Do small business owners use only these economic measures or do they also use the subjective non-financial affective measures?

Past research has alluded to the use of these subjective measures, with the seminal UK report on small business, the Bolton Report, published in 1971 and cited in Stanworth & Gray (1991) referring to the motivations given for starting a business. It stated that:

money, it is suggested, was *not* their prime source of motivation: there is a quality of life issue; personal involvement in owning and managing one's own firm led to greater satisfaction on a number of fronts all associated with the notion of 'independence' (p. 152).

Yet little research has examined in any depth these non-financial motivations as an indicator or potential measure of the success of the business. The majority of research on motivation has been linked to business performance, which then becomes a success measure defined in economic terms. The research gap is in the definition of what criteria small business owners personally use to measure their success, and in measuring the importance of the independent variables of personal characteristics, size and location of business and the initial motivation for starting the business.

1.6. THE PURPOSE OF THE STUDY

The purpose of this study is to examine whether the traditionally defined financial measures of small business success are applicable to all small businesses, or whether there are any additional non-financial measures, which are outside the conventional economic paradigms, being used by small business owners. Further, the measures used will be examined to see what impact, if any, personal characteristics, size and location of business and motivation for starting the business in the first instance, has on these measures. This will be achieved through testing the hypotheses.

The study aims to develop a theoretical model of how personal characteristics, size and location of the business and start-up motivation will impact on the criteria that the small business owners use to measure their business success. These factors will be the starting point of the model.

1.7. THE SIGNIFICANCE OF THE STUDY

Previous researchers have developed several different models relating to small business, which have looked at issues such as entrepreneurial or owner motivation and strategic management (Davidsson, 1991; Naffziger, Hornsby & Kuratko, 1994); small business performance from a behavioural perspective (Keats & Bracker, 1988) and economic return (Churchill & Lewis, 1983). However there appears to be no model which explains start-up motivation, performance and a defined measure of success from the perspective of the small business owner. Within most small businesses the owner is also the principal operator, therefore the entwined nature of the owner/operator with the

business entity needs to be acknowledged. This means that the business should not be seen in isolation to the business owner, as they are often one and the same.

If there are significant differences in how owners of small businesses measure their success according to personal characteristics, size and location of the business and reason for start-up, then government policies on issues such as start-up initiatives, growth programs and tax incentives could be made more relevant.

There are various programs run by governments to encourage people to start businesses, often in the hope that they will eventually become employers, however what little is known about whether small businesses really want to become employers or whether they are actually content to stay small, is that the majority prefer to stay the size they are (which is predominantly micro) and in their present location. These are important issues as they have wider economic ramifications. If people are choosing to be less influenced by financial success then it is important to discover what is their major influence.

Taxation is always an emotive issue and a constant challenge to all governments. Prior to the introduction of the Goods and Service Tax in July 2000², there were constant changes in peripheral tax policies, such as decreasing fringe benefit tax on car parking (Howard, 1997) in the hope that it will encourage small business to employ more people. However if for example micro business owners are content to stay very small, this could mean that they have no intention of employing other people, regardless of the tax system, which makes such tax concessions superfluous.

It would appear that even though small business is an integral part of the Australian economy, there are certain aspects of it that are under-researched, especially in the area of how the owners of the businesses view their success. This study will go some way in examining this issue.

² It should be noted that this study was conducted in 1999, which was prior to the introduction of the Goods and Service Tax. This was not therefore canvassed as an issue for small businesses but its subsequent implementation and how it was received as a new taxation system will be discussed in the appropriate section.

1.8. THE RESEARCH QUESTIONS

The following two primary research questions are the basis for the study.

Q1. What criteria do small business owners use to measure their success?

Q2. How important are financial measures of success to small businesses?

Given that small business cannot be regarded as a homogeneous group, there are other factors which are considered to exert an impact on these measures. The following research questions provide a further focus for the research.

Q.3. Do personal and environmental characteristics influence these measurement criteria?

Q.4. Does the size of the business and its location have an impact on the way success is measured?

An additional aspect that is often discussed in the small business literature is the motivation for initially starting the business. These motivations will also be reviewed as to the impact they might also have on how small business owners measure their success.

Q.5. Does the reason for starting the business impact on how the business success is measured?

Q.6. Do personal and environmental characteristics influence these start-up reasons?

Q.7. Do start-up reasons influence the size of the business and its location?

A subsidiary question concerns the impact that being a family business has on how the small business owner measures their success. The final research question relates to this matter.

Q.8. Do most small businesses consider themselves to be continuous family businesses?

1.9. METHODOLOGY

Qualitative and quantitative methodologies were used to examine the key research questions of what criteria do small business owners use to measure their success. As this was exploratory research it was felt that the literature needed to be verified by initially having personal discussions with a sample of small businesses owners. This was done by a series of semi-structured interviews. From these initial interviews the research hypotheses were developed.

In order to test these hypotheses a quantitative approach, using a postal questionnaire was thought appropriate, as there was a sufficiently large target population which was accessible. Two critical problems associated with researching small businesses are the difficulty of finding a representative sample (Gibb, cited in Read, 1998) and obtaining an adequate response rate (Fischer, Reuber & Dyke, 1993; Hamilton, 1987). These two problems were overcome by using only one industry as the sample and by gaining agreement from the business owner to complete the survey, which was done by making an introductory telephone call. The industry selected was the Property and Business Services, which is the biggest single industry sector and accounts for 20% of all small businesses in Australia (ABS, 2000a).

1.10. LIMITATIONS OF THE STUDY

It is acknowledged that only using one industry sector is one of the limitations of the study, however the rationale for this decision is explained more thoroughly in the methodology chapter. This does mean that the findings which are presented may not be applicable to all small business owners, further, because of time constraints the study is only an snapshot and was not a longitudinal study, therefore it was not possible to see if measures did change over time as both the business and the business owner matured.

There were also specific types of businesses which were excluded from the study, specifically larger businesses, as business size was thought to be a key determinant in how a business owner measured there success, non independent businesses and franchises. Businesses which are parts of a larger organisation, even if they are seen by the parent company as independent small entities, are not truly independent in aspects such as decision making. Independent decision making is perhaps the best indicator of real business autonomy.

Franchised businesses make up just under 4% of all businesses in Australia (Indus' v Commission, 1997). However they are different from non-franchised businesses in the sense that the initial in-goings are often high and are therefore out of the reach of some potential new business entrants. Also the very nature of franchising, with factors such as the continuation of on-going support and payment of fees to a third party, mean that the owner is not operating in isolation (Barrow, 1996; Stanworth & Purdy, 2000). As the nature of franchising involves the association of an individual business with a larger more established business for the reasons such as known trade name, franchisor support and national affiliation (Kaufmann & Stanworth, 1995), they are not as independent as single entity businesses. Finally the motivations for starting a franchised business are different from a person who is prepared to 'go it alone'. Therefore there are thought to be sufficient differences to warrant classifying franchises as separate entities.

1.11. OPERATIONAL DEFINITIONS

There are certain terms and definitions which will be used through out the research which are now clarified.

1.11.1. Size of the business

Whereas it is acknowledged that there are numerous definitions of small business (Forsaith, Fuller, Pattinson, Sutcliffe & Callachor, 1995) for the purpose of this study the Australian Bureau of Statistics definitions of businesses will be used. According to the ABS publication, "Small Business in Australia 1999" (ABS, 2000a. p. 2) there are six different business sizes.

- non-employing businesses – sole proprietorships and partnerships without employees
- micro business - businesses employing less than five people, including non-employing businesses
- other small businesses - businesses employing five or more, but less than 20 people
- small business - businesses employing less than 20 people
- medium business - businesses employing 20 or more people but less than 200
- large business - employing 200 or more people

The number of employees refers to a full time equivalent basis. There is also a slight variation in some ABS statistics which have small business as having less than 20 employees in a service (or non-manufacturing) industry and less than 100 in a manufacturing industry (ABS, 2000a).

1.11.2. Growth

Growth is defined as an economic increase in either one or all of the following; profit, sales or number of employees (Revesz & Lattimore, 1997)

1.11.3. Financial measure of success

Financial measures of success refer to objective criteria such as increases in turnover, profit, ROI (return on investment) or increases in staffing levels (Brüderl & Preisendörfer, 1998; Gray, 1997; Kalleberg & Leicht, 1991).

1.11.4. Non financial / Lifestyle measures of success

Non-financial or lifestyle measures of success are affective subjective criteria, such as job satisfaction, the ability to balance work and domestic responsibilities (Green & Cohen, 1995; Parasuraman et al., 1996).

1.11.5. Small business owner

Throughout this study the acronym SBO (small business owner/operator) will be used when referring to the person who has the majority ownership and operation of the business. The term 'entrepreneur' is often used in the American literature when referring to the business operator. This phrase carries with it some behavioural connotations, such as risk taking and innovation (Bird, 1989; Crant, 1996). Whereas it is acknowledged that there has been a whole body of literature that has attempted to define entrepreneurship (Carland, Hoy & Carland, 1988; Gartner, 1988; Woo et al., 1991) the focus of this study is not to debate the semantics of a word or phrase, nor to focus on risk and innovation.

1.11.6. Self-employment

Throughout this study the phrases self-employed and self-employment will be used interchangeably with small business ownership. This is because the ABS classify self-employed non-employing people as operators of a small business (ABS, 2000a). In addition, at the micro business level the small business owner operator who is a sole

trader and employs no staff do not always think of themselves as a business, rather as a self-employed person.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter reviews the main literature regarding measures of success of small business, which has principally been from a financial perspective. The literature on alternative measures of small business success, these being the non-financial affective criteria, is also reviewed, and as can be seen, this area has not been the focus of many previous studies. Other key areas of previous research have been in the pre-entry and start-up phase of small business, these being the personal characteristics and motivations of the SBO, which are also analysed. A conceptual model of how these variables have impacted on the previous literature is included.

As the focus of the study is on the importance of non-financial measures of small business success, the chapter concludes with reviewing four key variables which may also have an bearing on this criteria. In order to put the previous literature into context, a brief historical overview of small business research and its current status starts this chapter.

2.2. HISTORICAL OVERVIEW OF BUSINESS RESEARCH AND THE RE-EMERGENCE OF THE IMPORTANCE OF SMALL BUSINESS

Interest in small business is not a new phenomenon, given that the first acknowledged work on the topic of self-employment³ was written by Cantillon in 1775. However, the 18th and 19th centuries were times of massive work innovation in first world countries. Industrialisation was evolving, which lead to the production of goods being carried out in purpose built premises on much larger scales than had previously been attained. Prior to the industrial revolution, production of most goods had been carried out in small

³ Self-employment is synonymous with small business ownership.

cottage industries, often at home and often by all family members (Owen, Carsky & Dolan, 1992). Industrialisation therefore had both economic and social consequences.

Industrialisation led to business ideas and theories being formulated and written principally from an economic perspective, with the key to economic prosperity deemed to be achieved via economies of scale through mass production⁴. The focus of business interest and therefore academic interest, was principally centred on the size of the business enterprise, which to achieve mass production needed to be large. Early management theories, principally stemming from F. W. Taylor's development of scientific management, centred around maximization of labour input to produce more goods (Lansbury & Spillane, 1991). During these times, small businesses were perceived as relatively unimportant in the economic development of first world countries.

When small business as a discrete entity started to garner academic interest it was still economically focussed. Two 20th century classic works are, 'The Theory of Economic Thought' by Schumpeter (1934) and 'The Theory of the Growth of the Firm' by Penrose (1980)⁵. These two works stand out because the majority of previous and contemporary academic writing ignored the small business sector as having no real value or role to play in the economic prosperity of a country. The Napoleonic adage of England being a nation of shopkeepers was meant to be disparaging. It perhaps illustrates the view which was held at the time of the importance or rather the unimportance of small businesses.⁶ This view continued in the UK well into the 1970's, which was a period in UK economic history that Scase (2000, p. 33) refers to as "the era of 'big business'".

⁴ Mass production of standardised goods was at its peak in first world countries during the early and middle decades of the 20th century, however subsequent technological advances have declined that process.

⁵ The original work by Penrose was published in 1959.

⁶ In reality, up until the beginning of the 20th century, shopkeeping, (currently referred to now as retailing) was chiefly the domain of families, who owned and operated the shops, which were independent and normally of a specific nature. This is opposed to the change over time, which has seen the demise of independent specialist shops in favour of large multi-faceted operations, which are part of chains of similar types of shops.

When it was realised that small businesses had a considerable part to play in both the economy and the future well being of all countries, academic disciplines other than economics began to take interest. What emerged was a clear need for research focussing on small business as a discrete entity and not simply a scaled down version of larger business. A major acknowledgement has been that small businesses are quite different to larger businesses, not only in their actual composition, but also in the way they operate (Burns, 1996; Gibb & Davies, 1992; Keats & Bracker, 1988; Penrose, 1980). However whilst small businesses are now classified in the literature as a discrete group, a similar problem has arisen in that small businesses are now often regarded as an homogeneous mass, which is not correct. There are several subsets of small business, such as its size, as defined by number of employees and where the business is located.

The early dedicated research was primarily conducted from a behavioural sciences perspective and looked at aspects of small business ownership such as motivation and the 'type' of person who entered small business. However, some of the theories that evolved which were from either a psychological or sociological perspective, had initially been developed for business in general and not specifically for small business (Gupta, 1984; Kets de Vries, 1977; Mintzberg & Walters, 1982). This sometimes led to the model or theory being made to 'fit' the small business enterprise, as opposed to being an original theory developed for small business.

An example of this is the seminal research paper on motivation, "The Achieving Society" by McClelland (1961). The paper looked at managers (which in this instance were exclusively male managers in senior positions) in large organisations and attempted to gauge their leadership qualities based on a test which measured their level of motivation. Motivation was correlated with the need to achieve, that is, the higher the need to achieve, the higher the motivation. Whereas the findings were demonstrated to be applicable to the particular sample of senior male managers in large organisations, the results should not have simply been extrapolated to other groups, such as female managers or male owners of small businesses (Barrett, 1998; Brush, 1992). However, this work is cited continuously throughout the early small business literature and the assumption of a high need to achieve has been used extensively as one of the key personality characteristics that a successful small business owner must possess. Success in this instance is taken to be financially focussed.

What has emerged in more recent times is that small business owners are not necessarily motivated by economic rationale and that for some, running a successful small business is more about personal fulfilment and satisfaction than making large profits. Indeed it is not entirely clear if the financial aspect of operating a small enterprise was ever the principal motivation for the majority of small business owners, and was perhaps more to do with the assumption that small businesses were a scaled down version of large business and therefore would have the same economic imperatives and drives. Therefore the success of a small business has conventionally been measured by financial criteria.

2.3. TRADITIONAL MEASURES OF SMALL BUSINESS SUCCESS

Business success has traditionally been measured by increases in factors such as employees and or turnover. Regardless of the size of the business, the number of employees that a business has, is directly related to the productive capacity of the business. In this sense, the number of employees is often used as a measure of the success of the business, including small businesses (Brüderl & Preisendörfer, 1998; Gray, 1998; Kelmar, 1991). The equation being that the more employees, the more successful the business. Employment of staff or additional staff is often cited as a contributing factor to a businesses aspiration to grow.

However not all businesses want to grow and there are some businesses which deliberately refrain from taking on employees (Baines et al., 1997; Gray, 1998), even though that decision could be financially detrimental to the business. One reason for this resistance to employ staff is because being a creator of jobs for other people, as opposed to just themselves and perhaps their immediate family, was never an initial goal or motivation of the SBO when they initially started the business (Gray, 1994; Smallbone & Wyer, 2000). Whereas it is quite possible that some SBOs do change their attitudes to employment as the business matures, often the intention to not employ is a very deliberate decision. Therefore using the number of employees as a measure of business success is neither accurate or applicable to all businesses.

The other traditional measure of business success has been financial performance such as return on investment or profit (Barkham, Gudgin, Hart & Hanvey, 1996; Hall & Fulshaw, 1993; Hisrich, 1986; Ibrahim & Goodwin, 1986, Kalleberg & Leicht, 1991; Venkatraman & Ramanujam, 1986). These measures relate to growth from an economic perspective. Unfortunately these financial measures have often been used in isolation without necessarily acknowledging the importance of the SBO themselves and the integral part they play in the whole business operation. As Dyer & Handler (1994, p. 71) point out;

Little theorizing and research has been conducted to explore what happens to entrepreneurs after they build a successful enterprise. Indeed, the assumption seems to be that once a new enterprise is viable the entrepreneur's subsequent career path ceases to be of interest since it may not focus on traditional entrepreneurial activities.

As the majority of SBO's work on a full time basis within their businesses, then logically most business decisions must be taken by the owners, either individually or with a partner. Therefore the personal abilities and feelings of the SBO's will impact on whether they want to grow the business or simply decide to maintain a size that they feel comfortable with. It cannot just be a matter of environmental factors impacting on business opportunities, as the SBO's themselves make or assist those opportunities. However little has been written about businesses which do not pursue active growth, or the aspect of business ownership when coupled with the conflicting measures of success between the SBOs personal goals and the financial requirements of operating a continuous business.

Neither has there been much mention in the literature concerning whether small business owners ever achieve their personal goals, which were often their initial motivation to start the business. It appears that with the majority of the existing literature, measurements of success refer only to financial criteria. Further, the personal characteristics and attributes of the SBO together with their reasons for starting the business are the major determinants of how the business is conceived. These two major determinants are imperative to the business idea becoming a reality. What is interesting is that these important determinants do not appear to be used as the benchmark or even

the starting point to evaluate the success of the business, rather financial criteria have traditionally been the main evaluation criteria.

The model below (Figure 2.1) summarises the current state of the literature and seeks to place this research as building on and expanding this. The components of this model are discussed below.

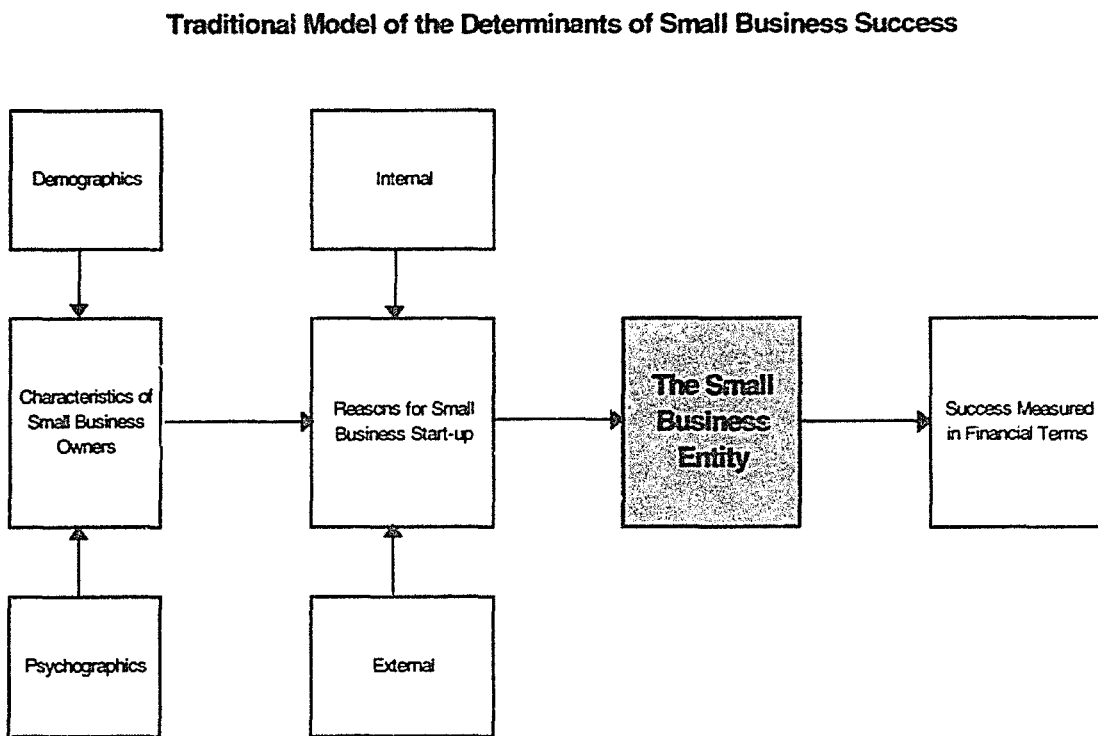


Figure 2.1 Traditional model of the determinants of small business success

2.4. DEMOGRAPHIC CHARACTERISTICS OF SMALL BUSINESS OWNERS

Demographic variables have often been used to 'position' small business owners and to test the level of impact, if any, these variables have on performance in small business. The demographic variables which have commonly been used are gender, age, ethnicity, education, marital status, the business status of parents and sibling position. Some of these variables will be tested in this study to see if there are patterns between demographic factors and how small business owners measure their success. Before

these characteristics are looked at in detail it is appropriate to look at the existing definitions of what constitutes a 'typical' owner of a small business.

2.4.1. The typical small business owner?

Having established that past research had looked at small business as a somewhat generic entity, a large body of literature has also developed around behavioural aspects of small business owners, both from a psychological and a motivational perspective (Bird, 1989; Brockhaus, 1982; Hisrich, 1986; Hisrich & Brush, 1986). The demographic characteristics of the SBOs have been extensively researched (Birley, 1996; Brush & Hisrich, 1991; Cromie, 1987; Gaskill, Van Auken & Manning, 1993; Welsch & Young, 1984). The majority of the research looked at both the behavioural and personal characteristics of small business owners and attempted to rationalise these characteristics to form psychographic typologies or profiles of small business owners. This has not led to consensus, as even within the literature there is debate over how to refer to the person who owns and operates a business enterprise.

The North American literature usually refers to the owner/managers of small businesses as entrepreneurs, whereas the European and Australian /New Zealand literature usually refers to owner/managers of small businesses as small business owners or owners of small firms. This distinction has been the subject of debate since the early 1980's (Brockhaus, 1982), which lead Carland, Hoy, Boulton & Carland (1984, p. 358) to make specific distinctions between what they perceived as a small business owner and an entrepreneur;

A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one's time and resources. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires. An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterized principally by innovative behavior and will employ strategic management practices in the business.

However not all other authors have chosen to use Carland et al's definitions when referring to ownership of small enterprises. Even the meaning of the word entrepreneur

is not widely agreed upon. As Chell & Haworth (1993, p. 251) state, "...we all feel we know an entrepreneur when we see and meet one but we are unable to describe the definitive set of characteristics which distinguish them". Chell & Haworth went on to debate the difficulty of forming precise typologies of types of business owners and concluded by stating;

The typology of business owners incorporates labels which are not universally accepted terms rendering the categorisation process difficult. Terms like 'entrepreneur' feature in everyday language; for the lay person it is part of everyday parlance. But the definition is largely implicit (p. 257).

Therefore whether referring to the owner of an enterprise as an entrepreneur or a SBO, is often more reflective of the geographic origin of the author, rather than the characteristics of the person being discussed. This is especially true when referring to American examples because of the high culturally specific importance placed on personal achievement and individuality (Morrison, 2000) within that society. A statement made by past US President, Ronald Reagan in 1985 (cited by Rosa & Bowes, 1993, p. 89) quoted him as saying "To be enterprising is not uniquely American, but entrepreneurialism seems to be found in the nature of our people more than just about anywhere else". The statement is Mr Reagan's personal opinion and not necessarily based on fact, however it does indicate not only ethnocentricity but also how endemic being 'successful' is within the American business culture.

Being entrepreneurial has not just been confined to business ownership. Within an organisational context, being enterprising or entrepreneurial is referred to as intrapreneurship (Bird, 1989, Jones-Evans, 2000). Intrapreneurship asserts that entrepreneurial behaviour does not necessarily have to be for purely individual goals. Rather it can be converted to achieving goals within a larger context, normally within an organisational setting. This in itself could be seen as personal goal achievement, but the general consensus is that entrepreneurialism is achievement based on the drive and commitment of an individual for which they receive the acknowledgement.

Given the difficulty of getting consensus as to an acceptable title for the owner of a small enterprise, it is not surprising that it has also been difficult to generate an accurate profile of this 'person', based on the previous research. As Gartner (1988, p.21) stated;

a startling number of traits and characteristics have been attributed to the entrepreneur and a psychological profile of the entrepreneur assembled from these studies would portray someone larger than life.

Various authors have attempted to form a picture of the typical small business owner and attribute certain personal characteristics to them. Hisrich & Brush (1986) in their study of minority groups (which was any person who was not a Caucasian male) state;

the typical minority entrepreneur is a first-born child from a lower- or middle-class family; has a blue-collar father; has a college degree; is married with children, and starts the first significant entrepreneurial venture between the ages of 34-45 (p.7).

A more recent description of female small business owners was put together in a review of research on women in small business by Flinders University. The authors state;

The small business literature in Australia, Canada, the U.S. and the U.K. shows that female small business proprietors are likely to be aged between 30-45, married with children, have tertiary education, which is not necessarily related to the business field, to have a family background of business or professional activity, have started the business themselves and be conducting a service business. (Roffey, et al., 1996, p.xx)

Whereas the above description seems to coincide with other broad generalisations, Roffey et al., (1996, p.xx) qualify their description by stating, "The profiles are biased towards white middle-class urban populations as these are most accessible to researchers". Brockhaus (1982) also recommended caution in making generalisations about characteristics, when he stated, "Thus it should be kept in mind that a well-defined entrepreneurial population does not exist and research findings are often difficult to compare and make generalisations a dangerous practice"(p. 40).

Regardless of the correctness or accuracy of the previous descriptions of small business owners, knowledge of their demographic detail is important. From a government policy perspective, it is necessary to have a reasonably accurate picture of the make-up of such a large sector of the workforce to enable the tracking of emerging trends and to assist in the development of programmes that governments run, which are targeted at small

business owners. In the Australian context, small business ownership is increasing, especially for women. Some of these demographic characteristics will now be discussed in more detail.

2.3.2. Gender

Interest in women as owners and operators of small businesses only came to the notice of researchers from the late 1970's / early 1980's. Previously, any research on small business was gender blind, assuming ownership to be exclusively by men, as the previously cited McClelland (1961) research attests. Indeed, the Bolton Report (1971), from which most UK small business policy emanated, did not refer to women at all. In reality small business ownership has not been exclusively the province of men, but men were certainly the critical mass. Women, as a separate entity, were only taken notice of when they started to enter self-employment and establish businesses in sufficiently large numbers. However, it still took a specially commissioned paper to highlight the lack of research into the aspect of gender and small business ownership in the UK (Watkins & Watkins, 1986). As Hamilton (1993, p. 202) points out;

It is not uncommon for gender effects to be left out of research. It would probably be fair to say that historically, women were left off the small business research agenda or made invisible by research practices or in some other way written out of the analysis of self-employment.

When gender became the focus of inquiry, the research questions centred on whether there were any gender differences in aspects such as the motivations for business entry and the type of women, in terms of demographic and psychographic characteristics, who were starting their own business. The majority of the earlier gendered research came out of either the US, (Hisrich & Brush, 1986; Scott, 1986; Stevenson, 1986; Welsch & Young, 1984), or the UK (Birley, 1989; Cromie, 1987; Watkins & Watkins, 1986). These early studies looked at the characteristics of the early women entrepreneurs and did make gender comparisons.

Later studies also looked at these personal characteristics and enlarged the debate on gender differences to include aspects such as discrimination and the difficulties of

balancing work and family responsibilities (Buttner & Moore, 1997; Caputo & Dolinsky, 1998; Green & Cohen, 1995; Loscocco, Robinson, Hall & Allen, 1991; Marlow, 1997; Sexton & Bowman-Upton, 1990), performance (Chell & Baines, 1998; Fasci & Valdez, 1998, Kalleberg & Leicht, 1991; Rosa, Carter & Hamilton, 1996) and the fact that women's businesses are often smaller in size than businesses operated by men (Carter & Allen, 1997; Cliff, 1998; Deschamps & Dart, 1998).

In Australia the main contributor to the research into women and small business ownership has been Still with various co-researchers, such as Still & Chia, (1995), Still & Guerin, (1990 & 1991) and Still & Timms, (1998, 1999, 2000). These studies have highlighted the difficulties and barriers that women still face when running their own businesses. Several stand alone studies have also been conducted in Australia, such as The Hub Report, produced in Western Australia by the then Western Australian Department of Training (1988) and two studies in Victoria by MacDiarmid & Thomson (1991), and Calvert, Oliver & Breen (1994).

The Western Australian study was a preliminary survey of women and small business ownership in that State at the end of the 1980's. The 1980's had been a decade of spectacular 'entrepreneurial' activity in Western Australia, with the vast majority of the 'entrepreneurs' being men, some of which had equally spectacular falls from economic success at the beginning of the 1990's⁷. The MacDiarmid & Thomson (1991) study was a contemporary review of women in small business in the state of Victoria and was also a policy document that contained numerous recommendations. The Calvert et al. (1994) study also gave a broad profile of the characteristics of women business owners but mainly focused on financial aspects of small business ownership. All three studies were funded predominantly by either state or local government.

A more recent study was conducted in Queensland by Barrett (1998) which looked at business ownership from a feminist perspective and the issue of gender differences in how SBO's gain business knowledge and resolve business problems. Finally, the

⁷ The most famous or infamous 'entrepreneur' was Alan Bond, who went from being a national hero for winning the Americas Cup, to a national criminal, for embezzling untold millions of dollars of shareholders funds from one of his companies. His downfall highlighted the real responsibilities of being a company director, which were often being ignored at the time by fellow company directors.

definitive Australian work was a review of all past research into women and small business, produced by a multi-disciplinary group from Flinders University that reviewed 425 articles in total (Roffey et al., 1996).

The evolution of the gender specific literature world-wide has gone from looking at the woman small business owner via a demographic perspective to viewing her as being different motivationally to her male counterpart. These differences were in aspects such as, the reasons for starting the business and the difficulties and barriers that women face, through to differences in business performance and aspirations. The research generally has concluded that men are different to women in aspects such as financial motivation, risk taking, initial self-confidence and the willingness to grow their businesses, with men having higher scores (indicating a stronger intention) than women on these issues (Birley, 1989; Buttner & Moore, 1997; Marlow & Strange, 1994; Olsen & Currie, 1992; Sexton & Bowman-Upton, 1990).

Some of these differences have been attributed to women having less work or industry experience, which is often due to having had less time in the workforce overall (Kalleberg, & Leicht, 1991; Smith, Smits & Hoy, 1992, Stevenson, 1986), in part due to the role that women still predominantly fill of being the primary care provider within the family milieu. Therefore women are often playing catch-up when it comes to acquiring the pre-requisite skills needed for small business ownership. These are skills are often gained vicariously and men are more likely than women to have been in management positions in their previous employment, or have been involved in a family business in a position of authority. Accepting that there are some difference , these differences were often shown to be quite minor (Birley, 1989; Cromie, 1987; Rosa, Hamilton, Carter & Burns, 1994). It is therefore difficult to categorically state whether the differences are gender based, or whether general environmental factors are the true antecedents.

As there are still gender differences being exposed, although minor in some instances, it is still worthwhile to make gender comparisons. It is also useful to track the overall outcome of programmes which have been gender orientated to see if there have been improvements in the performance of women owned businesses, given that some of the rationale for seeking to empower more women is so that they become more 'proficient'

at owning and operating their own businesses. There is however an underlining assumption that for women to be perceived as successful in the business arena, they have to become more like men, or at least take on the more masculine values of business ownership, which have strong financial connotations.

What has been implicitly assumed is that women want to operate their businesses from a more masculine paradigm, that is, women should want to measure their business success in financial terms. The literature makes a further tacit assumption that women currently are more likely to be using the 'soft' affective non-financial measures often because of the domestic pressures they are under, whereas men are assumed not to use these measures, preferring to use the hard financial measures. This premise will be tested in the study.

2.4.3. Age of the small business owner

The age of the SBO has often been mentioned as an important variable in previous research (Birley, 1996; Cromie, 1987; Roffey et al. 1996; Storey, 1994). The average range given in most past research has been stated as between 30 and 50 years of age. This concurs with the age range of Australian businesses in data published by the Australian Bureau of Statistics publication *Characteristics of Small Business Australia: 1997* (ABS, 1998a). Whereas this age range appears to have been constant over time, other environmental factors have changed, such as changes in general workforce participation and an ageing workforce (Hartmann, 1997).

Changes in workforce participation, such as the contraction of employment via downsizing in large public and private organisations has been mentioned as a reason for the increase in self-employment by older workers (Hartmann, 1997). Small business ownership becomes a very viable option for some displaced workers as a means of employment. However, people who opt for self-employment rather than staying in paid employment, solely as a method of income provision, may be quite different from the more traditional, personally motivated SBOs. Accepting that a key motivation factor in the decision to start a business is often stated in positive terms such as wanting independence, for personal development or to use creative talents, then these types of

motivations might not be the driving forces of SBOs who become self employed because of more forced circumstances.

Small business ownership also becomes a possible option for many workers because the traditional career paths within large organisations appear to be disappearing. Further, the changing nature of work from manufacturing to more service orientation coupled with the fast increasing technology sector, creates potentially more opportunities in ordinary employment for younger people who are perceived as being more cognisant with the technology than older workers. In cases of organisations that downsized, older workers were often targeted for retrenchment because they were thought to be resistant to change and unwilling or difficult to re-train (Clabaugh, 1998; Steinberg, Walley, Tyman & Donald, 1998).

Reasons for business entry are explored more fully in a following section, so rather than focussing at this stage on the motivation for entering self employment, the topic of interest is on what is the correlatory effect that the age of the person has on their expectations of business performance. In addition, what measures do they use to assess their success? There are several different views on the effect the age of the SBO has on issues such as growth or willingness or ability to do tasks. According to Davidsson, (1991), the age of the SBO is negatively related to growth. This is rationalised by Davidsson as that the older a person gets, the less they have a desire or need for material possessions, which require higher levels of income.

Cooper & Artz (1995) hypothesized in their study that older SBO's who had just started a business would initially have lower levels of expectations of their performance that would 'ordinary' SBO's. However no clarification was given as to their definition of older. Their hypotheses were not proven, which indicated that in their study, age was not a determining factor on attitudes towards performance. Cliff's study (1998) looked at the age of the SBO when they initially started their business. Her results showed that age was not a handicap to self-employment.

A further view of the effect of the age of the SBO and how they operate their businesses has been looked at from an ethical decision making perspective. In a study of the ethical values of metropolitan and nonmetropolitan small business owners in America, Smith &

Oakley (1994, p. 23) found that "age is directly correlated with self reported ethical values". Older SBOs had higher ethical values on some aspects of operating a business, such as cheating and stealing.

It would appear that the age of the person when entering self-employment would reflect two different aspects in their personal lifecycle. The first being, the point in their career they felt they were at, especially in regards to their professional development as an employee of a company. The second aspect is where they felt they were at a personal level, especially in regard to family responsibilities. The so called 'mid-life' years are often a time that potential SBO's feel strong motivations to start their own business. This is brought on partly by some feelings of frustration as an employee within their current work environment and often coupled with having had several years of personal and financial stability (Blackburn, Hart & O'Reilly, 2000). Personal stability, in terms of work history and demonstration of ability to manage personal borrowings, aids in getting financial assistance for a business start-up. Thus the mid-life years are often seen as being the 'right' time to start a business venture.

Whilst these reasons are applicable to both men and women, often the age of women starting their businesses is slightly older because of their previous domestic and child rearing responsibility. Women who start businesses at a young age and who have families, often keep the businesses deliberately micro in size, so that they are able to balance their domestic responsibilities. Therefore the age and gender of the SBO impacts on the actual business itself, which for women, can then be more immature, both in years of operation and size, than businesses which are being operated by similar aged men.

In regard to younger SBOs, people under thirty years of age have generally not had sufficient work experience to pursue self employment in some areas, especially in the service industries, where the business is virtually wholly dependent on the experience and expertise of the owner. An industry which is the exception is the IT (information technology) industry, which has a median age of ownership as mid thirties (Cooper, 2000). Well known entrepreneurs such as Bill Gates (Microsoft) and Steve Jobs (Apple) were relatively young when they commenced the building of their empires. However in general, self-employment to younger people does not always present itself as being

more attractive than climbing a corporate ladder and receiving the commensurate rewards that go with employment in some organisations.

2.4.4. Education

Education is a demographic variable which is often reviewed in quantitative studies. Storey (1994) in his analysis of eighteen studies which used education as variable found that nearly half showed that there was an identifiable impact on the level of education and the growth of the enterprise. There is however conflicting thought as to the importance of education in regards to business performance.

It could be argued that education provides a basis for the intellectual development which the entrepreneur requires to be in business successfully, and that higher levels of education provide the individual with greater confidence in dealing with customers and bankers... The converse argument is that business ownership is not an intellectual activity. Instead, entrepreneurship is an opportunity for the less academically successful to earn high incomes. It may even be that individuals with the highest academic attainment are likely to be insufficiently challenged by many of the mundane tasks associated with business ownership. (Storey, 1994, p. 129).

The aspect of some very successful business owners not having a high level of education is often used as part of their self promotion, Bill Gates being one of the best known Harvard 'drop-outs' (Cooper, 2000), as is Richard Branson who left school at 16. The reality for most ordinary SBOs is more mundane. The majority of SBOs in Australia do have some form of tertiary qualification. ABS (1998b, p. 6) data shows that 63% of SBOs had either "a degree, diploma or a vocational qualification". This is also similar for American SBOs however UK SBOs tend to have lower levels of academic qualifications. Gray (1998, p. 108) quotes figures from UK Labour Force Surveys which show that in 1989 only 28% of small business owners had either a degree or other qualification, 49% had O levels or A levels⁸ and 25% had no qualification whatsoever.

⁸ These examinations taken at the time of leaving school, at either 16 or 18 respectively.

There appears to be a gender difference in levels of education attained and ownership of small business. Bowen & Hisrich, (1986, p. 396) state that American "female entrepreneurs... appear to be substantially better educated than the general populace". A later study by Brush & Hisrich (1991, p. 15) concurred with that statement by finding that "The more successful woman entrepreneur often has a higher level of education". In a longitudinal study Dolinsky, Caputo, Pasumarty & Quazi, (1993), they found that the likelihood of women starting, maintaining or reentering self-employing increased with each higher level of education attainment.

In a comparative study of home-based businesses in Canada, Deschamps & Dart, (1998) found that women were younger and better educated than their male counterparts. The ABS (1998b) data concurs with these findings. They state that 47% of female small business operators "had completed the highest available year of secondary school, but did not gain a degree, diploma or vocational qualification" (ABS, 1998b. p. 7). This compares with 30% for male small business operators.

What is perhaps more important than simply the level of past education is how applicable it was to the small business venture. Scott's (1986) study of women entrepreneurs showed that the respondents had achieved a higher than average educational level, however "very few had studied business" (p.39). The reviews by Roffey et al., (1996) also found that women respondents had tertiary qualifications which were not necessarily business related. There does not appear to have been a study that has looked at this issue using a mixed gender sample.

Allowing for the research that does not see education as necessarily having a positive effect on business ownership, level of education does appear to have an effect on issues such as earning capacity, how successful the venture might be and whether it will survive the difficult early stages of new business. Robinson & Sexton (1994) found that education was positively correlated with higher earning capacity. Educational attainment has also been linked to how successful the business venture was. According to Cooper (1982) if level of success was measured in financial terms, then SBOs who had a high level of education were more successful. However Cooper did not look at non financial measures. It is therefore difficult to know from his research if measuring success in non financial terms would also be related to level of education.

The chances of survival initially for new ventures has also been linked to education. In her study of new business entrants, Gray (1999) found a positive correlation between level of education and the ability to sustain a new business. Also the type of industry that the SBO is involved in is also related to educational level. Bates (1995 p. 151) discovered that "level of education is the most important factor in identifying entrants into skilled services self-employment: probability of entry rises at each of the higher levels of college education: in construction, the opposite situation prevails". Overall past research has demonstrated that the level of education attained by the SBO does impact on their business venture, that is, the higher the level the more likely they are to be able to start and maintain the business, and to achieve a financial measure of success to a greater degree than a person with a lower level of education.

2.4.5. Marital status

The aspect of marital status is not a variable that is considered in all empirical studies. It tends to be mentioned when other demographics such as gender are being assessed, so is mentioned more often in studies which have conducted either gender comparisons, or which looked exclusively at women SBOs. From this research, the majority of SBOs are married with children, which actually just replicates the general public (Buttner,1993; Hisrich & Brush, 1986; Loscocco, et al., 1991; Still & Chia, 1995). Some of the studies which refer to marital status are several years old, therefore comparative to today, marital status is also taken to mean *de facto* relationships.

The importance of marital status for SBO's appears to favour married men more so than married women. Married men often employ their wives on a part time (or full time) basis (Scase & Goffee, 1980) and sometimes in an unpaid capacity. In a study by Allen, Truman & Wolkowitz, (1992, p. 127) they found;

women assisting their husband's businesses by answering the telephone, doing the accounts and generally providing labour and skills. ...Of these women 75% of whom had no legal recognition of their involvement in the business, 33% received no financial reward for their work.

If not in an unpaid arrangement then often, "family members (of married individuals) can serve as a source of cheap labor" (Bates, 1995, p. 145). This source of 'cheap labour' has been cited as a reason why some people choose self-employment (Bates, 1995). This might not seem that unreasonable for newly formed businesses, given that the early days of any business are always the hardest. Unpaid labour becomes an issue when the labour is being provided unwillingly and to the detriment of the person or in an illegal situation.

Having a self-employed husband has proven to be detrimental to the career of the wife (Chell & Baines, 1998), especially when the woman has had to give up her own employment to work with their husband. The work that the spouse does is often in the administrative side of the business, as opposed to the actual production of the goods or service. In Chell & Baines' study some of the wives had had professional careers but felt enormous pressure to help their husbands, even though they had no interest in the business per se and felt an acute loss for their own independence. Loscocco et al., (1991) found that as men are more likely to be married, they receive greater tangible and emotional support from their partners than the reverse situation for women.

On another level some studies have shown that husbands whose wives are the small business operator, are deliberately obstructive and hostile (Watkins & Watkins, 1986; Chell & Baines, 1998). Also women experience greater tension between business and family than men (Loscocco, 1997; Loscocco, et al., 1991, Scott, 1986) which relates to the role women play in being the primary care givers in the majority of domestic situations. The aspect of marital status is linked to both gender and the status of the business in terms of it being considered a family business. The aspect of family business as a separate entity is discussed in a later section.

2.4.6. Business status of parents

The general consensus is that having either or both parents in business is more likely to have a positive impact on new business formation. Cooper & Dunkelberg (1987) found that 50% of respondents to their study came from families where either a parent or guardian was in business. Parents are often seen as role models for entrepreneurial behaviour in family businesses (Dyer & Handler, 1994).

There was no mention of the gender of respondents in either of the two previous studies, however Watkins & Watkins (1986, p. 222) found that "female entrepreneurs were four times more likely to have been subject to the influence of an entrepreneurial parent (father and/or mother) than a member of the general population". Matthews & Moser (1996) concurred that female entrepreneurs often have a self-employed father, but went on to say that younger women (with a family history of business activity) do not necessarily seek to go into business. An early study by Waddell (1983) looked at three different female occupational groups - owners, managers and secretaries and found that more owners than managers or secretaries had parental role models.

A key area of small business research has been into forecasting the types of people who are most likely to start an enterprise, based on demographic characteristics. In two separate studies of university students, Scherer, Brodzinski & Wiebe (1990) found that a high number of students who had entrepreneurial intentions had parents who were in business, and finally a similar type of study, Crant (1996) found that 34% had one parent in business.

As can be seen, demographic factors are an important influence on small business ownership. The next section looks at the psychographic characteristics of small business owners and their influence on small business ownership, which also has been demonstrated to be significant.

2.5. PSYCHOGRAPHIC CHARACTERISTICS OF SMALL BUSINESS OWNERS

The psychological factors relating to small business ownership are an important facet in the overall makeup of the SBO. They have however been studied extensively, therefore only a brief overview will be given in this review. As previously stated, Brockhaus (1982) recommended caution when trying to build up a generic profile of an entrepreneur. He did however concede some similarities; "despite these difficulties (inconclusive generalisations) some psychological characteristics are reported in a relatively consistent manner" (p. 40). The consensus of most studies, which use this

approach, is that to succeed in a business venture the SBO needs to have some level of motivation, self confidence and be prepared to take some form of calculated risk, both financial and emotional.

2.5.1. Motivation factors

An important motivational factor that is often mentioned in relation to successful business people is their desire to be high achievers. McClelland (1961) developed the concept of a "need for achievement" (nAch). The 'nAch' concept characterises people that take personal responsibility for setting goals and solving problems and have a strong desire to be successful. McClelland further suggested that entrepreneurs should possess these 'nAch' characteristics if they are to be successful. Successful in this instance is taken to mean in a tangible way.

The issue concerning motivation is whether it is a necessary requirement to being a successful businessperson. Studies and reviews which have examined motivational factors and business ownership (Chay, 1993; Davidsson, 1991; Johnson, 1990; Perry, Meredith & Cunningham, 1988; Shaver & Scott, 1991), have not been conclusive as to whether the need for achievement is a behavioural necessity. It is perhaps more of an assumption that 'successful' SBOs have it, or by implication that successful people are also high achievers.

One of the difficulties with this concept is in its measurement. As Bridge, O'Neill & Cromie (1998, p. 44) state, "The importance of NACH⁹ for enterprise is not generally in dispute, but how can an individual with a high NACH be recognised"? The actual McClelland measurement was in the form of a test, but without a person setting the test, the measure of the need to achieve becomes more subjective, and similar to other measures of a person's motivation.

Other motivational factors such as high personal drive and having high self-confidence are often used to describe successful SBOs (Burns, 1996). Further, these types of

⁹ n.b. there are various different abbreviations of the spelling of the need to achieve, which are highlighted by this quotation and the spelling of it in the previous paragraph.

motivation factors are not just confined to successful SBOs. These are psychological characteristics which can also be attributed to ambitious managers or senior personnel who are employees. What can perhaps be said is that it is not necessary to have really high levels of motivation, but people with low levels are less likely to succeed. These people are also less likely to choose self-employment, however they could become self-employed as 'reluctant entrepreneurs'. Having high personal motivation would appear to be an asset in most endeavours, not just in relation to running a successful small business. Therefore this motivation could be equally strong for achieving personal goals, and not just be applicable to achieving financial goals.

2.5.2. Locus of control

Locus of control is a behavioural concept developed by Rotter (1966) which states that an individual has personal control and understanding over the outcome of an event. The opposite of having an internal locus of control is to believe in fate, luck, or God. In relation to motivation to enter into small business, proponents of the locus of control theory state that successful entrepreneurs have a high internal locus of control (Brockhaus, 1982; Shapero, (1975), cited in Bird, 1989). The alternative reasons cited for failure, indicate a low internal locus of control, that is, these people believe that external forces have a major bearing on outcomes. Storey (1982) mentions several factors given by company directors as to the reason for small business failure; "ill-health, poor quality of labour or, of course, the English weather!" (p. 40).

An early gender comparative study by Welsch & Young (1984) looked at various personality characteristics, including locus of control. It was hypothesized that male entrepreneurs would have a higher locus of control. The results found that there was no gender difference on any of these personality traits. A different locus of control test to that of Rotters, was used by Gatewood, Shaver & Gartner, (1995) in their study, which was Paulhus's Spheres of Control Scale. Their results showed that there were no significant gender differences in person efficacy (which is their equivalent to locus of control).

A more recent Australian study by Gray (1999) showed that small business success (survival) could only be partly explained by having a high internal locus of control.

Other studies have been inconclusive as to the bearing of a high or low level of internal locus of control and personal success (Chay, 1993). Therefore the level of personal locus of control, be it high or low, can only partly, if at all, explain why some small business owners do better than others.

2.5.3. Risk taking

The final behavioural trait to be explored is risk taking. This is a characteristic which has often been listed as essential for an entrepreneur to possess in order to be successful (Burns & Harrison, 1996). An alternative view of this behavioural trait can sometimes have dubious connotations. Western Australia had numerous business entrepreneurs during the 1980's, perhaps the most infamous being Alan Bond, whose business behaviour typified risk taking. As previously mentioned, his high risk behaviour culminated in a gaol sentence for misappropriation of funds.

It is erroneous to say that high risk taking propensity is a required personality trait. In their development of entrepreneurial typologies, Woo, et al., (1991), identify two types of entrepreneurs, opportunists and craftsmen. In comparison to an opportunist, "They (*the craftsman*) avoided risk-taking and were less likely to seek multiple investors or partners. Businesses led by such individuals were less adaptive to change and experienced lower growth" (p. 97). This description assumes that risk taking is a positive characteristic. Findings and reviews from other authors as to whether risk taking is a positive characteristic are inconclusive (Brockhaus, 1987; Shaver & Scott, 1991; Stewart, 1996).

It has often been assumed that men are higher risk takers in business than women. In their gender comparative study, Welsch & Young (1984) found no difference between women and men on risk taking propensity. However later studies have found significant gender differences, for example Sexton & Bowman-Upton (1990) conducted personality tests and found that women scored lower on risk taking. Also Cliff (1998) found that women were more concerned about taking risks on business related issues. The gender differences regarding business risk does need to be put in context, as women going into business often do not have the same emotional or physical support that their male counterparts have (Chell & Baines, 1998; Jurik, 1998; MacNabb, McCoy,

Weinreich & Northover, 1993). Additionally Green & Cohen (1995) found that women perceive business ownership to have additional risks other than just financial, such as personal and psychological risks.

Financial risk taking is often inherent in business, so perhaps of more importance are the degrees of risk that are taken. It would be more accurate to say that there are often calculated risks associated with business activity (Morris, 1998). Birley's (1989) study found that some businesses had no intention or desire to maximize profits and growth through risk taking management. It is impossible to accurately environmentally scan all business opportunities, so any business opportunity will have some element of risk attached. As with the other personality traits, risk taking is not related solely to SBOs. Bird (1989, p. 91) states "Apparently, generalized risk taking does not distinguish entrepreneurs from managers, from the general population, or successes from failures".

To conclude on the personal characteristics of a small business operator, the extant literature has not been able to accurately define the archetypal small business person/entrepreneur. At best, it can say all types of people decide to go into and stay in small business. It has not been ascertained to what extent demographic characteristics affect how the small business owners measure their success, or to what extent demographic factors impact on the different measures of success. The literature mainly defines success in financial measures, which appear to be more applicable to men. In order to ascertain if this is really the case, gender will be used as a principal variable.

2.6. REASONS FOR STARTING A NEW BUSINESS VENTURE

Why people start a business in the first instance has been one of the most extensively researched aspects of small business. Various authors have come up with typologies of the characteristics of these persons, such as Smith's development of the "craftsman entrepreneur" and the "opportunistic entrepreneur" and Branden's "caretakers" and "managers" (both cited in Woo et al., 1991). The two different types of entrepreneur have been refined by Woo et al. (1991, p. 93) in the following way:

Craftsmen usually come from a blue collar background with limited education and managerial experience. They prefer technical work to administrative tasks and are generally motivated by needs for personal autonomy rather than a desire for organizational or financial success. In contrast, opportunists are characterized by broader experiences and higher levels of education. They are more likely to be motivated by financial gains and the opportunity for building a successful organization.

These typologies of SBO's could be applicable regardless of the stage the business is at in relation to its lifecycle. Nevertheless, these typologies are often used when describing the people who start new business ventures. Birley & Westhead (1994) quoting previous studies conclude that "reasons and motivations leading to start-up have traditionally been regarded as an important element influencing not only the start-up of the new business but also its characteristics, survival and performance" (p. 8). As these previous studies had not made clear what performance indicators were used, the assumption therefore is that the traditional financial indicators have been applied. However, Birley & Westhead contest the presumption of using the traditional financial indicators by further stating;

Consequently, it is assumed that the choice of "growth" rather than purely a "survival" policy principally rests with the objectives of the owner-manager which are, in part, influenced by the initial reasons leading to venture initiation. Thus, future business goals are influenced not only by commercial considerations but also by personal lifestyle. (p. 9).

Whereas financial aspects are the easiest performance indicator to compare (Kalleberg & Leicht, 1991; Stanger, 2000), lifestyle aspects are also equally important to SBOs. In their own study, Birley & Westhead (1994) condensed a series of responses to statements asked of business owners into seven different categories as to the initial reason for business start-up, some of which were non-financial. The categories were; 'need for approval', 'need for independence', 'need for personal development', 'welfare considerations', 'perceived instrumentality of wealth', 'tax reduction and indirect benefits' and to 'follow role models'. As they had various categories they caution that "It is dangerous to dichotomize potential entrepreneurs into simple bivariate categories" (p. 28). Further, they also point out that the categories are not mutually exclusive and that people often start businesses for a number of different reasons, most of which are personally and not financially motivated.

Similar initial statements were used in an earlier study by Shane, Kolvereid & Westhead (1991), who developed four categories of reasons for business start-up, which were, 'recognition', 'independence', 'learning' and 'roles'. These four categories match similar categories in the Birley & Westhead (1994) typologies; 'recognition' matches with 'need for approval', 'independence' matches with 'need for independence', 'learning' matches with 'need for personal development' and 'roles' matches to 'follow role models'.

Whereas these two studies are complimentary there have been other studies which have ascertained different motivations, or perhaps more accurately have classified these motivations in different ways. A more generic classification has been to look at start-up motivation from an internal or external perspective and to separate the classification by either personal or financial. Internal factors are taken to be factors that the potential small business operator has total control over and the external factors are factors which have some element which cannot be controlled. The expression of being either 'pulled' or 'pushed' has been used extensively (Brockhous, 1997; Brodie & Stanworth, 1998; Buttner & Moore, 1997; Cooper & Dunkelberg, 1987; Gray, 1994; Hamilton, 1987; Saxon & Allan-Kamil, 1996). A 'pull' motivation is associated with the individual having a reasonably strong positive internal desire to start a business venture. The opposite motivation is 'push', which is associated with a possible equally strong desire, but based on external negative reasons.

2.6.1. Internal - pull

Internal 'pull' reasons for starting a small business centre around the potential SBO wanting to take control and to change their current 'employee' work status. These reasons can be broadly segmented into personal and financial, which are categories which are not mutually exclusive. The most common personal reason cited in the literature is independence or wanting to be ones own boss. Additional personal reasons cited have been; to achieve job satisfaction; wanting a flexible lifestyle; personal challenge; a need for personal development; the need for approval; wanting autonomy and to use existing experience and knowledge. All of these reasons are personal and internally focused. They do not have financial connotations to them.

The secondary category for wanting to start a business has more of a financial focus. The rationale behind these financial internal factors are the same as for the personal factors, which is the ability of the person to take control and do something for themselves. The two main financial reasons cited, the need for money and to achieve financial security, are based on comparisons of the current employment position of the person. It would perhaps be more accurate to say that the reason concerning the need for money, would really be to make more money than the person was currently making, or had the potential to make, as an employee as opposed to being self employed or unemployed.

In the majority of studies, personal internal reasons far outweigh personal financial reasons (Birley & Westhead, 1994; Mason, Pinch & Storey, 1991; Rosa et al., 1994; Shane et al., 1991). This is not to say that financial reasons are unimportant, rather that the financial consideration is not normally the first concern. This aspect of personal versus financial is a relatively unexplored area, and is one of the areas of research interest in this study.

2.6.2. External - push

The alternative to being internally focused and being pulled into a new business venture, is the push set of motivations, which are predominantly externally focused. These external personal motivations to start a small business often centre around an element of frustration for the person with their current working environment, in which they perceive they have little or no ability to change within their given system. Some personal external reasons for small business entry have been; constraints of subservient role; frustration; perceived lack of opportunity for advancement; avoiding low-paid occupations; escaping supervision; to follow a role model and external encouragement. These types of barriers have been extensively documented in studies of women, both from a small business perspective and in the general management literature, especially when the move has been from employment in larger organisations, commonly referred to as the glass ceiling (Moore & Buttner, 1997; Roffey et al., 1996). Obviously these reasons are not just pertinent to women, as some men also experience high levels of frustration.

Coupled with these personal external reasons for wanting to become self employed, are the financial imperatives which are often apparent in this type of self employment decision. An important external reason for becoming self-employed is job loss. Not only is this a huge personal emotional crisis, it is also often a financial crisis. After losing a job, people can then find themselves in the unenviable position of starting a business purely as a source of income. This potentially creates distressed or unwilling entrepreneurs (Keeble, Bryson & Wood, 1992) or who Stanworth & Stanworth (1997) and Brooksbank, (2000) refer to as 'reluctant entrepreneurs'. These SBOs are buying their employment. This has occurred in a number of specific industries in the UK, where full-time permanent staff have been forced to become self-employed and then often contract back to their original employers, for example in the dairy industry (Boyle, 1994) the publishing industry (Granger, Stanworth & Stanworth, 1995; Stanworth & Stanworth, 1997) and direct selling (Brodie & Stanworth, 1998).

The effect of reducing the workforce by casualisation and downsizing has also added to the number of people who become self-employed¹⁰ (Feldman & Bolino, 2000; Jurik, 1998). There has been an increase in the number of part-time jobs and a decrease in full-time jobs worldwide. Self-employment therefore, has sometimes been posited as an alternative to tenuous employment or unemployment (Brooksbank, 2000; Gray, 1994). Unfortunately enterprises which are started as an alternative to unemployment have a high failure rate, which is often because of the lack of strong initial motivation (Smallbone, 1990). Whereas some of these people might have a genuine desire to become small business operators, there is a proportion who because of these external factors are the reluctant entrepreneurs. Their alternatives to self-employment are often limited, as they may have specific skills which are not easily transferable.

Further difficulties that some self-employed people encounter is with the ever changing nature of the work and the expectations placed upon them. Jurik (1998) in her study of self-employed homeworkers points out some of the negative aspects of self-employment in that, "Self-employment no longer embodies the autonomy and productive capacity of previous decades; it is vulnerable to market forces dominated by

¹⁰ The definition of "self-employed" used here is taken to mean the first ABS classification of business size, which is non-employing businesses or sole proprietor. It is also interchangeable with the term "contractor".

large corporations (p. 9)". There are also self-employed people who would prefer to be employees, given the appropriate circumstances. As Kolvereid (1996, p. 55) points out, "entrepreneurial activities in a nation may decrease when employees are given increased job security, shorter working hours or longer vacations. Under such circumstances being self-employed becomes less desirable". Kolvereid's sentiment is based on empirical research, however given the current global employment situation, it is perhaps more wishful thinking than a situation which would ever become a reality. Therefore small business ownership is perceived as a very viable alternative for many people.

2.6.3. Gender, motivation and new business formation

Accepting that there are several different motivational factors, research has also been conducted into the correlation of gender and motivation. Numerous studies (Buttner & Moore, 1997; Gatewood et al., 1995; Matthews & Moser, 1996; Scott, 1986; Shane, et al., 1991) have reported that women and men have different reasons for starting a business. There appears to have been a consensus in some of the literature that men were more inclined to become owners of small businesses because of financial considerations and were more likely to be pulled into their business ventures.

Conversely, women were more likely to become owners of small business because of lifestyle issues. Other studies concluded that women were also more likely to be pushed into self-employment (Brush, 1992; Buttner, 1993; Buttner & Moore, 1997; Cliff, 1998; Cromie, 1987; Pihkla, Vesalainen & Vittala, 2000; Scott, 1986; Watkins & Watkins, 1986).

One explanation for this supposed difference is given by Shane et al. (1991), who state that women and men have different biological make-ups and are often socialised differently, therefore they will have different motivations. This premise of being different is obviously true from a biological perspective and may well be true from a social perspective. Women have certainly had difficulty in breaking down the socially constructed barriers that they have faced in terms of being discriminated against in areas such as bank loans (Kaur & Hayden, 1993; Riding & Swift, 1990; Still & Guerin, 1991). However, these barriers have not always been demonstrated to have had a negative impact on the women's initial motivation.

There have been a number of studies which have found that motivation and gender differences are minor (Birley, 1989; Carter, Van Auken & Harms, 1992), and that there are more similarities than differences. Finally there have been studies which have reported opposite findings to the traditional view of men being financially pulled and women being affectively pushed. These studies have showed that women do seek financial reward as primary motivation, and neither were they necessarily pushed into their business venture (Fischer et al., 1993; Lee-Gosselin & Grisé, 1990; Rosa et al., 1996).

Despite the specific factors mentioned there is normally more than one reason why people choose to start a business. Internal and external motivations are not mutually exclusive and it is often a combination of reasons and events. The loss of a job might just be the catalyst for a person who was already frustrated, but had an embryonic business idea in their head. The loss of a job could well be the kick-start they needed.

2.6.4. The newly established small business

One of the reasons why it is important to ascertain if it is possible to isolate reasons why people choose self-employment and link those reasons to the demographic and psychographic reasons already listed, is to be able to 'pick winners' (Birley & Westhead, 1994). This would then allow governments to be able to better target these potential 'successful' people for either training or seed funding and thus generate businesses that are more profitable. Additionally, as Woo et al. (1991, p. 95) state, "If we are to improve our ability to advise entrepreneurs and to appraise their prospects, then we must determine what membership in particular typologies implies".

Even though there has been much previous research into the personal characteristics of SBOs and their reasons for business start-up, these studies have not then gone on to see which, if any factors impact on how these businesses measure their success. The personality factors of the SBO are important, however the reason for starting the business in the first instance, must be equally important to how the SBO measures their success. The comparative testing of reasons for business entry with how the SBO

measures their success after the business has become a real entity, has not been previously researched in any detail in Australia.

The decision to start a business, for whatever motivational reasons, should, *ceteris paribus*, lead to the creation of the business entity. Once a business has been established and has traded for a length of time, its performance then becomes the focus of attention. As previously stated, this performance is normally measured by financial criteria. The better the financial performance, the more successful the business. For financial success to continue there has to be incremental growth (Barkham et al., 1996; Garnsey, 1996). There also has to be longevity to produce any meaningful trends. A by-product of this need for longevity and continuity is that some new businesses become family businesses.

Inasmuch as these previous statements make economic sense, they neglect the other contingent to small business ownership, which is the actual owner of the enterprise. The assumption that all businesses want to grow and that the SBO sees financial success as the only measure of success, is erroneous. There are several key factors to consider in relation to how SBOs actually measure their success, which include whether the initial intention to create the business was for financial or non-financial reasons. Whether the SBOs want to follow a growth strategy or are content to remain small, makes the size of the entity an important consideration. There are also aspects of the business entity which have significant bearings on how the SBO perceives their own personal success. These can include whether the business is a family business, the age of the business and where the business is conducted from.

2.7. MEASURES OF SMALL BUSINESS SUCCESS AND GROWTH.

Once a business has survived the initial start up process and has become established, the majority of past research has focused on these aspects which have contributed to that achievement. What are often cited as measurements of success are factors which have contributed to a business's sustainability or profitability, such as formalised training and/or the management skills of the small business owner; their past employment

history; having a formal business plan and the use of marketing to promote the business. Other factors used as contributory success measures, which are of a more external nature to the SBO are good staff or human resources; adequate funding or finance; the product or service and the physical location of the operation. These factors can all assist in the sustainability or failure of the business entity, but they are not actual measures of success.

There is obviously a need to have some, if not all of these attributes or processes in place for any business to survive, grow, mature, and prosper. They are certainly contributing factors to the continuity of the business, a means to an end, but are not the end result. They are really measures of effectiveness. An effective business could be thought of as one which is producing an end result in the most expedient way. A measure of effectiveness is not necessarily the same as a measure of success. The measure of success must have some personal meaning to the SBO, and not just be processed based.

This could be seen from a monetary perspective, such as cash in the bank or the ability to purchase personal consumer items with the financial profit gained from the business (Jarvis, Curran, Kitching & Lightfoot, 2000). Alternatively the measure of success could be personal achievement, which has a certain amount of intangibility attached to it, such as being able to balance work and family with less stress than previously experienced in paid employment. Additionally, success could be measured by high levels of personal satisfaction and of feeling in control of both one's personal and professional life. This is what Greenbank, (1999, p. 65) refers to as "non-pecuniary benefit". Indeed for some SBOs, they could perceive their businesses as being successful, from a personal perspective, however these businesses might not be very successful from a financial perspective, based on traditional success measures.

2.7.1. Financial measures

As previously stated, traditional criteria of business success have been based on financial performance, such as profit, turnover, return on investment (Barkham, et al., 1996; Brüderl & Preisendörfer, 1998; Forsaith & Hall, 2000; Ibrahim & Goodwin, 1986; Kalleberg & Leicht, 1991). These measures always assume growth. Growth is an

interesting concept when looked at as a measurement of small business performance, as it presupposes that all small business owners want or need to 'grow' their businesses. For businesses to be deemed successful these financial measurements require increases, such as in profit or turnover and or increased number of employees. As Hall & Fulshaw , (1993, p. 229) state, "the most obvious measures of success are profitability and growth". In economic terms this is seen as profit maximisation (Jarvis et al., 2000; Jennings & Beaver, 1997; Greenbank, 1999).

One reason for the popularity of economic measures is the ease with which they can be administered and applied. They are very much 'hard' measures (Barkham, et al., 1996; Gibb & Davies, 1992; Ibrahim & Goodwin, 1986). Conversely 'soft' measures include independence, job satisfaction or the ability to balance work and family responsibilities (Buttner & Moore, 1997; Green & Cohen, 1995; Kuratko, Hornsby & Naffziger, 1997; Parasuraman et al., 1996). These 'soft' measures are subjective and personally defined and are consequently more difficult to quantify. The 'hard' measures therefore are easier to understand and can be used in a comparative way against existing data and as benchmarks for future measures. Indeed, financial measures are used by all Governments when discussing economic policy. There is obviously merit in using financial indicators as measures of a countries economic viability, as they internationally understood. However to only use financial criteria as the indicator of a countries economic well being, omits half of the business equation, that is, the human resource factor of business, which in the case of small business is often primarily the owner.

Governments generally need to report positive economic results, which means that the figures have to be increasing. The problem with always demanding increased growth is that in theory it requires all businesses to be pulling in the same direction, which would be an exponential positive trajectory. If a large proportion of small businesses resist continual expansion, then this could result in economic data potentially showing either static or negative growth. This potential negative impact on economic trends is a primary reason why governments are so keen to promote small business and to try and encourage them to engage in growth activities. This economic rationale however does not take into account the motivations and aspirations of individual SBOs, or the fact that SBOs are not a homogeneous group.

2.7.2 Assumptions of growth

Economic theory requires that business must continually grow because to stand still is to actually go backwards. When referring to the importance of this in relation to small businesses which do not follow this rationale, Garnsey (1996) states that:

Firms are sometimes described as "lifestyle" companies that afford their founders the revenues they require without the hazards of growth. ... Inevitable fluctuations follow and entail at best uncertainty, at worst a continual struggle for existence. Rather than remain in the ranks of the 'living dead' the founder may decide to sell up or attempt growth. Thus the plateau may be a prelude to growth, merger, decline or failure. (p. 131)

Whereas Garnsey's statement might well be a classic fit of an economic growth model, it is based on pure theory. It ignores the small business operator who measures their success by criteria other than financial growth, such as the achievement of personal goals. It could be said that 'inevitable fluctuations' can effect all size and types of businesses and not just "lifestyle" businesses, which are not purely seeking growth. Indeed non-economists do not necessarily accept that growth can actually be explained in simple terms via growth theory and models.

The growth model often cited is the Churchill and Lewis (1983) 'Five Stages of Small Business Growth'. This is a cyclical model which views businesses as going through a pattern of existence (start-up), survival, success, take-off and then resource maturity, and is shown below.

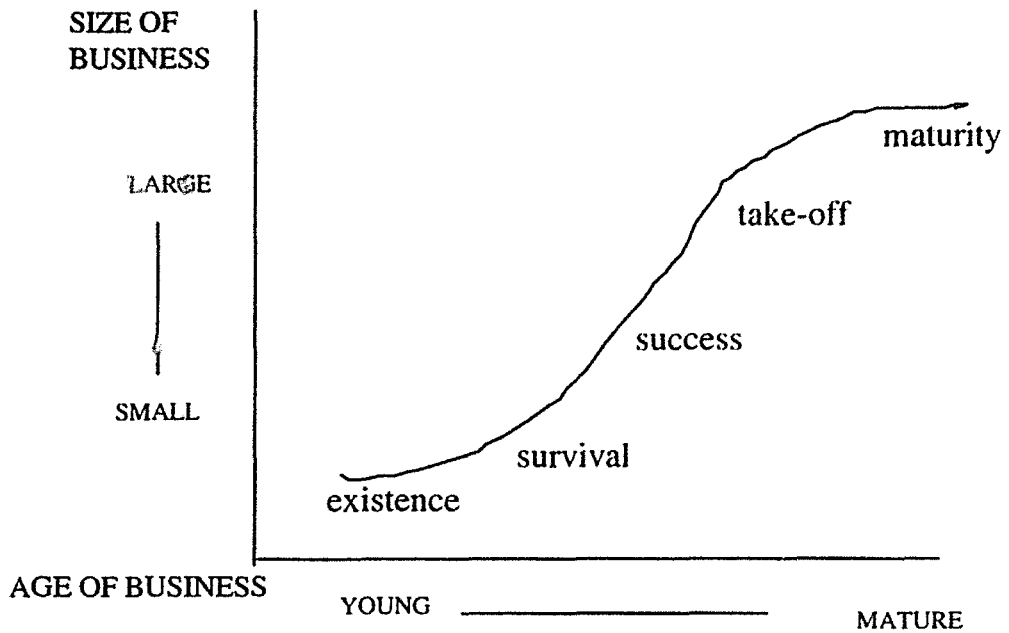


Figure 2.2. Churchill & Lewis Business Growth Model (Churchill & Lewis, 1983).

The applicability of the model to current small business has been questioned by Chaston & Mangles, (1997) and by Gray (1993, p. 150) who states;

The evident weakness of this type of stage model lies in its fundamental neo-classical economic assumptions which ignore reality of small business management and the fact that only a tiny minority of small firms ever grow to a size where internal functional divisions and professional top management teams are in any way feasible.

The lack of application of growth models as true predictors of the aspirations of small business is supported by Storey (1994, p. 122) who states, "Growth models describe rather than predict". What these models do not take into account is the affect that achievement of the initial goals of the business owner have on measuring their success. Initial goals equate to the motivations and reasons why they went into business in the first instance. As Holliday (1995, p. 10) states,

owner-managers whose initial reason for founding a firm is to be their own boss are unlikely to allow the firm to grow to any significant extent, as with firm growth comes the necessity to delegate.

Therefore once those personally defined goals have been achieved, the growth of the business might slow down or plateau, well before it reaches any sort of continuous incremental growth. Whereas many businesses do seek growth, the essential point is that some businesses do not want to grow either slowly or at all.

These different levels of growth aspiration are reported by Rosa et al., (1996) in their study which found that some SBOs seek only a 'comfort level'. Gray (1998, p.23) classified three types of small business owner, only one of which was 'growth-oriented'. The other two were 'growth-averse' or were about to 'exit/retire/sell'. Also some small businesses want limited or incremental growth or a 'satisfactory' growth rate. (Holmes & Zimmer, 1994; Sexton, 1989). The rate of growth might be very slow and therefore is not easy to measure in a statistical sense. This type of growth has been referred to as 'organic growth' (Saxon & Allen-Kamil, 1996; Still & Timms, 1997) and contrasts with the types of faster ordinary economic growth mentioned above.

As business can be defined as a for profit enterprise, it needs an acceptable level of turnover to survive, as stated by Marlow & Strange, (1994, p. 180), "All businesses must be financially viable on some level in order to continue to exist". However, this level must be set personally by the owner and cannot be determined by an arbitrary figure which has revenue value attached to it. Given that some businesses have no interest in growth, thereby implying that financial gain is not their primary or only motivation, other non-financial measures will now be reviewed.

2.6.3. Non-financial measures

The additional criteria of success that small businesses use are non-financial measures. These non-financial measures presume that there is a given level of financial security already established, either within the business, or that the SBO does not require the business to be the primary source of income. Non-financial measures are personally determined by the individual business owner, however even though the measures are personally determined thereby making them unique to the individual SBO, commonalties within the cohorts of SBOs occur.

The primary non-financial measure of business success is a positive change in personal circumstance. This leads to affective outcome measures such as the independence gained from being one's own boss, personal freedom, personal satisfaction, a less rigid, more flexible lifestyle, more job satisfaction (Birley & Westhead, 1994; Brush, 1992; LeCornu, McMahon, Forsaith & Stanger, 1996; Loscocco, 1997). In a study by Fielden, Davidson & Makin, (2000) a large proportion of their sample (88%) listed making money as a motivator, however 71% mentioned that job satisfaction, greater independence, creating opportunities, encountering new challenges and pursuing one's own interests were criteria which was of real importance to them. All of these measures are very much internally focused, and fall into the pull motivation factors.

One of the non-financial measures which is often mentioned by women is achieving a better balance between work and domestic responsibilities (Brush, 1992; Loscocco, 1997). A recent Australian study showed that women in the paid workforce are still the principal family care giver, in charge of issues such as childcare arrangements (Bardoel et al., 2000). So the ability to become self-employed often alleviates some of the pressure and stress that they experience in the paid workforce, especially at a managerial level (Buttner & Moore, 1997; Jurik, 1998; Still & Guerin, 1990). Even in emerging industries such as information technology (IT) women still have to battle entrenched corporate cultures of masculinity and 'family unfriendly' work practices (Panteli, Stack, Atkinson & Ramsey, 1998, Stanworth, 2000). This has led to a decrease in women entering the industry and a high rate of women dropping out of the industry all together, or ceasing to work for large corporations. A proportion of the women who become self-employed do so because of the difficulties they have experienced with the expectations placed on them to work long and unsociable hours (Gaudin, 1999; Melymuka, 2000).

The concept of domestic responsibilities being the principal obligation of women is not new, however a trend has emerged from the work and family literature of an increasing number of men who want to be more participatory in family matters, such as child rearing. Russell et al., (cited in Russell & Bowman, 2000, p. 21) state in an Australian study, that a large proportion of men (68%) wanted to be more involved with their children in terms of spending time with them, but couldn't do so because of inflexibility in the workplace and having to work longer hours.

These work barriers have often been cited as reasons why people, regardless of gender, seek self-employment, but a possible emerging trend, is that men are expressing these desires in association to family matters. This change in male attitudes is reflected in a US study (Young Dads, 2000) which stated that American men over the age of 21 were breaking with traditional attitudes and were putting family time as more important than money, power or prestige. Neither of these two studies mentioned surveyed small business owners in particular, but if the assumption is made that the majority of small business owners have previously been in the paid workforce, then these types of non-financial attitudinal measures of work dissatisfaction which are being predicated in the paid workforce, will have a similar effect on SBOs.

All of the affective criteria mentioned are linked to intrinsic lifestyle issues and are outside the conventional economic paradigms but may help to explain the personal objectives and goals of the small business owner. These intrinsic measures have also been referred to as psychic rewards by Owen et al. (1992) or psychic income by Wheelock & Baines (1998). They are often used by people who have not necessarily been as financially successful (as economic theory assumes or expects businesses to be), so as to measure their success in monetary terms, yet are still happy with other types of rewards, such as personal satisfaction (Wheelock & Baines, 1998). These affective measurements are not necessarily substitutes for, but are complementary to, financial goals. As Jennings & Beaver (1997, p. 63) state;

contrary to popular belief, and a great deal of economic theory, money and the pursuit of a personal financial fortune are not as significant as the desire for personal involvement, responsibility and the independent quality and style of life which many small business owner-managers strive to achieve. Consequently, the attainment of these objectives becomes one of the principal criteria for success, as defined by the entrepreneur/owner-manager.

This rather defies the traditional economic rationale that all business operators are interested only in financial gain, and spend their lives in the pursuit of continuous increases in bottom line activities. That is not to say that some, indeed perhaps the majority of SBOs place financial goals first. However it is unlikely that all do, or that it is the sole measure of success. The purpose of this research is to discover the importance of both financial and non-financial measures to SBOs and to offer some ratios of the measures.

Often these non-financial measures have been associated with businesses which have been referred to as 'life-style' businesses. The phrase 'life-style' is often taken to mean people who have opted out of main stream business activity and are pursuing 'hobby' or arts and crafts types of businesses and are living out of a metropolitan area. These 'life-style' businesses are supposedly not interested in financial gain and have no intention of growing the businesses into larger entities. While this is true of some businesses, and there is an element of practicality in establishing craft type of businesses in rural settings. There are so many small and micro businesses in metropolitan areas, which are not pursuing vigorous growth strategies, that this somewhat 'romantic' notion of 'life-style' predominantly being rural based does not really hold true.

One of the difficulties of using non-financial criteria is in the measurement. The intangibility of personal feelings and satisfaction is not easy for researchers or Governments to quantify and thereby create policy around. However because SBOs goals are personally and individually set, then the measurement must be likewise. That is, if the SBO feels they have been achieved personal satisfaction and success within their business operation, then that has to be accepted as a true and accurate measure. The fact that it does not have a numerical value does not diminish its importance and value.

If it is accepted that there are non-financial and well as financial criteria to measure the success of a small business, then other facets to the small business operation might also impinge on the measures. When the business is operated from, the size and age of the business and whether the business is a family business are also variables which need to be considered.

2.8. VARIABLES IMPACTING ON SMALL BUSINESS SUCCESS

2.8.1. The small business as a family business

Family business is in itself a whole area of SME research. The very nature of what constitutes a family business is also the subject of debate, the broad consensus being that the majority of ownership is held by at least one family and with the “the occurrence or the anticipation that a younger member has or will assume control of the business from an elder” (Churchill & Hatten, cited in Fox, Nilakant & Hamilton, R., 1996, p. 15). Whereas this is the traditional view, getting accurate data as to the exact number of family businesses is quite problematic (Litz, 1995). Most quantitative studies base the question of whether the business is a family business on self perception. That is, the respondent is asked if they think the business is a family business, without the respondent necessarily being given a clear definition of what constitutes a family business.

Which definition is used by researchers will therefore effect any results given, and is why there is such an anomaly in the different figures that are given in various studies concerning family business. This definitional debate is highlighted by Cassar & Mankelow (2000) who reviewed the Australian Bureau of Statistics data collection methods and their definitions, and suggested that definitions used should be comparable and in context.

Accepting the definitional difficulties and that the number of family businesses recorded is from self selection, the ABS (1998b) states that 57% of small businesses in Australia are family businesses. Unfortunately this ABS data does not categorise by industry group. An earlier Australian study by the accounting firm Price Waterhouse in conjunction with the Commonwealth Bank (1994) stated that 76% of its respondents were a family business. Whereas this was a randomly selected sample, the authors do concede that they were “deliberately targeting mature Family Businesses” (P. 3). This was achieved by using two different databases, supplied by Dunn & Bradstreet and the Victorian Employers' Chamber of Commerce and Industry. Further, this was a study of business in general not simply small business, which only constituted 44% of the

sample. In terms of which industries had the highest percentage of family owned businesses, that particular study allotted percentages as a total of all businesses. On this basis wholesale/retail and manufacturing made up 56% of the study. The rest of the nine categories had varying percentages.

As a comparison, the Business Longitudinal Survey produced at that time by the Industry Commission jointly with the Department of Industry, Science and Tourism (1997) had only 46% of its respondents stating that they were a family business. The Business Longitudinal Survey does not apportion individual percentages of industries as a total of the whole survey, rather as percentages within industries, therefore an accurate comparison with the Price Waterhouse Commonwealth Bank survey cannot be made. However in broad terms, 49% of all manufacturing businesses in the Longitudinal Survey were considered family businesses with only 20% of cultural and recreational services stating that they were family businesses. The particular industry of interest in this study, Property and Business Services, had 38% of its respondents classifying themselves as family businesses.

Data from the UK gives the ownership of family businesses as similar in proportion to the Price Waterhouse Commonwealth Bank study. According to Fletcher (2000) 75% of UK businesses are family businesses. The figures for the US are much higher with supposedly over 90% of companies being under single family control or operation (Stavrou & Swiercz, 1998). What is unclear about this last figure is the definition used to define a family business.

While the proportion of businesses which state they are family businesses varies between countries, and appears to be much higher in the US, what is of specific interest are businesses in the Property and Business Services sector and the length of time they have been operating. Length of time of operation is a straightforward determinant of how many generations have potentially been involved in the business. Because of the longevity of many businesses, a major issue is the aspect of succession.

Succession is a continuous and well researched theme in the family business literature (Birley, 1986; Fox et al., 1996). This becomes a critical issue for some businesses, as by its very nature it is an issue that does not occur frequently. Therefore contingency plans

are often either put off indefinitely, or not discussed as the issue is not always imminent. What is interesting is that the aspect of succession is not normally an issue when businesses are initially formed. As Birley, Ng & Godfrey (1999) state, new SBOs might not even have their family, defined as a partner and children, at the time of start-up. This reasoning however does not take into account a spouse partnership and it further perpetuates the notion that a family business must incorporate more than one generation.

Even though there appears to be high percentage of businesses which classify themselves as family businesses their continuation rate through successive generations is not that auspicious. There is the aphorism of businesses being three generational, the first generation establishes it, the second generation develops it and the third generation destroys it. Statistically this is reasonably close to the mark as Birley et al. (1999, p. 599) state that, "only 30% of western family businesses survive into the second generation, and 15% to the third generation". It should be noted that there are some well established cultural differences in relation to family business, with some countries having much stronger familial ties overall, such as Asia and some European countries (Chan & Pang, 1998). However for the purpose of this study, cultural background was not an area that was explored. Accepting the ABS data on ethnicity (ABS, 1998b), which states that the majority of small business operators were born in Australia, and whilst this does not define cultural background, it assumes that these SBOs in part, would have broad Australia attitudes to work. This study assumes that that the ethnicity of the sample would be similar to the general small business population as per the ABS data, given all of the other demographic similarities.

There is widespread belief, based primarily on economic rationale, that there must be longevity in any business operation. Further, that initial operators, who are likely to also be parents, given the mean age of SBOs, set up a business with the specific intention of being able to 'pass something on' to their children and creating a family 'dynasty' (Birley et al., 1999). This might be true of some operators/parents in some industries, however it would perhaps not be the case for all industries, especially those which are serviced based. As Birley et al. (1999, p. 607) state that in some cases "the business does not transcend the first generation, not necessarily because of failure but because the owner has made a positive choice to harvest". This makes intrinsic sense, given that

one of the main reasons for starting a business is independence from the constraints of a formally organised business. To then create a dynasty means reverting back to a situation that the individual may not have been originally comfortable with.

Another aspect of family business is the issue of anti-succession. That is parents not wanting their children to go into the business. This has been looked at in European ethnic businesses, specifically hospitality. Chan & Pang (1998) researched the attitude of parents who had had no alternative but to start their own businesses, due to their immigrant status. Some of these parents worked extremely hard to give their children a better education than themselves, and thus allow the children the opportunity to seek different forms of employment to self-employment. The parents did not want their children to follow in their footsteps.

Even allowing for changes in personal attitudes of the owners over time it would appear unlikely that some types of businesses would ever become family businesses in the traditional view of the business being multi-generational. A business can be a family business if the co-owners are a couple in a personal relationship, thus fulfilling one of the criteria of a family business being that of ownership being vested in two people of the same family. However, other members of a family might work in the business either on a full time or part time casual basis, yet the owners of the business do not personally consider the business as a family business.

This is especially true of small micro businesses which are of a 'trade' nature, where the tradesperson (normally a man) will be doing the actually physical side of the business and their spouse will be doing the administration side of the business, often in a part time capacity. In this instance the tradesperson does not necessarily see their spouse as an equal partner in the business, even though the business would not function without their input (Baines & Wheelock, 1998; Chell & Baines, 1998; Loscocco, 1997). This lack of acknowledgment of the importance of their spouse by the other partner is often the cause of tension and can have a detrimental effect on the operation of the business.

When reviewing family businesses, the continuously changing nature of industry and its requirements also needs to be considered. There is less manufacturing in Australia than 30 years ago, and the manufacturing sector traditionally had a large proportion of family

businesses. Given the decline in manufacturing and the rise in the number of service related industries, which require different skills, it would appear that the number of businesses which could be considered family businesses in the traditional sense would also be declining. The nature of a service industry relies on personal experience and skills, which are not necessarily as easily gained as process types of skills, usually associated with manufacturing. As an example, in the industry category of Property and Business Services, the majority of businesses within the category, such as accountants, architects and lawyers, would be considered professions which require some form of tertiary qualification.

Whilst it is not unknown for children to follow their parents into professions such as the law, areas such as management consulting require personal experience more so than process types of learned skills. These experience related skills simply cannot be passed on or learnt vicariously. Beach (1993) found that children who were exposed to a business through their parents often became actively involved within the business, however the businesses in the study were in industries such as hospitality and manual trades, with no mention being made of any service types of industries.

Finally in a more general sense, there is a continuous widening of choice of occupations and the ability to gain tertiary qualifications has become more accessible for most of the population. As the nature of work continually changes, mature workers are encouraged to gain additional work skills. This allows people to change their employment direction at any stage in their working life, and for some people it becomes a necessity. It also has the effect of not trapping people into employment which they do not want to do, or were simply expected to because they were the next generation, a feeling often expressed by people who had to go into the family business (Mulholland, 1997). So even though the majority of Property and Business Services would not necessarily be family businesses, based on previous data, it is importance to see if some of the general issues relating to family businesses are relevant to this sample.

If the owner of the business does not perceive the business as being a vehicle for family members to join at some time, then how they measure the success of the business could also be different. These mono-generation business owners could well place less emphasis on financial measures as there is less imperative to have to build up assets in

order to have something to pass on. This could also effect how long the SBO intended to operate the business, so the age of the business could also be a factor.

2.8.2. Age of the business

The age of a business can be analysed either by how long it has been trading (in years) or as to where it is in relation its position in a business life cycle. There are several different models of the business life cycle, with the most notable being the Churchill & Lewis (1983) five stages growth model. Within this model the five stages are; existence, survival, success, take-off and resource maturity, with the trajectory being an elongated S shape. This model, along with earlier models such as Greiner (1972) presuppose that all businesses want to grow and that the growth is exponential. Whereas all businesses need some form of continuous growth to survive, not all businesses want to grow either quickly or even in an incremental way (Gray, 1998).

Wherever a business might be on one of the conventional business life cycle models, there will be an approximate correlation with the actual age of the business. That is, all young businesses have to go through the existence and survival stages. If the business survives the initial turmoil/existence of business start up, then it should experience some form of success, and so on. The difficulty is in predicting when any of these events will occur.

There is anecdotal evidence which states that the first two years of a new business are the most difficult, however this has not been empirically proven. So if businesses can initially survive then it is a matter of how long it takes them to establish themselves in a more permanent capacity. Hisrich & Peters (1998) estimate that the initial start-up and survival phase can typically last for about 5-7 years. Where this could be true for some industries, it perhaps does not take into account newer industries such as IT, where innovation and speed of acceptance of new products are critical to whether the business will survive at all. It therefore would be fair to say that the type of business also has a bearing on its chances of survival. There are also other correlations with age, such as size of business.

Davidsson (1991) found that the age of a business and its size were negatively correlated with growth. That is, the smaller younger businesses were less likely to have strong growth patterns. This makes intuitive sense as there are many barriers that new businesses face. This also has implications for issues such as obtaining finance. Read (1998, p. 77) states that:

Business age is one of the most important lending criteria used by banks and is often used by banks as a surrogate measure for 'risk'. This is because new start-up companies lack a track record, market share, and have an untried product, high failure rates and the business owner is unlikely to be experienced.

In the study by McKechnie, Ennew & Read, (1998) concerning SBOs and their business relationships with banks, the gender of the business owner was considered. They found that some small business owners had difficulties dealing with the banks but it was unclear whether that is based on gender or the age of the business. Often gender bias or at least perceived gender bias has been linked with obtaining finance (Carter & Allen, 1997; Carter & Rosa, 1998; Coleman, 2000; Scott, 1986; Still & Guerin, 1991). However women's businesses are often younger and smaller than comparable male owned businesses (Riding, & Swift, 1990; Rosa, et al. 1994), therefore it is unclear if the difficulties are because of gender or the age of the business.

The age of the business is also relevant to its size, which in this instance is defined by the number of employees that a business has. When growth has been mentioned it is normally linked to number of employees, and therefore by default is associated with the size of the business.

2.8.3. Size of the business

As has already been defined, the major size categories of small businesses are either micro or 'other'. Micro businesses are by far the largest number of businesses in Australia in absolute terms, yet it is interesting to note that there has been little dedicated research into micro businesses¹¹. This leads to the presumption that the

¹¹ The exception to this is Susan Baines with various co-authors (Baines & Wheelock, 1998; Baines, Wheelock & Abrams, 1997; Chell & Baines, 1998), however Baines and her co-authors are UK based researchers and do not include comparative Australian data in their studies.

activities of micro businesses are adequately covered in the general literature on small business. This unfortunately is not correct.

Whilst micro and non-employed businesses are unquestionably small businesses, they do have some different and unique characteristics, such as where they conduct their business from and their attitude to growth. Businesses which pursue a strategy which includes plans for growth are deemed to be growth oriented and the reverse is true for growth adverse businesses, with micro businesses said to be more growth adverse than other small businesses (Gray, 1998). Aversion to pursuing a growth strategy could be because of a number of reasons such as the industry sector, the age of the business or more personal affective reasons, including reasons for initial business start-up.

As already stated the reasons why people go into business in the first instance would seem to be an important determinant as to whether the small business operator will be growth orientated or growth adverse. Given that the majority of micro businesses are also home-based businesses the factors mentioned in the next section are of relevance to the smallest sized businesses.

2.8.4 Home-based businesses

Home-based businesses are a large subset of small business. Within this subset there are two further classifications, which are, 'businesses operated *at* home' and 'businesses operated *from* home'. These are ABS (1998) definitions and are qualified as follows: 'businesses operated *at* home' is where most of the work of the business is carried out *at* the home(s) of the operator(s)... 'businesses operated *from* home' is where the business has no other premises owned or rented other than the home(s) of the operator(s)" (ABS, 1998b, p. 83). As an example of businesses operated from home, these would be businesses such as self employed trades people who conduct their work on site or at other peoples premises, and do not have an office or workshop external to their homes. Combining the two different classifications into a generic 'home-based businesses' category, together they represent 58% of all small businesses and 58% of small business operators (ABS, 1998b).

Despite the large number of businesses which fall into this category, they have not been extensively researched in Australia as a discrete entity (Conroy, 1999; Stanger & Woo, 1999). Home-based businesses are similar to the subset of micro business, in that they have either been ignored as an independent entity or have been collated into the generic small business category. There are two main reasons why there has been little dedicated research into this category of business. The first being that although home-based businesses are important in terms of critical mass, they are not so important in terms of revenue generated, compared to other sectors of the economy. The second reason has been because of the difficulty of identification.

The difficulty of actually identifying and gaining a representative sample was found by Deschamps & Dart, (1998). Carter et al., (1992) in their study of home-based businesses in rural America, found that there was a lack of information on these businesses because of their wish to remain obscure. A possible reason for this anonymity was that some of these businesses were potentially concealing themselves because of tax avoidance and legal requirements. This situation would be similar in Australia, as Lafferty, Hall, Harley & Whitehouse, (1997, p. 144) point out, "Obtaining accurate information on homeworking is difficult since much of it occurs in the informal sector of the economy". Whereas Lafferty et al. are referring specifically to homeworking, the same problems are applicable to the smaller, unregistered home-based business sector. In this instance the informal sector is taken to mean the black or 'grey' economy (Birley, 1996). Indeed the whole area of tax avoidance and the black economy in Australia is estimated to be worth anything from \$3.9 billion to as much as \$15.1 billion (Blondell, 2000), although in reality this is something of a guess.

It should again be reiterated that figures which the Australian Bureau of Statistics report do not necessarily capture all businesses. This would be especially true of the home-based business sector, given the estimated amount of undeclared income which the black economy possibly generates. Conroy (1999) points out that the figures for home-based businesses are extrapolated from the Census and the Labour Force Survey and are not collected as dedicated data. The data therefore does not capture newly formed businesses or businesses which are being run in conjunction with paid employment. These are often 'hobby' or 'craft' types of micro businesses or as Stanger and Woo (1999, p. 240) refer to them as 'garage-based businesses'. Due to the difficulty of

identification, home-based businesses along with micro businesses are under represented in the general business community and are therefore under represented in government policy areas (Conroy, 1999, Standen, 1998).

Canadian studies appear to show that there has been a (re)emergence of home-based businesses (Deschamps & Dart, 1998; Deschamps, Dart & Links, 1997). Deschamps et al., attribute this to four main reasons, industrial restructuring, entrepreneurial values, environmental pressures and emerging new technologies¹². In some issues regarding small business, Canada is similar to Australia, such as population size, however it is not clear if Australia is also officially experiencing real growth in this sector. The ABS Business and Growth Performance Survey (1999), does not mention place of business operation so does not therefore distinguish home-based businesses from businesses operating from external premises. However Stanger's (2000) own research into this sector shows that there is a large increase in home-based businesses.

This is consistent with the findings of Deschamps et al. (1997) and their subsequent reasons coupled with the general overall changes in the workplace. Environmental pressures in the form of general industry restructuring has lead to less secure paid employment for most workers, which therefore exacerbates an overall need for both income and job security to be gained from alternative sources. This makes the option of self-employment a more attractive option in some instances, accepting however that self-employment is not a suitable option for all people, such as the distressed entrepreneurs previously mentioned.

Environmental pressures are also impacting on societal values and as Rowe, Haynes & Bentley (1993, p. 384) point out, "It now takes two workers in a family to maintain a decent standard of living, consequently more than 60% of all US households depend on two incomes". They further hypothesize, "... home-based work provides an effective way in which to balance the demands of paid employment and family responsibilities, particularly for women" (p. 384).

¹² These reasons are not just restricted to home-based businesses, as they are also similar to the factors mentioned for the rise in self-employment *per se*.

Also the effect of rapidly increasing technological advances make it much easier to work from home (Deschamps et al., 1997; Standen, 1998). This ease of operation has appeal to various types of people, especially the physically disadvantaged and women. Women's ownership of home-based businesses mirrors their percentage ownership of small business ownership overall, which is currently 35% (ABS, 1998b). There is often an association made between home-based work and women. Carter et al., (1992) found that in their study of rural home-based businesses there were more women than men working from home. ABS (1998b) figures do not support that finding although as mentioned, the inaccuracy in Australian figures could mean that there really are more women than men operating home-based businesses. It is more likely also that women are operating more 'at home' businesses than 'from home' because of the nature of the type of work that can be done from home. This includes the craft/hobby industries, and also technology based 'virtual' jobs.

In addition to the four main reasons stated by Deschamps et al., (1997) for the possible re-emergence of home-based businesses, are some more specific reasons. As Beach (1993, p. 371) states;

people choose to operate businesses at home for a variety of reasons: low overhead, tax benefits, distaste of conventional work settings, the opportunity to be ones own boss, and especially, the opportunity to respond to both work and family needs in one setting.

The aspect of balancing work and domestic responsibilities is prominent throughout the literature on women and business ownership (Buttner & Moore, 1997; Caputo & Dolinsky, 1998; Cliff, 1998; Still & Guerin, 1991). Because of the uniqueness of running a business from home, such as low start up costs and convenience, there could be a much greater appeal in this to women rather than men. However, the reasons for men wanting to be home-based has not been explored in any detail. Whereas there are some obvious advantages for women operating their businesses from their homes in relation to the domestic responsibility balancing act, there can also be disadvantages.

As Stanger (2000) points out that for women, being home-based can be detrimental to the operation of the business, because of the difficulty of demarcation of both time and

space with the work being carried out in a home setting. Working from home can also create tension in the family (Allen et al. 1992; MacNabb, et al., 1993), with some women stating that their husbands were hostile to their businesses being in a home setting (Jurik, 1998). Further, in other studies which have included gender comparisons, women invariably put family before business, regardless of place of operation (Chell & Baines, 1998; Parasuraman et al., 1996). As Loscocco, (1997, p. 204) discovered, "family intrudes more on work among women, and work intrudes more on family among men". This attitude is also prevalent in the general work environment and not just applicable to women operating their own businesses.

What can be ascertained from the extant literature into home-based businesses, is that there are various aspects regarding this sector of small business which are under researched. Often the research undertaken has not been gender comparative, or women have been over represented in the sample (Lafferty et al., 1997). This current research will explore any differences there might be in relation to gender and the impact place of operation has on measures of success.

2.9. SUMMARY

Much of the previous literature on small business owners has concentrated on their demographic and psychographic characteristics, such as gender and age and motivation and risk taking. In addition how small business owners measured their success has predominantly focused on financial criteria, with little research acknowledging the importance of non-financial lifestyle criteria. What has not been studied to any extent is the relationship of motivation to the measurement of success. Further, the variables of gender and size and of the business have not been explored as to their impact on how the SBO measures their success.

CHAPTER 3

THEORETICAL FRAMEWORK AND METHODOLOGY

3.1 INTRODUCTION

This study aimed to ascertain if small business owners use measures other than financial criteria to evaluate the success of their businesses, based on the conceptual framework which was developed. A mixed methodology was thought appropriate as the intention was to develop research hypotheses from the initial personal interviews, then to test them using the information gathered from the questionnaire. How the research hypotheses were developed and how the quantitative procedure was undertaken are discussed in this chapter. Some of the problems that were encountered as also discussed, as the process of conducting research is often not plain sailing. The chapter starts with the conceptual framework followed by the research hypotheses and propositions.

3.2 THEORETICAL FRAMEWORK

This traditional view of how SBOs are perceived to view their success was shown diagrammatically in Figure 2.1 and is repeated below.

Traditional Model of the Determinants of Small Business Success

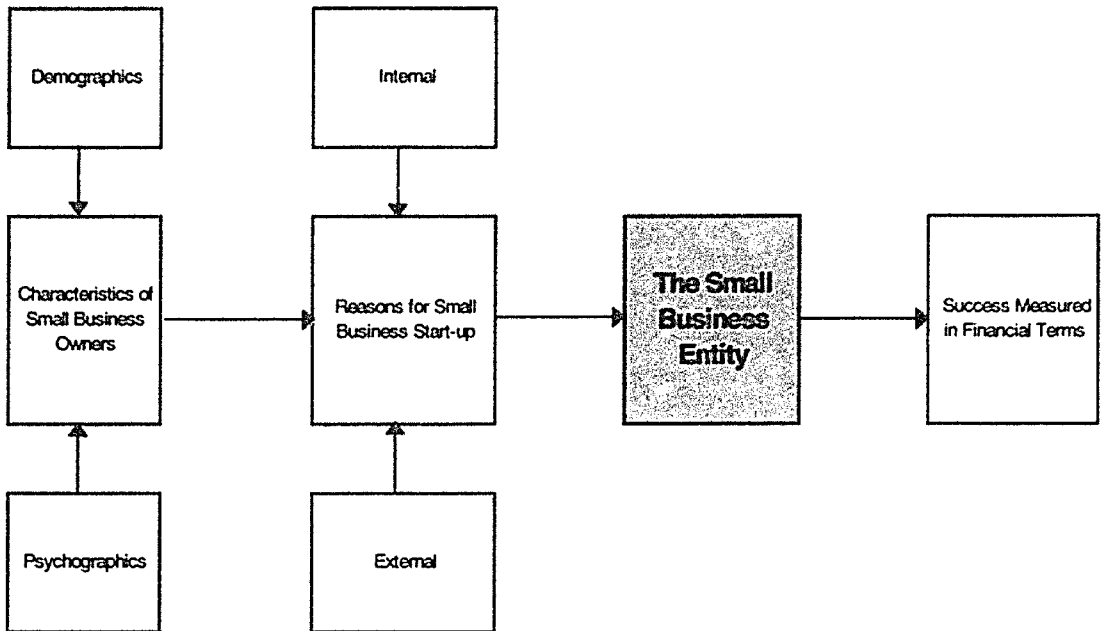


Figure 2.1 Traditional Model of the Determinants of Small Business Success

As previously stated, what the majority of the past literature fails to do is to take into account the non-financial, affective rationale which is also used by small business owners to measure the success of their business. There is a core assumption in previous research that small business owners automatically use financial criteria as the basic measure of their success. Given that a key function of operating a business is to provide some form of income for the operators, which in business is profit, few businesses operate with the express wish to make a loss¹³. Therefore acknowledging that financial measures may rate highly in any consideration of success, what is of more interest here is the relative importance attributed to non-financial lifestyle measures.

In addition, in order to measure anything there has to be an initial object, point in time or something more intangible, such as a personal goal, as a starting point. Therefore if the small business owner achieves that initial goal of having a more flexible lifestyle or

¹³ Whereas some businesses obviously do make losses, regardless of the size of the business, the underlying assumptions underpinning this study are that all business operators are striving to make a profit. The amount of profit is subject to the personal aspirations of the individual operators.

having achieved autonomy, is their business successful? Or are they just personally successful? These are issues that have not been previously researched in relation to small business. the underlying premise to this is the inseparability of owner and business, for most SBO's perceive themselves to be the business.

If non-financial measures are deemed to be acceptable measures, then the traditional model of the determinants of small business success would obviously be different. This is because in reality, in order to measure total business success, initial motivations need to be reviewed by the SBO in order to see if the motivations which led to the personal and professional goals set initially, have been achieved. This aspect of personal goal review has to incorporate the more affective non-financial measures. Further, the homogeneity of the business entity *per se* is also questionable, as there are significant variables which contribute to business start-up and continue to do so throughout the life of the business. These variables, such as gender of the SBO, place of operation, family orientation and size of business, need to be acknowledged as being contributory factors in how the SBO measures their success. These variables make up the first part of the conceptual framework for this study.

The second part to the conceptual framework is the SBOs motivation to start the business in the first place. The aspect of being pulled or pushed into starting the business has been extensively researched, as noted in section 2.6 in the literature review.

The third part of the conceptual framework concerns how SBOs do measure their success. however rather than there being just the traditional financial measure, it is hypothesized that there are at least two other measures, these being purely affective lifestyle and a combination of financial and lifestyle.

Conceptual Framework of the Determinants of Small Business Success

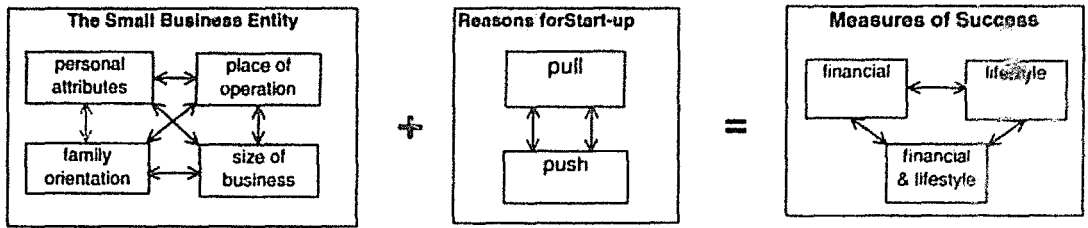


Figure 3.1 Conceptual framework of the determinants of small business success

The conceptual framework is based partly on previous studies, which are mentioned in the literature review and partly on the hypotheses to be tested. The variables that are shown in the conceptual framework will be tested to see what is their relationship to the different measures of small business success.

3.3. RESEARCH HYPOTHESES

In order to test this conceptual framework 11 research hypotheses have been developed.

- H₀1.* Small business owners principally use financial criteria to measure their success.**
- H₀2.* Gender does not affect small business owners' measures of success.**
- H₀3.* Size of business does not affect small business owners' measures of success.**
- H₀4.* Place of operation does not affect small business owners' measures of success.**
- H₀5.* Small business owners are pulled or pushed equally into starting their businesses.**
- H₀6.* Gender does not affect the reasons for starting a business.**
- H₀7.* Business size does not affect the reasons for starting a business.**
- H₀8.* Place of operation does not effect the reasons for starting a business.**
- H₀9.* Reasons for business start-up do not effect the measures of success.**

***H₀ 10.* The majority of small businesses consider themselves family businesses.**

***H₀ 11.* Small businesses are ‘mono-generational’ and do not seek to pass on the business to the next generation of their family.**

All of these hypotheses will be tested using a combination of descriptive and inferential statistical tests. The results of which will assist in building a new conceptual framework of the strength of the different variables.

3.4. CHOICE OF METHODOLOGY

A mixed methodology was thought appropriate as the main research questions developed into testable hypotheses. Both qualitative and quantitative methodologies were used to examine the premise that small business owners use various measures of success. The preliminary qualitative approach took the form of semi-structured interviews with owners of businesses from a variety of industry sectors. From these initial interviews a questionnaire was developed, which was then piloted to discover any anomalies and fine tune it. After minor amendments a postal survey was conducted.

3.5. PROCEDURE

3.5.1. Stage One – semi-structured interviews

As the original population was businesses from all industry sectors in Western Australia, 11 semi-structured interviews were conducted with the owners of the businesses. The sampling methodology for these initial interviews was purposive, so that a broad range of views would be canvassed.

The interviews were tape recorded with the permission of the respondents and later transcribed. They took place at either the respondents place of work or their home, as some of the businesses were home-based. The interviewees were always allowed to set the day and time. The shortest interviews were those which were conducted during working hours in the respondents place of work. After the 11th interview it was felt that saturation point had been achieved in terms of the range of answers.

The principle reason for conducting personal interviews was to determine if themes emerged that would assist in the development of the main instrument. For that purpose the respondents were allowed to talk, at length, on a variety of issues concerning themselves and their businesses. Even though the interviews were unstructured, questions that pertained to the research area were substantially covered in the natural course of the conversation. When asked about initial reason for starting the business, respondents often talked about family responsibility and where they felt they were in terms of either professional or personal development.

The respondents were encouraged to talk about their motivations for starting their businesses initially and how they felt about their business in regard to the amount of time spent in the business and how it effected personal relationships. The respondents were also asked if they perceived their businesses to be successful or not, and what measures they used. Demographic questions were also asked.

The respondents were from a wide range of Australia and New Zealand Standard Industry Classification (ANZSIC) divisions. The respondent's occupation and gender and their industry sector are shown in Table 3.1.

OCCUPATION	GENDER	ANZSIC DIVISION
Typesetter	Male	Manufacturing
Subcontract bricklayer	Male	Construction
Wholesaler	Male	Wholesale trade
Shop owner	Female	Retail trade
Construction project management	Male	Property & Business Services
Management consultant	Female	Property & Business Services
Management consultant	Male	Property & Business Services
Accountant	Female	Property & Business Services
Staff trainer	Female	Education
Drama teacher	Male	Education
Hairdresser	Female	Personal & Other Services

Table 3.1. Respondents Industry Category and Gender

The preliminary interviews adequately reflect a representative gender sample for Western Australia. Five of the interviewees were females and six were male. The ratio for Australia business ownership as a whole is 35:65.

Not all of the 17 ANZSIC divisions available (ABS, 1993) were covered but for exploratory research the range was considered adequate. The ABS also reduces the 17 divisions to 13 for some of its small business publications i.e. Small Business in Australia (Catalogue No. 1321). Using these 13 divisions (ABS, 2000a, p. 63) the weighted proportions for the Western Australia business sector are shown in Table 3.2, along with the number of interviews for each sector.

Industry Division	Weighted percentage	No of interviews
Mining	1%	0
Manufacturing	8%	1
Construction	16%	1
Wholesale Trade	5%	1
Retail Trade	15%	1
Accommodation, cafes & restaurants	3%	0
Transport & storage	7%	0
Finance and insurance	3%	0
Property & business services	23%	4
Education	2%	2
Health & community services	6%	0
Cultural & recreational services	3%	0
Personal and other services	8%	1

Table 3.2. Industry Division and Interview Percentage.

3.5.2. Stage 2. Questionnaire development

The rationale for using a questionnaire was to test the 11 hypotheses. The questionnaire was developed from themes expressed in the recent literature on motivations for business entry¹⁴ (Birley, 1996; Birley & Westhead, 1994; Gatewood, Shaver & Gartner, 1995; Shane, Kolvereid & Westhead, 1991; Volery et al., 1997) and the exploratory interviews. The business start-up literature provided a guide as to what were commonly asked questions in relation to the areas of interest. Questions and themes that were pertinent to this research were then modified or extrapolated to suit the intended population. Whereas the previous studies mentioned were extremely useful in assisting in the conceptual development of the questionnaire, the specific questions in these studies were obviously designed to answer the research questions of those authors. This is also the opinion expressed by Storey (1994) when discussing the difficulties of trying to make comparisons of different small business studies. Therefore the questionnaire used in this study was original and not a modified version of an existing instrument. The interviews provided an additional source of information for the development of the instrument.

Each question and statement was examined to ensure that it was relevant to the hypotheses and not just a potentially interesting piece of information (Sudman, 1988). Some questions were applicable to more than one hypothesis.

The questionnaire evolved from the first rough draft to a workable copy after numerous revisions. The content or face validity was checked continuously by faculty research experts (Roberts, 1999; Zikmund, 1994). By the fifth draft it was felt that the questionnaire was ready to have its validity checked by a sample of the intended population.

¹⁴It is acknowledged that whereas there was important research conducted in this area during the late 1970's and the 1980's, it is felt that there have been major worldwide environmental changes in business in general over the past 20 years. These are issues such as downsizing, improvements in accessibility to education for everyone, EEO legislation and also more women overall in the workforce. These issues have resulted in quite dramatic changes in motivations for business start-ups.

3.5.3 Initial piloting of the questionnaire

The initial respondents for the exploratory interviews were selected using a non probability sample derived by purposive sampling leading to snowball sampling. Purposive sampling was again used in the initial piloting of the questionnaire in order to maintain a broad range of industries, age and gender of the business owner and the length of time they had been in business (Churchill, 1991). This pilot test was a declared pretest (de Vaus, 1995) as the respondents were asked to give feedback on the questionnaire design as well as complete the questionnaire.

The validity of the questionnaire was tested by the researcher visually assessing the respondent whilst they completed the questionnaire, then discussing any moot points which arose from the questions. The verbal answers given were cross checked with the written answers. The respondents were also asked and their general feelings about being a small business owner, with issues such as the pressures that ownership placed on family life and how that impacted on how they measured their success being discussed.

The initial questionnaire consisted of 6 A4 pages, with six sections and a covering letter. The first section consisted of predominantly closed questions related to the actual business. The second section, in 3 parts, related to how the respondent felt about a number of issues. The first subsection related to the reasons for going into business using a series of 22 statements with 7 point Likert scales. The second subsection asked how respondents felt about their business, using 27 statements, also with a 7 point Likert scale. There was a further subsection which was only for home-based businesses.

A third section concerned attitudes to employing staff, using 14 statements with 7 point Likert scales. The fourth section concerned measures of business success, including a question asking respondents to rank the importance of profit, personal freedom and sales growth to them. A further question in the section asked respondents what stage their business was in a life cycle of survival, growth, maturity or decline. There were 3 additional open ended questions on the criteria respondents used to measure success and what they considered the best and worst aspects about being in business. The fifth section asked what the future intentions for the business were and the final section sought demographic information. The demographic information was placed at the end

of the questionnaire to accommodate the possible resistance that might occur if personal questions were asked before questions relating to the respondents business, given that the emphasis of the research was not just personal attributes. The order of the sections was in line with Sudman & Bradburn (1988) who state:

Since some demographic questions are threatening, put these questions at the end of the questionnaire unless answers to these questions required earlier for screening purposes. If at all possible, avoid asking demographic questions first (p. 208).

Seven questionnaires were completed with the researcher present. The intention was to collect data from approximately 30 businesses, to give a broad coverage of variables such as age of business, size of business, different industries, gender and whether the business was home-based or external. It very quickly emerged that the questionnaire was difficult for respondents to complete without additional verbal instruction.

3.5.4. Initial problems

Some respondents did not read the instructions for sections which had Likert scales, with instructions that stated that responses were required for all statements. One respondent read all of the statements in section 2 and then just circled one option, as opposed to giving an opinion on all of the statements. The respondents reason for doing so was they felt only one statement applied. This problem was addressed at the time by the researcher, who told the respondent that the idea was to give inapplicable statements a low rating, but was cause for concern.

The question requesting respondents to rank three items in order of importance was incorrectly filled out by most of the respondents. Using 1 as the most important and 3 as the least important, respondents either marked all measures as equal, i.e. ranking all three measures as 1's. or only using either 1 and 2, and repeating one of the numbers twice. Errors were also made on the question which asked the number of staff the business employed. Invariably respondents did not count themselves.

A possible reason for this apparent lack of comprehension could have been the physical presence of the researcher, which may have inadvertently intimidated some respondents.

A further consideration regarding the researcher being present was acquiescence or interviewer bias, the respondents answering in a manner that they 'thought' was the appropriate response, as opposed to the truthful answer (Zikmund, 1994). It is very difficult to substantiate whether acquiescence bias was present, however as discussions took place with all respondents either during or after the questionnaire had been filled it, it is the opinion of the researcher that some bias might have occurred.

To determine how critical the presence of the researcher was, a slightly different approach was then adopted. A further 5 businesses were contacted by telephone and asked to complete the questionnaire and return it in a pre paid envelope. The answers from these 5 respondents were similar to the first 7 in that not all sections were completed correctly. The ability of the intended sample to be able to comprehend and answer the questionnaire unaided in its present state became a concern, given that this small sample would appear to have been reasonably representative of the intended larger sample.

3.5.5. Instrument revision

After reviewing these design problems, major revisions were made. Only minor changes were made to the first section, which was basic information concerning the business. The first subsection concerning reasons for business start-up, was reduced from 22 statements to 16. The second subsection, which concerned how the respondents felt about their businesses, was reduced from 27 statements to 15. Whereas this was a substantial reduction in statements, some of the previous 27 were thought to be too repetitious and therefore the reduction in number did not detract from eliciting sufficient information.

The section relating to employing staff was deleted, as after analysing the results from the first pilot, the answers given did not shed any new insights into employment issues. Employment of staff was seen as necessary if a business wanted to expand in a way that required more labour. The business owners surveyed accepted the responsibilities of employment, and government regulations were seen as part and parcel of running a small business. The businesses which did not employ staff had an overall problem with government regulations, therefore the answers given negated each other.

The original fourth section contained several questions relating to measures of success. The question which used a ranking scale had not been correctly completed by the majority of the respondents. It was therefore replaced with a Likert scale. The open ended questions asking what the respondent felt was the best and worst thing about being in business were retained, as it was felt that these questions might elicit some new information. The final two sections, which concerned future plans and demographic information were retained and only minimal alterations were made.

The major alteration in the revision of the questionnaire was in changing the Likert scales from a 7 point to a 6 point. The 7 point scale gave participants the option of having a mid-point option, which was used by some of the respondents, even though their verbal answers were very definite. As the nature of the research was to obtain definite opinions on what the business operator thought about their businesses and how they measured their success, an answer which neither agreed or disagreed did not fulfil this requirement (Mangione, 1995). The scale was thus changed to a 6 point Likert scale. The use of Likert scales throughout the questionnaire was thought to be appropriate to measure attitude as it was using only one standard response to a range of statements (Moser & Kalton, 1971).

The other major change was in the overall length of the questionnaire, reducing from 6 pages to 4, and thereby being just a single A3 sheet of paper, folded in half. The covering letter then became the first page. The reduction in size was in response to feedback from the respondents concerning the length of the questionnaire.

3.5.6. A revision of the choice of sample

The original intention of the researcher was to conduct a random stratified sample of all small businesses in Western Australia, of which there was approximately 100,000 (ABS, 2000a). One of the issues that emerged from the first pilot study was the difficulty that some of the respondents had in comprehending some of the basic principles of completing a questionnaire. The 12 respondents came from a wide variety of industries, had varying levels of education and were operating on-going businesses. It

was anticipated that they should have been able to easily complete what was a reasonably straight-forward questionnaire.

However some of the respondents expressed initial reluctance to completing any type of survey on any subject. The predominant reason for agreeing to participate in the pilot study was because of either personal recommendation or the existing personal contact. All of the respondents were asked if they would have completed an unsolicited postal questionnaire, with the majority stating they would not. When asked why, the reasons given were the intrusion on their time and the perception of being inundated with 'junk' mail. The initial choice of sample was an attempt to gauge the opinion of a broad cross section of Western Australian small businesses on measures of success. However if the potential sample were unattainable, that is, they might not fill in a questionnaire, then there was little point in pursuing such a potentially reluctant population.

Further there are some inherent difficulties when attempting to research small businesses, chiefly in obtaining a representative sample, due to the heterogeneity of the total small business population. Even allowing for the statistical viability of small samples, there are often too many variables to achieve a genuine stratified random sample of all small businesses. As confirmed by Gibb (cited in Reid, 1998, p. 79) who states that, "the search for a representative sample is rarely possible in any small firms research as the small firms sector is so diverse".

After considering all of the difficulties that had been encountered the population frame was then changed to a single industry sector, which was the Property and Business Service Sector. There were several reasons for choosing this particular industry sector. One reason is that it is the biggest of the 13 industry sectors in Australia, accounting for 20% of all small businesses (ABS, 2000a). The sector has the second highest growth rate of all sectors, after education (ABS, 2000a). In addition, it was anticipated that based on previous studies, this sector would incorporate the variables required to test the research hypotheses, namely having a reasonable gender ratio, a variety of sizes of businesses, thus allowing for comparisons between micro and small businesses and a significant proportion of businesses which are home-based. It was therefore felt that there was sufficient diversity in this industry sector to gain a broad overview of how

these small business owners measure their success. However, the limitation is that the findings in this study might not be generalisable to the wider small business population.

3.5.7. Second pilot study

In view of the problems with the initial pilot study, a second declared pilot study was conducted, with 30 new respondents and was again a convenience sample. All respondents were contacted personally and told the nature of the study and asked if they would complete the questionnaire, and make comments on its ease of comprehension, its appearance and its length. Twenty questionnaires were posted and 10 respondents were asked if they would be willing to fill out the questionnaire and then discuss it face to face with the researcher.

The 20 questionnaires which were returned by post had all of the sections completed and only minor comments made. The 10 respondents who were personally contacted also had little trouble completing the revised questionnaires and also only made minor comments. Where thought appropriate, the comments were acted upon and alterations made to this second questionnaire. The majority of the respondents commented that they found the questionnaire easy to understand and that the appearance and length were suitable.

The reliability and validity of the instrument was checked to see if there were any obvious errors and preliminary T-tests were conducted. This was to check for any anomalies with the scales and the responses that had been given. As there were no statistical problems the main study was then undertaken.

3.5.8. Reliability and validity

Any instrument used in the research process needs to be both reliable and valid. Zikmund (1994) defines reliability as "the degree to which measures are free from error and therefore yield consistent results" (p. 288), and validity as "the ability of a scale or measuring instrument to measure what is intended to be measured" (p.290). Both statements express an ideal scenario, as it is impossible for research to be completely

error free. As Carmines & Zeller (1979, p. 11) state, "The measurement of any phenomenon always contain a certain amount of chance error".

The reliability of the instrument was tested in the pilot study in a declared manner, and a proportion of the respondents were also asked the questions verbally. The reliability of the final questionnaire was tested using Cronbach's coefficient alpha, a test of internal consistency and interitem reliability (Emory & Cooper, 1991; Sekaran, 1992). The alpha scores on the factor analysis ranged from .76 to .90, which are acceptable for exploratory research (Hair et al., 1995).

A conventional test of validity is content or face validity, which Vockell & Asher, (1995, p. 109) state can be tested by, "logically analyzing the domain of the subject matter or behavior that would be appropriate for inclusion on a data collection process and examining the items to make sure that a representative sample of the possible domain is included". The content validity of the instrument was tested both amongst qualified researchers and a selected group of small business operators before the second pilot was conducted. It was found by both groups to have good content validity. An additional validity test is for criterion-related validity, which "refers to how closely performance on a data collection process is related to some other measure of performance" (Vockell & Asher, 1995, p. 109). Whilst this study was unique and not a replication of any other studies, there were some similarities with the six monthly studies conducted by the Western Australian Small Business Development Corporation (SBDC, 1998), therefore concurrent validity was checked with past SBDC surveys.

3.5.9. The sample

There is no definitive list or database of Australia small businesses produced by government which is available to the general public. Therefore commercial databases are the only way to gain a sufficient sample. The database used was Australia on Disc, which is a database of all Australian businesses and is commonly used for research sampling purposes (Wooden & Harding, 1998; SBDC, 1998). The population was all Western Australian businesses which had the ANZSIC code for Business and Property Services, (7700 to 7899). The sample was further defined by postcodes, using 6000-

6030 (Metropolitan Perth – North) and 6100-6210 (Metropolitan Perth – South). This generated a list of 13,498 businesses, from which the sampling frame was generated.

3.5.10. Limitations of the data base

There were four limitations to using the Australia on Disc database. Firstly it does not guarantee that it has captured 100% of all businesses. It is likely that micro and home-based businesses which are not registered, would not be captured in the sample. The second limitation is that the database does not give the size of the business. The only way to ascertain size was by asking how many employees the company had when first making telephone contact.

The third limitation was that the database does not differentiate by business status, that is if the business is independently owned or operated or whether it is part of a national chain or a franchised operation. As the study was only concerned with independent locally owned businesses, the other types of businesses were not applicable.

The final limitation was that the database did not name the owner or proprietor. This meant that a telephone call was required in order to personalise the questionnaire.

Despite these limitations and in the absence of a more comprehensive database, the Australia on Disc database provides an adequate sample for the purpose of the study.¹⁵

3.5.11. Sampling frame

The population consisted of 13,498 businesses, from which a systematic random sample of 1349 was chosen. This list was further reduced by removing entries that were in some way incomplete, such as not having a complete telephone number or a complete address. The final sample was 1172. In order to derive meaningful statistical analysis,

¹⁵ A commonly used data base for business research is the Dunn & Bradstreet Business Index. However this database is self selected, businesses chose and pay to be in the index. This often excludes many small businesses and certainly micro businesses.

the number of responses required, based on the size of the population is approximately 300. (De Vaus, 1995).

3.5.12. Gaining adequate response rates

A major difficulty in any research is achieving an adequate response rate. Past research in small business, especially using postal surveys has had notoriously low response rates, such as less than 10% (Reid, Dunn, Cromie & Adams, 1999). There are several reasons for this, such as design and poor administration. The design of the instrument is critical, and should be tailored to the population. Questionnaires that are too long or too complex, often receive bad response rates (De Vaus, 1995). Whilst there is no definitive length for the perfect questionnaire, the more concise, the greater the chance of response. This questionnaire was of minimum length, being only 4 pages.

The administration of the questionnaire can also be problematic. Questionnaires can be sent out at inappropriate times, such as over holiday periods (De Vaus, 1995). Another reason for low response rates is if the questionnaires are unsolicited or incorrectly addressed. Unsolicited or unrequested mail is often simply trashed and incorrect addresses are returned to the sender. These potential problem areas were addressed in the administration of this study, by making sure that the questionnaires were sent out at an appropriate time and that accurate information was gathered initially.

3.5.13. Procedure

To achieve the number of responses required, businesses were qualified by a method similar to the screening process used by the West Australian Small Business Development Corporation in their six monthly reviews of small business opinion (SBSC, 1998). Each sample business was telephoned and the owner sought. The size of the business and whether it fitted the criteria of being independent was also checked at this stage. If the owner was available, a brief introduction regarding the researcher, the institution and the purpose of the research was given. The SBO was asked if they would agree to participate. If so, their name, the name of the business and the postal address was checked. If they declined, they were thanked for their time.

If the SBO was unavailable, the person who had answered the telephone was asked if they thought the owner would agree to participate. If de facto agreement was reached, the postal details were checked. The rationale for getting de facto agreement from the person answering the telephone was that often that person was the spouse of the SBO or was in a position to know whether the SBO would be agreeable. Gaining second hand agreement meant that additional telephone calls to speak to the SBO were not required.

If the telephone was not answered, the call was noted as a 'ring-out' and was re-called at a later stage. The same system was used if an answer-phone was in use. Messages were never left on answering machines because it was felt that personal appeal was an effective strategy for gaining agreement to participate. Therefore these numbers were re-contacted later.

Whilst the procedure was to systematically call every 10th number, not every tenth number was an active business. Some were disconnected, had become different businesses, or were private numbers. There were also businesses which declined to participate. The most common reason given for declining was that they were too busy.

As only 300 responses were required, this qualifying procedure was done in stages. As the significance of qualifying respondents was also of interest, two different strategies were used. Businesses from the database were telephoned until 200 business owners had agreed to participate either personally or someone had agreed on their behalf. In order to check the value of qualifying, an additional 112 questionnaires were sent, using the same procedure of taking the 10th name from the database, but without any prior personal contact. The questionnaires sent to these SBO's were addressed to 'The Proprietor' and no attempt was made to check postal details.

The difference in response rates was noteworthy. Questionnaires sent to businesses where the owner was spoken to personally had a response rate of 61%. Questionnaires sent to businesses where de facto agreement was gained had a response rate of 48%. The third category, unsolicited questionnaires sent to 'The Proprietor' had a response rate of only 16%.

This initial stage gathered 125 responses in total. The procedure of qualifying was continued in stages until approximately 300 responses were achieved. The difference in response rates using qualifying as a technique versus unsolicited mail-outs proved that qualifying is worthwhile for the purpose of increasing response rates. It is however very time consuming and costly. Even using de facto agreement, the number of wrong numbers, no response or refusals was significant, therefore well over twice the number of telephone calls need to be made to gain an expectable return. A more realistic assessment would be three telephone calls to elicit one returned questionnaire.

3.6. DATA ANALYSIS

In order to answer the research questions, basic descriptive statistics, such as frequencies, and inferential statistical analysis, such as t-tests, and chi-square were required. Data reduction was also be conducted in the form of factor analysis. The descriptive statistics were included to build a picture of the type of person who was a small business operator. Whilst not the main focus of the research, it is important to determine whether the characteristics of the sample match existing profiles, therefore the demographic characteristics of the small business operator are an integral part of the theoretical framework of this study.

T-tests and chi-square tests were used to test the research hypotheses and as the respondents had numerous individual statements to rate, factor analysis was used to reduce the data. The use of factor analysis for data reduction was thought to be appropriate as De Vaus, (1995, p. 257) states that, "Factor analysis is an appropriate method of scale development when you have a set of interval-level, non-dichotomous variables". Further justification is given by Moser & Kalton (1971) when they state, "Factor analysis is widely used with Likert and semantic differential items as an exploratory device and, as such, it plays a particularly important role at the pilot stage" (p. 366). Additionally, Emory & Cooper (1991) state that if research is exploratory factor analysis is an appropriate method of analysis. Factor analysis has also been used in similar studies (Birley & Westhead, 1994; Gray, 1997; Kuratko, Hornsby & Naffziger, 1997; Ljunggren & Kolvereid, 1996; Roberts, 1999; Shane, Kolvereid &

Westhead, 1991). From this data reduction it was hoped to see if existing typologies could be matched (Birley & Westhead, 1994) and possibly new ones formed.

3.7. CONFIDENTIALITY

Approval for the research was gained from the University Ethics Committee. As the interviewees and respondents to the questionnaire were small business practitioners, care was taken that the research remained confidential and used for the intended purpose. The aspect of confidentiality was assured in the covering letter and verbally to the interviewees.

3.8. LIMITATIONS

A limitation of the study was that it was cross sectional research rather than longitudinal (Remenyi et al., 1998), due to both budgetary and time constraints. This meant that the study was only a snapshot of business attitudes and opinions and could not measure any trends or changes.

The secondary limitation was the choice of a self administered postal questionnaire which did not allow for in-depth data collection. This could have been gathered by a qualitative methodology or by having more open-ended questions. However because the data was required to test the hypotheses, it was felt that the questionnaire should be short. Asking respondents to spend time thinking about answers and then to write something, rather than checking a box, would have resulted in a much lower response rate.

3.9. SUMMARY

This research sought to discover whether financial criteria were the most appropriate measures of small business success. As other non-financial measures had been defined, it was thought acceptable to use a quantitative approach to test these measures against specific variables. Care was taken to ensure that the best possible outcome was achieved, given the constraints of time and difficulty of gaining a comprehensive data base of the population. There were some interesting discoveries made during the

research process, specifically the different response rates that were achieved by the three different approaches used. The required numbers of responses to the questionnaire were attained, which allowed for the 11 hypotheses to be tested.

CHAPTER 4.

RESULTS

4.1. INTRODUCTION

This chapter reports the results of the questionnaire, which are then used to test the eleven research hypotheses. Prior to the hypothesis testing a comprehensive examination is given of all of the descriptive data concerning the personal and business characteristics of the sample. This puts into context these characteristics, from which the test variables were isolated. The analysis consisted of frequencies, cross tabulations, and inferential statistics, using factor analysis, t-tests and correlations. The statistical computer package SPSS version 8.0 for Windows was used for all of the data analysis.

4.1.1. Response rate

In total 724 questionnaires were posted, of which 295 businesses replied, and 11 questionnaires were returned undelivered. In all there were 290 useable responses, which gives an overall response rate of 40%. This sector of business is notoriously difficult to obtain responses from with a postal questionnaire (Fischer et al., 1993; Hamilton, 1987), so a 40% response rate is considered adequate. As a comparison a recent UK survey of small business had a response rate of 9.4% (Reid, Dunn, Cromie and Adams, 1999) and a further UK study that had a much larger population had an equally low response rate, which the authors justified by stating that "a response rate of 14%, is regarded as satisfactory as the survey was conducted via a single mailing with no blanket follow-up" (Chittenden, Poutzioris & Mukhtar, 1998, p. 76). There was also minimal missing data in the current study as the majority of the questions were answered by all of the respondents

4.2. DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE

4.2.1. Gender

The gender ratio of the sample was 36:64 female to male, which compares with ABS (1998b) data of 35:65 for small business in general, however the ABS does not specify the gender ratio for this specific industry sector.

4.2.2. Age of the SBO

The age categories initially had five options, which were then further refined into three groups. This was because the first and last categories, under 30 years of age and over 60 years of age had only 5% and 6% of respondents respectively. Condensing to just three groups produced a more even distribution and aided comparisons with previous studies. The final distribution was 86 respondents (30%) were under 40 years of age; 106 (37%) were between the ages of 41 and 50; and 97 (34%) were aged over 50. The frequencies of these three age groupings are comparable with the ABS (1998b) data.

4.2.3. Marital status

There were three categories for marital status; married/de facto, single or divorced/separated. The majority of respondents, 79%, were either married or in a de facto relationship. Of the remaining 21%, 11% were single and 10% were either divorced or separated.

4.2.4. Dependents

As the majority of the respondents were married, it was expected that many of the respondents would also have children. In total 77% stated that they had children. An additional question concerned other financial dependents and 38% of respondents stated that they had other dependents besides children.

4.2.5. Education

The sample had reached high levels of educational attainment, with more than half having tertiary qualifications and a third (107) having postgraduate qualifications. This however is possibly a reflection on the industry sector, and might not be comparable to the general small business population.

4.2.6. Business status of parents

The final demographic item concerned the business status of respondents' parents, and which of the parents, if any, had been self-employed. Approximately half (47%) had a parent who had been self-employed, of which 60% were fathers, 10% were mothers and the remaining 30% had had both parents self-employed.

Extensive or detailed demographic information was not sought as this study was principally concerned with the business activities of the SBOs. Asking too many personal details could detract from the primary information sought and would also have lengthened the questionnaire, possibly leading to a higher non response rate. Further, the existing body of literature on the demographic aspects of small business owner shows that the personal characteristics have not changed greatly over time. What was gained was a general view of the characteristics of the sample, which then enabled the hypotheses to be tested, using some of these characteristics as variables.

4.3. BUSINESS CHARACTERISTICS OF THE SAMPLE

4.3.1. Number of businesses owned

The majority of respondents (72%) owned only one business. Of the remaining 28%, 68% of them had two businesses and 24% had three businesses and the remaining 8%, were “portfolio entrepreneurs”¹⁶ who operated or had a financial interest in between 4 and 8 businesses.

4.3.2. Industry Categories

The sample included seven of the thirteen industry sub-groups in the ANZSIC category of Property and Business Services. The largest was Marketing and Management Consultants (27%), followed by Architects, Surveying and Consulting Engineering (22%), Legal and Accounting (21%), Employment, Secretarial and Cleaning (9%), Computer Services (8%), Pseudo Business Services (8%) and the smallest group, Real Estate, accounted for 5% of the sample. There is no specific ABS data to compare these proportions with the industry population as a whole. It is assumed that because this sample was randomly selected, it is reasonably representative in line with existing ratios.

4.3.3. Legal structures of the business

The four main legal structures for all business in Australia are, sole proprietor, partnership, proprietary company (Pty Ltd) or a trust. Thirty two percent (32%) of the sample classified themselves as sole proprietors, 20% were in legal partnerships, 41% were proprietary companies and the remaining 7% were trusts.

4.3.4. Business partners

As only one of the four legal structures were businesses working as sole proprietors or operators, the remaining businesses had more than one owner. Of these businesses 57% were in a legal business partnership with their spouse, 6% with another family member

¹⁶ Portfolio entrepreneurs are owners of multiple businesses at the same time (Westhead & Wright, 1998).

and 31% with a colleague. The remaining 6% were in business with someone who did not fit into these categories.

4.3.5. Number of employees and size of business

As one third of the sample were sole proprietors it is not surprising that 57% of the total sample had only one or two full time employees. The total number of businesses who employed five or less staff was 80%, which classifies them as micro businesses. This figure is proportionate to ABS (1998b) data. The size of the business is thought to be an important variable in determining how SBOs measures their success and is one of the research hypotheses. In relation to gender more women than men, 87% compared to 76%, were operating micro businesses.

4.3.6. Location of the business

As discussed earlier, the primary operating location of a business could influence how SBOs measure their success. Nearly two thirds of all respondents ran their businesses from external premises, the remainder (37%) were home-based businesses. Forty six percent (46%) of women operated home-based businesses compared to 32% of men.

Businesses which operated from home were asked to indicate why they chose to do so. Four categorical options were given, which were not mutually exclusive and respondents could give multiple responses. The options were, to combine work and family; lifestyle, financial constraints and convenience. There were some gender differences on these options, women cited to work at home to combine work and family (57%) and for lifestyle reasons (57%) most often, whereas men cited financial constraints (60%) and convenience (61%). Additional responses were; to be more commercially competitive (3%), flexibility (10%), the type of business did not require external premises (3%), lower overheads (4%) and because of a disability (1%). These additional reasons only made up a small proportion and have therefore not been analysed by gender.

4.3.7. Annual turnover

Turnover was assessed by the respondents choosing one of ten categories. The distribution of responses showed more businesses at the lower end of the scale. Nearly one half of the sample had an annual turnover of between \$100,000 and \$500,000. Turnover obviously does not equate to profit, but it is a standard measure which is commonly used in studies of small business (Birley, Ng & Godfrey, 1999; Keeble, et al., 1992; Kolvereid & Bullvag, 1996, Kuratko, Hornsby & Naffziger, 1997).

Table 4.1 below also shows that businesses owned by women are proportionally smaller in terms of turnover than businesses operated by men, which is consistent with the literature (Fischer, et al. 1993; Roffey et al. 1996; Rosa, et al. 1994).

Turnover (\$)	Women %	Men %	Total %
<25k	5.6	2.1	7.6
25k-50k	4.9	5.2	10.1
51k-75k	3.1	4.5	7.6
76k-100k	3.8	3.8	7.6
101k-250k	10.1	13.2	23.3
251k-500k	3.8	17.0	20.8
.5k-1m	2.1	10.1	12.2
1m-2.5m	1.7	4.9	6.6
2.6m-5m	.3	1.0	1.4
>5m	.7	2.1	2.8
Total		288	100%
Missing data		2	
Total		290	

Table 4.1. Annual Turnover

4.3.8. Length of ownership and self employment

Two questions concerned the length of ownership of the current business and how long the respondents had been self-employed. Nearly half of the respondents (45%) had owned their current businesses for between 1 and 5 years, 27% for between 6 and 10 years, 21% for between 11 to 20 years and 6% of respondents had owned their businesses for over 20 years. In relation to self-employment, 11% of the total sample had been self-employed for more than 20 years, which indicates only a small amount of change of business ownership. The majority of the sample therefore appear not to be serial founders (Westhead and Wright, 1998)¹⁷.

The results also showed that women were operating younger businesses than men, 81% had been in operation for 10 years or less, compared to 67% for men for the same time period. Also women had been self-employed overall for a shorter length of time than men, using the same time scale of 10 years or less, 73% of women compared to 53% of men. Again this is consistent with other studies which have shown that businesses operated by women were smaller in size, had less turnover and had been in operation for less time.

4.3.9. Working hours

Respondents were asked how many hours they worked when they first started the business and how many hours they currently worked. There were five discrete categories, as shown in Table 4.2 below.

¹⁷ Serial founders are business owners that sell one business and then establish or purchase another business (Westhead & Wright, 1998)

Hours worked	Initially (total)	Initially (women)	Initially (men)	Currently (total)	Currently (women)	Currently (men)
<40	34%	51%	24%	16%	26%	10%
41-50	27%	22%	29%	26%	33%	22%
51-60	24%	15%	29%	30%	24%	33%
61-70	8%	5%	10%	21%	10%	27%
>70	7%	7%	8%	7%	7%	8%
	100%	100%	100%	100%	100%	100%

Table 4.2 Comparison of Hours at Business Start-up and Currently

Over the whole sample, the hours initially worked were more evenly spread than the current hours. One third (34%) of all respondents initially worked under 40 hours compared to only 16% who stated that they currently worked under 40 hours. The number of respondents who work or worked over 70 hours a week is the same for both initial and current (7%), however one fifth (21%) of respondents currently worked between 60-70 hours a week, compared to only 8% who worked 60-70 a week when they started the business. Overall it would appear that SBOs are working longer hours than when they started.

Comparing the hours and gender, women worked less hours than men when they were starting their businesses. Observing the current number of hours being worked, a larger proportion of women than men still work less than 40 hours, but the gap is decreasing. Further women are now working longer hours now than they did originally, and are also working more comparable hours to men. This could be a reflection of overall working patterns, and not just applicable to small business owners.

4.3.10. Family businesses

One of the hypotheses of the study concerns businesses operating with a view to family members, normally children, joining the business in the future, rather than only ever being operated by the present owner. Respondents were asked if they considered the business to be a family business. Thirty seven percent (37%) were in business with their spouse or other family member, of which 76% considered the business a family business. However only 28% of the total sample considered the business a family

business, which is a considerably smaller percentage than the ABS (1998b) figure of 57%, and US data that suggests that 90% of businesses are family businesses (Stavrou & Swiercz, 1998). There was also a large gender variation with the respondents on this issue, as only just over a quarter (27%) of the SBOs who regarded their businesses as family businesses were women.

In summary, the overall business characteristics of the sample show that the majority of the businesses were micro businesses, operated by some form of partnership, although a third were sole traders. The majority of the SBOs were working longer hours than when they started their businesses, even though the businesses were relatively young. This could mean that the businesses were not in a mature phase and therefore needed considerable attention from the owner. One of the more surprising aspects of the sample was the small percentage which considered themselves family businesses. In regard to the gender comparisons men and women had similar patterns on most items, which is in keeping with previous studies.

4.4. Business start up

4.4.1. The structure of the business

When respondents were asked if they had always been in the industry, approximately half (55%) responded in the affirmative. This could be due to the large number of professionals in the sample, especially lawyers, accountants and architects.

Professionals often view their work as a job for life. A typical career path for professionals is to get a tertiary qualification, do an 'apprenticeship' with a company for a length of time and then set up their own practices, which would explain the large number of respondents who had always been in the same industry.

Respondents were given three choices in regard to their start-up strategy. The majority, (84%) started the businesses themselves, 15% bought an existing business and only 1% inherited the business. There are a number of reasons for respondents starting their businesses rather than buying an existing one. Firstly a high proportion of the sample were professionals, i.e. accountants and lawyers, and their traditional career paths/structures often incorporate self employment, after gaining work experience as an employee.

Secondly, marketing and management consultants formed over a quarter (28%) of the respondents. Consultants have often previously worked within an organisation and then through circumstances, such as downsizing and changing work patterns, become self-employed. The growth of the 'management consultant' is somewhat of a Nineties phenomena (Keeble, Bryson & Wood, 1992). Consultants tend to start their own businesses rather than buy, because a consultancy business primarily revolves around the skills of the operator who builds the business on their reputation, based on their expertise. This is opposed to purchasing a business which was established on someone else's reputation.

Thirdly, Property and Business Services is a reasonably new and growing industry sector, if the traditional professions of accountancy, law and architecture are excluded. The growth in computer and information technology related services industries only began in the 1970s, along with the growth in professional business consulting.

Finally, the reason why so many of the sample have started their own businesses could reflect the Australian business culture, as expressed by the saying to 'give it a go'. Being self employed is very much part of this culture, as demonstrated by the sheer number of small businesses. As previously stated 86% of all Australian businesses are classified as small businesses (ABS, 2000a).

4.4.2. Reasons for starting the business

The reasons for starting a business have been extensively researched (Brodie & Stanworth, 1998; Buttner & Moore, 1997; Cooper & Dunkelberg, 1987; Gray, 1994; Hamilton, 1987; Saxon & Allan-Kamil, 1996), and show two broad categories: people either choose self-employment (the 'pull' factor) or are forced into it (the 'push' factor). Research Hypothesis 9 states that the reason that people go into business will effect how they measure their success.

This fundamental question of why the SBO started their business in the first instance was dealt with by asking the respondents to indicate the strength of their agreement to 15 statements, using a 6 point Likert scale with the anchors of strongly disagree (1) and

strongly agree (6). There was no mid point so as to avoid neutral answers. Descriptive statistics on this data are reported in Table 4.3 below.

	Statement Items	Mean*	Mode	Std Dev
	<i>I went into business...</i>			
1	To use my experience and knowledge	4.78	5	1.20
2	To be my own boss	4.74	6	1.44
3	For personal challenge	4.59	6	1.37
4	For a more flexible lifestyle	4.29	6	1.51
5	For personal development	4.04	6	1.41
6	To achieve financial security	3.90	5	1.63
7	As I saw a business opportunity/gap in the market	3.68	5	1.68
8	For personal recognition	3.41	4	1.44
9	To balance work and family responsibilities	3.22	1	1.70
10	To make lots of money	3.19	4	1.57
11	Because of lack of job advancement in previous job	2.91	1	1.87
12	Because of resignation from previous job	2.35	1	1.80
13	To avoid low paid employment	2.17	1	1.69
14	Unable to find suitable employment	1.73	1	1.49
15	Because I was made redundant	1.65	1	1.50

*using a 6 point Likert scale

Table 4.3. Reasons for Business Start-up

Statements 1 through to 10 are all 'pull' factors and statements 11 through to 15 are 'push' factors. The first 7 'pull' statements all had means over the mid point of 3.5. As can be seen, the pull factors all had much higher means than the push factors.

The statement 'I went into business to make lots of money' was ranked 10th in order and had a mean which was under the mid point. Financial gain has often been thought to be a prime motivation for starting a business. These results indicate that whereas financial gain was an important factor for some respondents, as shown by the mode of 4, it was quite unimportant for others, thus the overall low mean.

Mode scores are given as they indicate the number of respondents who were in agreement or disagreement with the statements. These scores also show that pull factors far outweigh the push factors related to business start up.

In order to see if there was a discernible pattern, exploratory factor analysis was conducted on the fifteen items. Factor analysis allows items to be combined into a smaller number of factors as a form of data reduction. The method used was Principal Component Analysis¹⁸ with varimax rotation, and only factors with eigenvalues over 1 were extracted (Bryman & Cramer, 1999; Kim & Mueller, 1978a).

In order to check that factor analysis was appropriate, the Kaiser-Meyer-Olkin measure of sampling adequacy was conducted. Values of .6 and above are required for good factor analysis (Coakes & Steed, 1999; Tabachnick & Fidell, 1996); the KMO score for this sample was .71, therefore factor analysis is considered acceptable. The rotated component matrix with the 4 factors is shown in Table 4.4.

Cronbach's Alpha was used to measure the reliability of the resulting sets of construct indicators. There are different opinions on acceptable values for alpha, and as Hair et al. (1995, p. 641) state, "a commonly used threshold value for acceptable reliability is .70, although this is not an absolute standard, and values below .70 have been deemed acceptable if the research is exploratory in nature". The Alpha values of the four factors are shown in Table 4.4.

The four factors were classified as follows: Personal Internal (PI), reasons which were personal and internally focussed; Negative External (NE), reasons which were negative and externally based; Financial Gain (FG), reasons which were for financial gain; and Lifestyle Balance (LB), reasons that incorporated family and lifestyle.

¹⁸ Principal Component Analysis was an appropriate method to reduce the data as, Kim & Mueller (1978b, p.14) state, "Principal components analysis is a method of transforming a given set of observed variables into another set of variables".

Statement Items	Personal Internal	Negative External	Financial Gain	Lifestyle Balance
To use experience and knowledge	.727			
Personal development	.693			
Personal challenge	.670			
Personal recognition	.614			
Resignation from previous job		.696		
Lack of job advancement		.652		
Redundancy		.648		
Could not find suitable employment		.594		
Avoid low paid employment		.559		
To make lots of money			.801	
To achieve financial security			.788	
Saw a business opportunity			.586	
For a more flexible lifestyle				.780
To be my own boss				.664
To balance work and family				.473

Eigenvalue	3.39	2.21	1.47	1.21
% of Variance Explained	22.61	14.71	9.82	8.04
Cronbach Alpha	.75	.64	.64	.55

Table 4.4. Rotated Component Matrix of Reasons for Business Start Up.

Three of the four factors, Personal Internal, Financial Gain and Lifestyle Balance are pull factors, which are motivations that the SBO has control over. Only Negative External is a true push factor. The mean scores of the four categories were arranged to produce a summed mean score and are shown in Table 4.5 below

Factors	N	Mean	Std. Dev
Factor 1. Personal Internal (pull)	288	4.21	1.03
Factor 2. Negative External (push)	287	2.16	1.07
Factor 3. Financial Gain (pull)	289	3.59	1.24
Factor 4. Lifestyle Balance (pull)	289	4.08	1.13

Table 4.5. Summed Mean Scores of Factors and Business Start-up Factors.

4.5. PERFORMANCE INDICATORS & FUTURE BUSINESS DIRECTIONS

4.5.1. SBOs attitudes towards their businesses

How business owners perceive their own abilities in regard to business ownership and the operation of their business, can be used as an alternative measure of success to the standard economic criteria usually mentioned in the literature. That is, the values that SBOs place on the personal affective perspectives of their business operation can be used in addition to, or as substitutes for, the established financial criteria. This is because a business is not simply an economic operation. It involves people and therefore there has to be some personal affective rationale, in addition to just economic rationale, in order to gain a more balanced perspective of how the operators themselves measure their success.

To gain an insight into this, respondents were asked to indicate the strength of their agreement on 14 attitudinal statements¹⁹ using a 6 point Likert scale with the anchors of strongly disagree (1) and strongly agree (6) and are shown in Table 4.6 below.

¹⁹ The statement concerning employing people and the two statements relating to family and children did not necessarily apply to all respondents, hence the smaller number of responses for them.

	Statement Items	N	Mean*	Std Dev
1	I feel I am running a successful business	290	4.71	1.11
2	Personal satisfaction is more important than making lots of money	290	4.70	1.10
3	Having pride in the job is more important than making lots of money	289	4.62	1.14
4	I am as ambitious now as when I first started the business	290	4.40	1.36
5	Having a flexible lifestyle is more important than making lots of money	288	4.35	1.31
6	Giving people a job gives me great personal satisfaction	249	4.15	1.41
7	Being my own boss is more important than making lots of money	290	4.04	1.34
8	I would like to spend more time with my family but I often have to put the business first	265	4.03	1.52
9	As a small business I have a responsibility to the wider community	289	3.95	1.46
10	Importance of financial success has diminished as the business has become established	289	2.98	1.32
11	When I first started the business I was more money oriented than I am now	288	2.88	1.35
12	Making money is the most important aspect of owning my own business	290	2.87	1.26
13	Financial measures are the only way to measure the success of a business	290	2.79	1.33
14	I think of my business as something that my children can become involved in	242	2.76	1.65

**using a 6 point Likert scale*

Table 4.6. Respondents Attitudes Towards their Business

The first statement shows that the majority of the respondents felt they were operating a successful business. This indicates that SBOs with relatively low turnover (a third of the sample 33% had a turnover of \$100,000 or less) and sole operators (a third of the sample were also sole traders) perceive themselves to be operating a successful business. Turnover and employment of staff are the more conventional measures of business success, and these measures are normally associated with high levels.

One of the traditional features of business ownership has been the importance of financial considerations and the operator's supposed belief that financial criteria are the most appropriate method of measuring success. The key statements concerning the importance of financial aspects of business ownership (statements 12 and 13) had lower mean scores than the key statements concerning the importance of personal

considerations (statements 2,3,5 & 7). This demonstrates that financial considerations were less important than personal considerations. These differences are tested by gender, size of business and place of operation in Hypotheses 2, 3 and 4.

Least agreement was with statement 14, which involved the concept of family business. As can be seen, this statement was not applicable to all respondents, but of those who did answer the majority did not appear to consider that their children would become involved with the business. The idea that family businesses are mono-generational is the 11th Hypothesis.

In order to test if these items had any commonalities, exploratory factor analysis was conducted on the fourteen items. The method used was again Principal Component Analysis with varimax rotation, and only factors with eigenvalues over 1 were extracted. The KMO score for this sample was .65, therefore factor analysis is considered acceptable. The rotated component matrix with the 4 factors is shown in Table 4.7. The Alpha values were acceptable with two of the factors having values over .70 and two under .70.

The four factors that emerged identified psychological rationale, in terms of personal affective criteria (factors 1), financial rationale from both a high and low perspective (factors 2 and 3) and social responsibility (factor 4). The factors were labelled as;

1 = Lifestyle criteria

2 = Diminishing Financial criteria

3 = Strong Financial criteria

4 = Social Community Responsibility

The four items which contribute to the first factor, Lifestyle, are personal affective feelings which the SBOs are expressing, balanced against the aspect of making money. The second factor, Diminished Financial, consists of two items that show that financial aspects of business ownership diminish over time. The third factor, Strong Financial, incorporates the two items which are the traditional financial measures of business success (making money and financial measures) and two items (ambition and running a successful business) more associated with personal ego, but which have an implied

financial overtone. The final factor, Social/Community Responsibility, incorporates items which place small business ownership as a community responsibility rather than an individual endeavour. The aspect of community responsibility is taken to mean in the broad context.

Item	Lifestyle	Diminished Financial	Strong Financial	Social Responsibility
Personal satisfaction vs. making money	.759			
Pride in job vs. making money	.691			
Flexible lifestyle vs. making money	.680			
Being own boss vs. making money	.642			
Initially more money orientated		.883		
Financial importance diminished		.809		
Making money most important			.679	
Financial measure is the only way			.601	
Running a successful business			.593	
Still ambitious			.589	
Giving job gives personal satisfaction				.736
Placing Business before family				.597
Responsibility to wider community				.555
Business to involve the children				.535

Eigenvalue	2.60	2.06	1.68	1.22
% of Variance Explained	18.23	12.37	12.20	11.08
Cronbach Alpha	.71	.76	.52	.50

Table 4.7. Rotated Component Matrix: Of Respondents Attitudes Towards Their Business

The mean scores of these four categories were then arranged to produce a summed mean and are shown in Table 4.8. below.

Factors	N	Mean	Std. Dev
Mean of Lifestyle statements	288	4.43	.90
Mean of Diminished Financial statements	287	2.93	1.20
Mean of Strong Financial statements	290	3.69	.81
Mean of Social Responsibility statements	225	3.74	.95

Table 4.8. Summed Mean Scores of Business Attitude Factors

Examining the combined scores of measures of business success, lifestyle aspects were more important than financial considerations. In summary the sample were more internally focused than financially focused, as the affective criteria produced higher mean scores than did the traditional financial criteria. What emerged were patterns which are examined more thoroughly in the first hypothesis to be tested.

4.5.2. Defined measures of success

The previous statements concerned how SBOs felt about their business but did not directly ask how they measured their success. An additional set of statements were more specific and gave the respondents the key words of lifestyle and financial, as well as other previously used criteria. These are shown in Table 4.9. below.

Statement Items	N	Mean*	Std. Dev
I measure my success by my lifestyle	290	4.46	1.26
I measure my success in financial terms	290	4.42	1.20
I measure my success by personal freedom	290	4.29	1.38
I measure my success by increases in my customer base	290	4.12	1.36
I measure my success by industry or peer recognition	290	4.08	1.40

**using a 6 point Likert scale*

Table 4.9. Specific Individual Measures of Business Success

As with the other statements, these five verify that SBOs use both tangible and intangible criteria when defining their business success. Financial terms and customer base are easily determined and quantified, whereas lifestyle, personal freedom and industry or peer recognition are not as easily quantified. In addition the closeness of all of the means shows that there is not one measure which stands out, but rather success can be defined in a number of ways, which are all of similar importance.

4.5.3. Future business intentions

The final section in the questionnaire asked respondents about their future business intentions. There were 12 different options, and as the respondents could also choose more than one option, the percentages shown do not sum to 100. The results are shown in Table 4.10. below.

Future plans	Percentage
To maintain till retirement	46
To expand by increasing turnover	45
To expand by employing staff or more staff	34
To expand by investment in technology	28
To build and sell for a profit	16
To continue at the same rate indefinitely	15
To maintain the business for the children to join	10
To sell within 5 years	9
No particular plans	7
To become a public company	4
To sell within 12 months	3
To decrease to a more manageable size	1

Table 4.10. Future Plans

The majority of respondents indicated that they did have future plans and expansion was often cited. However the most frequent response was to maintain the business until retirement. This result could be influenced by the number of professionals in the sample, as professionals tend to not change careers and look at the business as a long-term source of employment.

There was also a small number of respondents, 11 (4%), who were very ambitious and had aspirations to list on the stock exchange and become a public company. Considering that in Australia this industry sector does not have a great many public companies, the number of respondents who did aspire to operating a much larger enterprise is interesting.

To summarise the descriptive information gathered, the sample was similar in demographic composition to Australian small business in general. The reasons for business entry showed that most of the respondents were pulled rather than pushed into self-employment. Additionally these SBOs were not principally motivated by financial considerations nor did they judge their success just by financial criteria, as the use of affective measures was equally important. This is contrary to previous studies which have used financial criteria as the main measure of business success. The research

hypotheses seek to test the strength of both financial and non-financial affective measures with selected independent variables.

4.6. TESTS OF HYPOTHESES

4.6.1. Hypothesis 1. Measures of success

H₀ 1. Small business owners principally use financial criteria to measure their success.

$$H_o: \mu_F \neq \mu_L$$

Where μ_F = mean scores on use of financial criteria as a measure of success

μ_L = mean scores on use of lifestyle criteria as a measure of success

From the factor analysis of the items concerning how SBOs felt about their businesses, two factors clearly emerged which showed a financial focus and a lifestyle focus²⁰. A paired sample t-test was conducted with these two items, the results of which are shown in Table 4.11. below.

Item	Lifestyle criteria	Financial criteria \bar{X}	t-value
	4.43	3.69	**10.25

**** $p < .01$**

Table 4.11. Paired Sample T-test of Lifestyle and Financial Criterion

As can be seen there is a significant difference between the use of the combined financial and lifestyle criteria as an attributed measure of small business success. The mean scores for the individual items as measures of success were much less differentiated. These scores are again shown below in table 4.9., repeated below.

²⁰ The factor analysis also clearly identified 2 other factors concerning a diminished financial focus and a social community focus. These two factors were not part of the hypothesis testing and are the basis for further investigation at a later date.

Statement Items	N	Mean*	Std. Dev
I measure my success by my lifestyle	290	4.46	1.26
I measure my success in financial terms	290	4.42	1.20
I measure my success by personal freedom	290	4.29	1.38
I measure my success by increases in my customer base	290	4.12	1.36
I measure my success by industry or peer recognition	290	4.08	1.40

**using a 6 point Likert scale*

Table 4.9. Specific Individual Measures of Business Success

An anova test was conducted on all five items, which did not result in any significant differences. In addition a paired sample t-test between the two top items, “I measure my success by my lifestyle” and “I measure my success in financial terms” also resulted in no significant difference. A reason why there was a difference on the factor analysis items of lifestyle and financial and no difference on the individual items of lifestyle and financial could be because the factor analysis items are not actual defined measures of success, but are interpretive. However given the results of the first t-test, the hypothesis is rejected.

In order to further see if there was a relationship between the four variables relating to either the combined or individual financial or lifestyle measures of success, correlation analysis was conducted, with the results shown in Table 4.12. below.

		Lifestyle Criteria	Financial Criteria	Success - Financial	Success - Lifestyle
Lifestyle Criteria	Pearson Correlation	1.000	-.027	-.221**	.273**
	Sig. (1-tailed)	.	.324	.000	.000
	N	288	288	288	288
Financial Criteria	Pearson Correlation	-.027	1.000	.458**	.173**
	Sig. (1-tailed)	.324	.	.000	.002
	N	288	290	290	290
Success - Financial	Pearson Correlation	-.221**	.458**	1.000	.300**
	Sig. (1-tailed)	.000	.000	.	.000
	N	288	290	290	290
Success - Lifestyle	Pearson Correlation	.273**	.173**	.300**	1.000
	Sig. (1-tailed)	.000	.002	.000	.
	N	288	290	290	290

**** Correlation is significant at the 0.01 level (1-tailed)**

Table 4.12. Lifestyle Finance Correlations

The correlations show that there were significant relationships between the two financial measures (combined and individual) and the two lifestyle measures (combined and individual), with the financial measures displaying the stronger relationship. SBOs who scored highly on the financial items from the factor analysis (financial criteria) indicated that they also measured their success on the individual financial success item (success – financial). In a complimentary way, SBOs who scored highly on the lifestyle items from the factor analysis also used the individual lifestyle measure of success.

There were also inter-relationships between the individual lifestyle and financial items, which would be expected as the mean scores for these items were similar. In addition there was a relationship between the respondents who used the combined lifestyle items and the individual financial item. This demonstrates that whilst lifestyle is important so to are financial criteria, which given the necessity of businesses to be financially solvent, this finding is not surprising.

Additionally it is helpful to examine the distribution of the respondents preference of the combined financial and lifestyle criterion. A mid-point (3.5) split technique was used to create a 2 x 2 matrix using the summed mean scores of the combined Lifestyle Criteria and the combined Strong Financial Criteria from the factor analysis, which is shown in Figure 4.1. below.

High L Low F 30%	High L High F 60%
Low L Low F 3%	Low L High F 7%

(percentages are of the total sample)

Figure 4.1. Combined Lifestyle & Financial Criteria Success Measures Matrix

These percentages show that whereas more than half used both high finance and high lifestyle measures, nearly a third used higher lifestyle measures than financial measures. When only the individual success items were used there is a different picture, as shown in Figure 4.2.

High L Low F 12%	High L High F 71%
Low L Low F 7%	Low L High F 10%

(percentages are of the total sample)

Figure 4.2. Individual Lifestyle & Financial Success Items Matrix

The percentage of respondents who indicated a high score on both of the individual items is higher than on the combined items. In addition there is a big difference on the High Lifestyle Low Finance quadrant. What both of these matrices show is that financial measures are important, but no more so than lifestyle issues. Few respondents

in either of matrices valued Finance over Lifestyle and as would be expected, very few respondents had a low mean on both variables.

The next three hypotheses test the importance of the combined and individual success measures with the variables of gender, business size and location of the business.

4.6.2. Hypothesis 2. Success measures & gender differences

H₀ 2. Gender does not affect small business owners' measures of success.

$$H_0: \mu_{WS} = \mu_{MS}$$

Where μ_{WS} = measures of success and women's mean scores

μ_{MS} = measures of success and men's mean scores

This hypothesis was tested by using both the combined and individual success measures previously established. Correlation analysis was also conducted. The first test uses the combined factors and is shown in Table 4.13. below.

Factors	female \bar{X} n = 105	Male \bar{X} n = 185	t-value
Lifestyle Criteria	4.50	4.39	1.07
Financial Criteria	3.64	3.73	-.87

** $p < .01$

Table 4.13. Combined Success Criteria and Gender

This test shows that there were no significant differences on the combined success criteria factors. There was however a significant difference on one of the individual items which made up the factor of lifestyle criteria, which are shown in Table 4.14. below.

Item	female \bar{X} n = 105	male \bar{X} n = 185	t-value
Having a flexible lifestyle vs. lots of money	4.57	4.22	**2.18

** $p < .01$

Table 4.14. Individual Perception Item and Gender

This individual item showed that having a flexible lifestyle rather than lots of money was significantly more important for women than men. This could be because the burden of domestic responsibility still predominantly falls to women, regardless of the importance of their business operations (Buttner & Moore, 1997; Lee-Gosselin & Grisé, 1990; Parasuraman, et al. 1996; Still & Timms, 1998). Therefore women who are also business owners need to balance those two aspects of their lives.

There was no significant differences on the individual success measures and gender, as shown in Table 4.15. below.

Item	female \bar{X} n = 105	male \bar{X} n = 185	t-value
I measure my success by my lifestyle	4.60	4.38	1.40
I measure my success in financial terms	4.45	4.41	.25

**** $p < .01$**

Table 4.15. Individual Success Items and Gender

Applying gender to the correlation analysis of the individual and combined success measures produced no significant differences. With the exception of the one item of the combined factor criteria, there appears to be more similarities than differences between women and men and how they measure their business success. On the basis that the measures of success were being tested as combined factors or as individual specific items, the second hypothesis is accepted.

The distribution of the respondents preference of the combined financial and lifestyle criterion and the individual success items, based on gender are shown in Figures 4.1.1, 4.1.2, 4.2.1 & 4.2.2 below.

High L Low F	High L High F
29%	58%
Low L Low F	Low L High F
3%	10%

Figure 4.1.1. Combined Lifestyle & Financial Criteria Success Items Matrix - Women

High L Low F	High L High F
31%	61%
Low L Low F	Low L High F
3%	5%

Figure 4.1.2. Combined Lifestyle & Financial Criteria Success Items Matrix - Men

High L Low F	High L High F
12%	74%
Low L Low F	Low L High F
7%	7%

Figure 4.2.1. Individual Lifestyle & Financial Criteria Success Items Matrix - Women

High L Low F	High L High F
11%	70%
Low L Low F	Low L High F
7%	12%

Figure 4.2.2. Individual Lifestyle & Financial Criteria Success Items Matrix - Men

The percentages in the 4 matrices show no real difference gender differences, which therefore concur with the results of the t-tests.

4.6.3. Hypothesis 3. Success measures & business size

H₀ 3. Size of business does not affect small business owners' measures of success.

$H_o : \mu_{Micro} = \mu_{other}$

Where μ_{micro} = measures of success and mean scores for micro businesses
 μ_{other} = measures of success and mean scores for larger businesses

This hypothesis was tested by using both the combined and individual success measures previously established. The first test uses the combined factors and is shown in Table 4.16, and the second test used the individual items and is shown in Table 4.17 below.

Factors	micro \bar{X} n = 227	other \bar{X} n = 56	t-value
Lifestyle Criteria	4.43	4.43	.00
Factor 3. Financial focus	3.80	4.07	** -2.24

**** $p < .01$**

Table 4.16. Combined Success Criteria and Business Size

Item	micro \bar{X} n = 227	other \bar{X} n = 56	t-value
I measure my success by my lifestyle	4.48	4.50	-.13
I measure my success in financial terms	4.38	4.77	** -2.20

**** $p < .01$**

Table 4.17. Individual Success Items and Business Size

The results show that whereas size is not an influence on the aspect of lifestyle, it is influential on financial criteria. That is, larger small businesses are more inclined to measure their business success by financial measures more so than micro businesses.

The third hypothesis is rejected based on these factors.

The distribution of the respondents preference of the combined financial and lifestyle criterion and the individual success items, based on the size of the business are shown in Figures 4.1.3, 4.1.4, 4.2.3 & 4.2.4 below.

High L Low F 32%	High L High F 58%
Low L Low F 3%	Low L High F 7%

Figure 4.1.3. Combined Lifestyle & Financial Criteria Success Items Matrix
- Micro

High L Low F 17%	High L High F 76%
Low L Low F 3%	Low L High F 4%

Figure 4.1.4. Combined Lifestyle & Financial Criteria Success Items Matrix
- Other

High L Low F 12%	High L High F 69%
Low L Low F 7%	Low L High F 12%

Figure 4.2.3. Individual Lifestyle & Financial Criteria Success Items Matrix
- Micro

High L Low F 9%	High L High F 79%
Low L Low F 3%	Low L High F 9%

Figure 4.2.4. Individual Lifestyle & Financial Criteria Success Items Matrix
- Other

As can be seen, there are some differences between the two different groups, with larger small businesses having higher joint lifestyle and financial scores and also on the individual items. Micro businesses were very similar to the general population on both matrices. The results show that the larger the business, the less likely to use lifestyle criteria and more likely to use financial criteria.

4.6.4. Hypothesis 4. Success measures & place of operation

H₀ 4. Place of operation does not affect small business owners' measures of success.

$H_{0.} : \mu_{\text{home}} = \mu_{\text{external}}$

Where μ_{home} = mean scores for home-based businesses

μ_{external} = mean scores for externally operated businesses

This hypothesis was tested by using both the combined and individual success measures previously established. The first test uses the combined factors and is shown in Table 4.18., and the second test used the individual items and is shown in Table 4.19. below.

Factors	home \bar{X} n = 107	external \bar{X} n = 179	t-value
Factor 1 Lifestyle focus	4.57	4.35	**2.01
Factor 3. Financial focus	3.53	3.78	**2.63

****** $p < .01$

Table 4.18. Combined Success Criteria and Location of Business

Item	home \bar{X} n = 107	external \bar{X} n = 179	t-value
I measure my success by my lifestyle	4.55	4.43	-.79
I measure my success in financial terms	4.19	4.56	**2.55

****** $p < .01$

Table 4.19. Individual Success Items and Location of Business

The results show that there is a significant difference between home-based and externally based businesses on the aspect of measuring their business success by financial criteria. There was also a difference on the combined lifestyle criteria, with home-based businesses having a stronger view on this factor. This was an expected finding, as businesses being operated from home are often referred to as “lifestyle businesses”, although what is actually meant by the phrase is open to interpretation, but would be assumed to be less financially focused.

Given these differences the forth hypothesis is rejected.

Once again the distribution of the respondents preference of the combined financial and lifestyle criterion and the individual success items, this time based on the location of the business, and are shown in Figures 4.1.5, 4.1.6, 4.2.5 & 4.2.6 below.

High L Low F	High L High F
38%	52%
Low L Low F	Low L High F
4%	6%

Figure 4.1.5. Combined Lifestyle & Financial Criteria Success Matrix - Home

High L Low F	High L High F
25%	65%
Low L Low F	Low L High F
3%	7%

Figure 4.1.6. Combined Lifestyle & Financial Criteria Success Matrix - External

High L Low F	High L High F
12%	70%
Low L Low F	Low L High F
10%	8%

Figure 4.2.5. Individual Lifestyle & Financial Criteria Success Items Matrix - Home

High L Low F	High L High F
11%	72%
Low L Low F	Low L High F
6%	11%

Figure 4.2.3. Individual Lifestyle & Financial Criteria Success Items Matrix - External

Home-based businesses had the highest percentage of all of the variables on the combined criteria quadrant of High Lifestyle Low Finance (38%) and the lowest percentage on the combined criteria quadrant High Lifestyle High Finance (52%). This indicates that home-based businesses are indeed more inclined than other larger external based businesses to be less financially motivated.

4.6.5. Combination of variables used in the previous three hypotheses.

The previous three hypotheses (numbers 2,3 & 4) compared the two combined categories of success measures and the two individual measures according to gender, size of business or place of operation. Table 4.20. below shows the combination of the three variables.

		Micro business	Larger business
Female	External	44	12
	Home	45	
Male	External	82	43
	Home	55	
	total	226	55

(n.b. There are 9 missing data)

Table 4.20. Gender, Size and Place of Operation

This table shows that the largest single category is micro businesses operated by a male owner from external premises, followed by micro businesses operated by male owners from home. In terms of larger businesses, there were no reported businesses operating from a home base for either gender. Whereas gender has not been proved to be statistically significant in how SBOs measure their success, size has, with larger small businesses using higher financial measures than micro businesses. The most significant variable has been location of the business, with home-based businesses have proportionally higher means on lifestyle and lower means on financial criteria than the other variables tested, based on the t-tests and the Lifestyle Financial Matrices.

Given that there are differences, cross tabulations using Chi Square were conducted and are shown in **Tables 4.20.1, 2, and .3** below.

	Observed and Expected	Gender	
		Female	Male
Micro	Observed	39.2%	60.8%
	Expected	36.1%	63.9%
	% of Total	31.4%	48.8%
Other	Observed	23.2%	76.8%
	Expected	36.1%	63.9%
	% of Total	4.6%	15.2%

$\chi^2 = 4.984$; sig = .026; p < .05

Table 4.20.1. Comparison of Gender and Size of Business

	Observed and Expected	Gender	
		Female	Male
External	Observed	30.9%	69.1%
	Expected	36.1%	63.9%
	% of Total	19.4%	43.4%
Home-based	Observed	44.9%	55.1%
	Expected	36.1%	63.9%
	% of Total	16.7%	20.5%

$\chi^2 = 5.648$; sig = .017; p < .05

Table 4.20.2. Comparison of gender and location of business

	Observed and Expected	Size	
		Micro	Other
External	Observed	69.6%	30.4%
	Expected	80.9%	19.1%
	% of Total	44.8%	19.6%
Home-based	Observed	100%	0%
	Expected	80.4%	19.6%
	% of Total	35.6%	0%

$\chi^2 = 37.782$; sig = .000; p < .05

Table 4.20.3. Comparison of Size and Location of Business

These three tests confirmed that there are overall differences in relation to the gender of the operator the size of the business and where the business is being operated from, with gender and size being the weakest significant difference and location and size being the strongest.

4.6.6. Hypothesis 5. Start-up factors

H₀5. Small business owners are pulled or pushed equally into starting their businesses.

$$H_{0.} : \mu_{\text{pull}} = \mu_{\text{push}}$$

Where μ_{pull} = mean scores which pull people into starting a new business

μ_{push} = mean scores which push people into starting a new business

The reasons the respondents went into business were explored in a 15 item section in the questionnaire. The items were factor analysed and produced 4 combined factors. These were classified as follows: Personal Internal (PI), reasons which were personal and internally focussed; Negative External (NE), reasons which were negative and externally based; Financial Gain (FG), reasons which were for financial gain; and Lifestyle Balance (LB), reasons that incorporated family and lifestyle. The three pull factors had higher means than the single push factor. The ten items which made up the three pull factors were then combined to compare with the five push items.

A paired sample t-test was conducted of these two combined items, the results of which are shown in Table 4.21. below.

Item	Pull Items \bar{X}	Push Items \bar{X}	t-value
	3.98	2.17	**23.15

**** $p < .01$**

Table 4.21. Paired Sample T-test of Combined Pull and Push Items

As can be seen there is a strong significant difference between the use of pull factors compared to push factors as the reason why the respondents started their businesses initially.

The fifth hypothesis is therefore rejected.

However, it is somewhat simplistic to state that SBOs were influenced by only one reason or factor. It is more realistic to assume that the motivation to start a new business could be a combination of both pull and push factors. A 2 x 2 matrix using the mean summated scores of the pull items and the push items was then formulated using the mid-point (3.5) split technique and are shown in Figure 4.3 below.

High Push Low Pull Unwilling SBO 3%	High Push High Pull Circumstantial SBO 10%
Low Push Low Pull Unambitious SBO 23%	Low Push High Pull Motivated SBO 64%

(percentages are of the total sample)

Figure 4.3. Start-up Motivation Matrix

The Unwilling SBO group (High Push Low Pull), are SBO's that have been referred to as distressed entrepreneurs (Keeble et al.,1992). They do not really want to be in business for themselves but have been forced into it by circumstances such as redundancy or downsizing. These SBOs might not easily adapt to newer work practices, or they might have limited skills to offer new employers. These SBOs are often buying employment. However, this category only made up a very small proportion of the sample.

The second group, Circumstantial SBOs (High Push And High Pull) are businesses which were perhaps initially somewhat undecided or unsure, based on having high scores on both pull and push factors. They might have always thought about owning their own businesses, but had not actively sought to do so until circumstance dictated a

change in employment direction. This could have been through downsizing or lack of opportunities within the previous employment. When these employment changes take place the SBO might have perceived it as the time to make the move into self-employment. These owners are however, confident, and perhaps typify the Australian 'give it a go' culture.

The third group, the Unambitious or accidental SBOs, (Low Push Low Pull), are businesses in which the operator is somewhat unambitious or ambivalent. These are SBOs that might have drifted into self employment, because the opportunity was presented, as opposed to actually seeking a gap in the market. These SBOs are the steady workers, the plodders who are not high risk takers.

The final group, the Motivated SBOs, (Low Push High Pull), are those operators who are ambitious and highly motivated. Their high scores on all of the relevant items show they enjoy being in business and want to be in control of the operation. These are SBOs who perhaps always wanted to be the boss and used their time as an employee to learn the additional skills and knowledge required to be self employed. This was the largest group.

It had been anticipated that there would be more Unwilling SBOs and less Motivated SBOs in the sample, because of the reported rate of small business failure. A contributing factor to business failure is often the unpreparedness of the SBO or unsuitability of the SBO to the business venture. Being Unwilling may strongly indicate unsuitability. This typology shows a predominance of willing self-employment.

4.6.7. Hypothesis 6. Gender & start-up

H₀6. Gender does not affect the reasons for starting a business.

$$H_0: \mu_{\text{Ws-up}} = \mu_{\text{Ms-up}}$$

Where $\mu_{\text{Ws-up}}$ = women and business start-up factor means

$\mu_{\text{Ms-up}}$ = men and business start-up factor means

This hypothesis was tested by conducting t-tests on the 4 factors which emerged from the factor analysis and are shown in Table 4.22. below

Factors	female \bar{X} n = 105	male \bar{X} n = 185	t-value
Personal Internal (pull)	4.25	4.19	.48
Negative External (push)	2.01	2.25	-1.80
Financial Gain (pull)	3.32	3.74	** -2.84
Lifestyle Balance (pull)	4.10	4.08	.16

**** $p < .01$**

Table 4.22. Gender and Start-up Factors

As can be seen, the only statistically significant difference was on financial gain. This difference was not unexpected, given the traditional gender roles of men being the primary breadwinner. The means scores on the other three factors are very similar, which indicates that the women and men in the sample had comparable views on the affective, personally determined reasons. This was perhaps more unexpected, given that the literature on lifestyle balance has been predominately attributed this reason to women, and not necessarily to men.

Given the difference on the Financial Gain factor, this hypothesis is rejected.

The Start-up Motivation Matrix was also utilised to see if there were any substantial gender differences. The percentages for the total sample, from Figure 4.3. were: Unwilling 3%, Circumstantial 10%, Unambitious 23% and Motivated 64%. The gender differences are shown in Figures 4.3.1 and 4.3.2 below.

High Push Low Pull	High Push High Pull
Unwilling SBO 3%	Circumstantial SBO 10%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 28%	Motivated SBO 59%

Figure 4.3.1. Start-up Motivation Matrix - Female

High Push Low Pull	High Push High Pull
Unwilling SBO 3%	Circumstantial SBO 9%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 20%	Motivated SBO 68%

Figure 4.3.2. Start-up Motivation Matrix - Male

As can be seen, women were less ambitious and less motivated than the men, which were both low push criteria and similar on the unwilling and circumstantial, which were the high push criteria. These overall results show that there were few significant gender differences on the motivations to become self-employed with this particular sample.

4.6.8 Hypothesis 7. Business size and start-up

H₀ 7. Business size does not affect the reasons for starting a business.

$$H_0: \mu_{Ms-up} = \mu_{Os-up}$$

Where μ_{Ms-up} = micro businesses and business start-up factor means
 μ_{Os-up} = other businesses and business start-up factor means

T-tests were conducted to see if reasons for business start-up was a factor in the size that a business grew towards, as shown Table 4.23. below.

Factors	micro \bar{X} n = 225	other \bar{X} n = 56	t-value
Personal Internal (pull)	4.16	4.44	-1.97
Negative External (push)	2.29	1.68	**3.85
Financial Gain (pull)	3.49	4.10	** -3.31
Lifestyle Balance (pull)	4.08	4.12	-.23

**** $p < .01$**

Table 4.23. Business Size and Start-up Factors

The figures show that micro businesses were more likely than other larger small businesses to have started their business because of negative push factors. What is not clear is whether the recollection of why the SBO went into business is affected by the passing of time (and potential memory alteration) and whether as the business grows, so does the perception as to whether the SBO really wanted to become self-employed. It is impossible to verify this, therefore all of the answers given must be accepted at face value.

The second statistical difference was in the aspect of financial gain. It would be expected that the operators of larger small businesses would have placed more value on the financial aspects of their businesses, as reasons for start-up are synonymous with the SBOs goals for their businesses. Therefore given that 'to make lots of money' was an individual item, then achieving that goal would require the business to grow in some capacity, which often involves employing staff.

Given the differences on two of the factors the seventh hypothesis is rejected.

Business size was also used to see if these businesses were similar to the general sample on the Start-up Motivation Matrix, shown below in Figures 4.3.3 and 4.3.4.

High Push Low Pull	High Push High Pull
Unwilling SBO 4%	Circumstantial SBO 12%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 24%	Motivated SBO 60%

Figure 4.3.3. Start-up Motivation Matrix - Micro

High Push Low Pull	High Push High Pull
Unwilling SBO 0%	Circumstantial SBO 2%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 12%	Motivated SBO 86%

Figure 4.3.4. Start-up Motivation Matrix - Other

What these two matrices show are some notable differences. Micro businesses are similar to the overall sample percentages, which would be correct, given that the majority of the sample were micro businesses. Where there is a major difference is with the other larger small businesses. Virtually non (2%) of these SBOs felt they were pushed into starting their businesses, whereas 13% of the total sample, and 16% of micro businesses had a high push score. Also the vast majority (86%) of owners of larger small businesses fell into the motivated category, compared to 64% of the total sample and 60% of micro businesses.

4.6.9 Hypothesis 8. Place of operation & business start-up

H₀ 8. Place of operation does not effect the reasons for starting a business.

$$H_0: \mu_{Hs-up} = \mu_{Es-up}$$

Where μ_{Hs-up} = home-based businesses and business start-up factor means
 μ_{Es-up} = externally operated businesses and business start-up factor means

T-tests were once again conducted to see if where a business operated from was a factor in the reasons why the business was initially started, as shown Table 4.24. below.

Factors	home \bar{X} n = 107	external \bar{X} n = 179	t-value
Factor 1. Personal Internal (pull)	4.17	4.25	.60
Factor 2. Negative External (push)	2.47	1.98	** -3.84
Factor 3. Financial Gain (pull)	3.44	3.67	1.46
Factor 4. Lifestyle Balance (pull)	4.28	3.97	** -2.22

**** $p < .01$**

Table 4.24. Location and Start-up Factors

One of the differences here was with the push factors, with home-based business operators feeling that they had been pushed into self-employment more so than externally based businesses. As all of the home-based businesses were micro businesses, this result is consistent with the previous hypothesis. It can be assumed that people who are forced into self-employment are likely to minimise any risk factors, such as overheads, and would therefore start from home as a first step.

The second difference was on the Lifestyle Balance factor. In the previous two hypotheses, this factor has not been significant, however home-based business ownership has often been associated with the desire for a more balanced lifestyle, and which previous literature has stated as a key motivator, therefore this result is not surprising.

Given these differences this hypothesis is not accepted.

These two options of where to operate the business from were again utilised in the Start-up Motivation Matrix, as shown in Figures 4.3.5 and 4.3.6.

High Push Low Pull	High Push High Pull
Unwilling SBO 6%	Circumstantial SBO 14%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 21%	Motivated SBO 60%

Figure 4.3.5. Start-up Motivation Matrix - Home

High Push Low Pull	High Push High Pull
Unwilling SBO 2%	Circumstantial SBO 6%
Low Push Low Pull	Low Push High Pull
Unambitious SBO 23%	Motivated SBO 69%

Figure 4.3.6. Start-up Motivation Matrix - External

As can be seen, home-based businesses were more likely than externally based businesses to have stated that they were pushed into starting their business (20% compared to 8%), which is comparative to the other results on these variables. Externally based businesses were also more motivated than home-based businesses.

4.6.10. Combination of variables used in the previous three hypotheses.

Using the variables of gender, size of business and place of operation with the four factors for business start-up, several differences occurred. On the first factor, Personal Internal, there were no significant differences on any of the three variable groups, and all three groups indicated very high mean scores.

The second factor, Negative External (the push factor) showed differences in size of business and place of operation. These two variable groups are linked, in that all home-based businesses were micro in size (as shown in Table 4.20), and both micro and home-based businesses indicated that they had been pushed into self-employment to a greater extent than larger externally based businesses. However there was no significance difference on this factor and gender, even though just under half of the women in the survey were operating home-based micro businesses.

The third factor, Financial Gain, showed differences in gender and business size, but not place of operation. Both financial gain and business size and gender, in this instance the male respondents had significantly higher mean scores than their female counterparts. This result was in keeping with the previous hypotheses.

The final factor, Lifestyle Balance, showed no difference in gender and business size, but a significant difference in place of operation. Home-based businesses had the highest mean score for this set of data, indicating the importance of balancing work with personal criteria. Based on the three variables used, smaller home-based businesses were more likely to have been pushed into starting a business, irrespective of gender. However given that a potential variable is the age of the respondent, this variable was also tested and the results are shown in Table 4.25 below.

	Women		Men		Total	
	N	Mean	N	Mean	N	Mean
Personal Internal						
<30 years of age	9	4.44	5	4.70	14	4.54
31-40	27	4.36	45	4.43	72	4.40
41-50	38	4.25	68	4.14	106	4.18
51-60	28	4.11	50	4.11	78	4.11
>60	2	3.75	15	3.77	15	3.76
Negative External						
<30 years of age	9	1.64	5	1.60	14	1.63
31-40	27	1.77	45	2.12	72	1.99
41-50	36	2.34	68	2.21	104	2.25
51-60	29	1.93	50	2.52	79	2.31
>60	2	2.10	15	2.19	17	2.18
Financial Gain						
<30 years of age	9	4.67	5	4.47	14	4.60
31-40	27	3.14	45	4.09	72	3.73
41-50	38	3.43	68	3.63	106	3.56
51-60	29	2.93	50	3.63	79	3.37
>60	2	3.17	15	3.42	17	3.39
Lifestyle						
<30 years of age	9	3.81	5	4.67	14	4.12
31-40	27	4.54	45	4.24	72	4.36
41-50	38	4.30	68	4.07	106	4.15
51-60	29	3.51	50	3.90	79	3.76
>60	2	4.17	15	3.96	17	3.98

Table 4.25. Age, Gender and Reasons for Business Start-up.

What these figures show is that for the first measure, Personal Internal, the older a person was, the less value they placed on personal satisfaction being their principal motivator. This is the same for women and men. The second measure, Negative External, shows that younger people were less likely to have been pushed into self employment overall. There were some gender differences on this factor, with women in the age bracket 41-50 years of age having the highest score and for men, the next age bracket, 51-60 years of age had the highest mean scores. The next measure, Financial Gain, covered the aspect of making money and seeking financial security, which showed that younger SBOs were more interested in financial gain, which decreased overtime. There were slight gender differences on this factor with women showing an uneven distribution, whereas the men showed a negatively skewed curve. The final factor, Lifestyle, showed an uneven distribution, and gender differences. Therefore age was a factor in reasons for business start up with younger people being more financially motivated and less likely to have been forced into self employment.

4.6.11. Hypothesis 9. Success measures & start up

H_o 9. Reasons for business start-up do not effect the measures of success.

$$H_o: \mu_{\text{Push (L or F)}} = \mu_{\text{Pull (L or F)}}$$

Where $\mu_{\text{Push (L or F)}}$ = push factors for starting a business and lifestyle or financial success measures

$\mu_{\text{Pull(L or F)}}$ = pull factors for starting a business and lifestyle or financial success measures

As one of the main research questions was the effect that the reasons for starting a business would have on how the SBO measured their success, a final correlation was conducted to see if there was any significant differences between reason for business start-up and measures of business success.

		Start-up Personal	Start-up Negative	Start-up Financial	Start-up Lifestyle	Success - Lifestyle	Success - Financial
Start-up Personal	Pearson Correlation	1.000	.001	.322**	.394**	.279**	.265**
	Sig. (1-tailed)	.	.492	.000	.000	.000	.000
	N	288	286	288	288	286	288
Start-up Negative	Pearson Correlation	.001	1.000	.124**	-.033	-.029	.063
	Sig. (1-tailed)	.492	.	.018	.287	.312	.144
	N	286	287	287	287	286	287
Start-up Financial	Pearson Correlation	.322**	.124**	1.000	.248**	-.092	.420**
	Sig. (1-tailed)	.000	.018	.	.000	.059	.000
	N	288	287	289	289	287	289
Start-up Lifestyle	Pearson Correlation	.394**	-.033	.248**	1.000	.412**	.174**
	Sig. (1-tailed)	.000	.018	.000	.	.000	.001
	N	288	287	289	289	287	288
Success - Lifestyle	Pearson Correlation	.279**	-.029	-.092	.412**	1.000	.001
	Sig. (1-tailed)	.000	.312	.059	.000	.	.492
	N	286	285	287	287	288	288
Success - Financial	Pearson Correlation	.265**	.063	.420**	.174**	.001	1.000
	Sig. (1-tailed)	.000	.144	.000	.001	.492	.
	N	288	287	289	289	288	290

**** Correlation is significant at the 0.01 level (1-tailed)**

Table 4.26. Start-up Reasons and Measures of Success Correlations

What these results show is that SBOs who willingly start their own businesses measure their success, both financially and by lifestyle, to a greater degree than SBOs who were pushed into starting their own business. Conversely people who were pushed into self-employment had much lower scores on both financial and lifestyle measures, but favour financial measures over lifestyle measures. This final set of data agrees with the results from the previous hypotheses.

Therefore this hypothesis is rejected.

The final two hypotheses are not related to actual measures of business success or business attitudes. However given that the majority of the sample started their current businesses, the area of interest is whether the SBOs view their businesses as long term undertakings or as short term 'cash cows'. This was examined by asking the respondents what were their future business intentions and whether they considered their business a family business.

4.6.12. Hypothesis 10. Family business

H₀ 10. The majority of small businesses consider themselves family businesses.

Only 82 respondents (28%) considered the business a family business, yet 43% of the businesses had other family members working in the business and 33% of respondents were in partnership with their spouse. The figure of only 28% considering themselves family businesses is much lower than the ABS (1998b) estimate of 57% of businesses which were classified as family businesses.

These figures reveal that while some SBOs state that they are a family business, possibly to comply with legal and taxation requirements, the majority did not consider themselves to be family businesses. The issue of definition could well have a bearing on this figure, however, given that the Australian Bureau of Statistics also uses self-selection, the figures here are as representative as is possible.

This tenth hypothesis is therefore rejected.

4.6.13. Hypothesis 11. Mono-generational businesses

H₀ 11. Small businesses are 'mono-generational' and do not seek to pass on the business to the next generation of their family.

Respondents were asked what were their future intentions for their businesses. Only 10% of respondents were maintaining the business for their children to join them in the future, while 46% intended to maintain the business only until their retirement.

The majority of the businesses had been in operation for less than 20 years, and only 6% for more than 20 years. The age of a business does not necessarily predict mono-generational status, however businesses that have been in operation for less than 20 years are less likely to have more than one generation of a family working within the business. Of the 290 respondents only 3 (1%) stated that they inherited the business. Based on the present sample it would appear that small businesses in this industry sector are predominantly one generational only.

The eleventh and final hypothesis is therefore accepted.

4.7. ADDITIONAL RESULTS

There was an open section in the questionnaire which asked the respondents to state, in their own words what was the best thing about being in business and the worst thing about being in business. Whereas these two open-ended questions were not directly linked to any of the hypotheses, it was felt that the SBO might like the opportunity to put down their own thoughts about operating a small business. It was hoped that any comments would verify the previous assumptions made and might also illicit new information. From the 290 responses in total there were 283 comments made about the best and 284 about the worst aspects of small business ownership. This is a very high proportion of responses to an optional open-ended question.

4.7.1. The best thing about being in business

Not all respondents answered this open-ended question, with the ones who did giving numerous different reasons, commonalties however did emerge. This enabled quantitative values to be placed on those responses. The most common reasons have been condensed into thirteen categories, which are shown in Table 4.27. below.

	Reason	%
1	Control of ones own destiny	13
2	Freedom/lifestyle	13
3	Flexibility, especially working hours	13
4	Responsible for the decision making, setting the goals	12
5	Personal achievement/satisfaction	11
6	To be own boss	7
7	To assist others/to make a difference	7
8	Money	6
9	Challenge	5
10	Autonomy	5
11	Not working with incompetents	4
12	Providing a good service	3
13	Other	3

Table 4.27. The Best Thing About Being in Business

The first seven reasons are very personal, intangible and affective and with the exception of the eighth reason, to make money, the rest do not have financial overtones.

The aspect of choice was expressed in various ways such as;

“Ability to set own priorities and work to a standard rather than a price”

or

“No longer having to meet budgets and sales targets set by other people”

or

“not having to work with people who have no idea about business”

The aspect of monetary rewards was only mentioned by 16 of the respondents and often in relation to achieving financial security, or was qualified as being something that allowed the respondent to do additional things, normally associated with family such as;

“Financial independence to improve lifestyle and spend more time with my family”

It is acknowledged that some of the other reasons given could have been prompted from the statements that the respondents had previously ranked previously in the questionnaire, such as ‘to be my own boss’. However, the aspect of decision making or control was not mentioned directly in the statements that the respondents were required to rate, therefore the reasons which were independently given add some enrichment to the quantitative information gained.

4.7.2. The worst thing about being in business

Again there were numerous different reasons given, with the majority of the respondents giving one principal reason. These reasons have been condensed into fifteen alternatives, which are shown in Table 4.28. below.

	Reason	%
1	Uncertainty of cash flow/getting clients to pay	13
2	Long hours	12
3	dealing with institutions and government agencies	11
4	Responsibility for others	10
5	No time off/holidays	8
5	Stress	8
7	Client/customer pressure	6
8	Isolation/lack of interaction with colleagues	6
9	Lack of financial security	6
10	Lack of family time/difficulty of separating work and home	6
11	Nothing	5
12	Other	5
13	Uncertainty of work flow	4
14	Staff problems	3
15	Marketing/finding new clients	2

Table 4.28. The Worst Thing About Being in Business

The predominant reasons involved external forces such as dealing with debtors, government red tape and regulations, especially taxation, or dealing with institutions such as banks. Another major reason was the long hours and lack of time off or the ability to take holidays.

An issue that was mentioned by some respondents was the feeling of isolation and lack of stimulation of a larger work environment, these respondents were all either sole proprietors and/or work from a home base. Also the aspect of stress or fear was often mentioned, such as;

"Constant fear of losing everything, constant fear of messing up"

Finally there were 13 respondents who said that there were nothing bad about being in business. The opinion of these SBOs is qualified by a typical statement such as;

"I just love it"

This additional qualitative information was insightful and it also added verification to the quantitative results. This particular business sector appeared to be content to be operating their own businesses, despite the pitfalls.

4.8. SUMMARY

The research has shown significant differences in the attitudes of small businesses owners and how they view their business operations and its commensurate success, according to size of business and location of business, but not by gender. Also, how small businesses measure their success is not uniform. The reasons why people went into business initially determines their current definition of business success. Finally and contrary to some opinion, not all small businesses are family businesses and neither do they intend to become so.

CHAPTER 5.

DISCUSSION CHAPTER

5.1. INTRODUCTION

This chapter will discuss each of the eleven hypotheses and draw conclusions based on the analysis of the initial interviews, the survey results and the previous literature. In addition the demographic profile of the sample will be reviewed as some of the characteristics of the sample are contributing factors to the hypotheses. At this level of business enterprise, the person operating the business is very much an integral part of the business and in the instance of sole operators they are the actual business. That is, without the actual person, there would be no enterprise. As the majority of the respondents were involved in the day to day operation of the businesses, their answers to the statements which devolved the hypotheses, assume a high level of accuracy of responses.

The results of the hypothesis testing have also assisted in the development of a new theoretical model, which demonstrates the importance of start-up motivations as a indication of which success measures, either lifestyle or financial, are used by small business operators. The chapter concludes with a review of the qualitative results that were expressed by some respondents as to other issues that effect their business performance.

5.1.1. Demographic characteristics

The Australian Bureau of Statistics does not give highly detailed demographic information regarding of the operators of small business in its various publications concerning small businesses. The information that the ABS does collect is basic generic information such as gender, age, country of birth and level of education attained. Comparing this sample to ABS data, the respondents were similar in age and gender to the 'average' SBO. As gender is a defining variable in two of the hypotheses, its relevance to small business ownership is discussed in detail in those sections. Country

of birth was not a requirement for this research. The one notable difference was in the level of education. The sample had a higher level of education than the ABS profile of an average SBO, with over one third holding postgraduate qualifications.

The difference in educational qualifications compared to the general small business population is possibly a reflection of the industry sector. Professions included in the industry sector such as accountants, architects and lawyers, require tertiary qualifications and possibly further higher qualifications for areas of specialisation in their fields. Businesses in this industry sector are often specialised businesses services, which are based on the expertise of the SBO, gained through practical and theoretical knowledge. As discussed in the literature review, the higher the level of education, the more confident the person is to negotiate for themselves within a self-employed environment. Also higher levels of education can lead to the potential for dissatisfaction with paid employment, thus self-employment becomes more of a favourable option than ordinary paid employment.

Other demographic information gathered included the SBOs marital status, whether they had dependents and the business status of their parents. Small businesses often use spouse to assist in their business activities, and as one of the hypotheses concerned family business, marital status was assessed. The majority of the sample were married or in a de facto relationship, which is consistent with the general population. There was however a difference with the number of respondents who considered themselves a family business and the number who had stated that they were in partnership with their spouse. That is, even though the majority of SBOs were married or in a de facto relationship, and just over half (57%) stated that they were in a business partnership with their spouse, only 28% of the sample agreed that the business was a family business. This point will be discussed in greater detail in the ninth hypothesis.

Having dependents was taken to mean that there was a certain level of financial resource required from the business, over and above what would be required for an individual. Therefore the motivation to do well in the business could be higher for SBOs with dependents. However, there was no significant differences regarding having dependents or not, on any of the hypotheses tested.

The last demographic to be reviewed was the business status of a respondents parents. This variable has been used in previous studies as an indication of a persons propensity to also become self-employed. The general consensus being that having self-employed parents was an indication of their own willingness to eventually become self-employed. Just under half of the sample (47%) stated that they had had at least one parent who had been self-employed, but there was no significant differences between any of the other variables tested, which were age, gender and level of education attained.

The overall view of the demographic status of this sample, from the results of the data analysis, is that they were not different from the ABS broad profile of an owner of a small business, in so far as there is one. The sample could be seen as a typical representation of SBOs and therefore the results of the hypothesis tests can be seen as being reflective of the current perceptions of how small business operators measure their business success and their motivations for business start-up, within one specific industry category.

5.1.2. Business characteristics

Perhaps because the nature of small business is so diverse, the ABS does not conduct detailed profiling of general business characteristics, further the ABS does not normally refine its overall data collections to individual industries categories²¹. Generalisations about small businesses that are made, are very broad and originate from individual studies, such as this. These generalisations normally follow the logical assumptions of general business principals, such as the legal structure, reflecting to a certain extent, the size of the business²²; that a proportion of businesses will fail, normally in the initial start-up phase; that a proportion of businesses will grow over time; and that people work longer hours in the establishment phase of their enterprise. These characteristics also tend to reflect the general economic and social trends of the day.

²¹ The ABS collects aggregate data on small business *per se*, however it does produce a series of catalogues on an *ad hoc* basis on specific industries within the broader category of Property and Business Services. The specific industries covered are Cleaning Services (ABS, 2000c), Computer Services (ABS, 2000d), Employment Services (ABS, 2000e), Legal Services (ABS, 2000f), Market Research Services (ABS, 2000g), Real Estate Services (ABS, 2000h), and Security Services (ABS, 2000i). However these industry specific catalogues supply different data to that which is given in the generic small business publications and is therefore not readily comparable.

²² That is, sole operators often trade under the legal status of Sole Proprietors and larger small businesses which have staff are more likely to trade under the legal status of being a Limited Company or a Proprietary Company.

One of the interesting facts to emerge from the data was that this group of SBOs were currently working longer hours than they stated they did in their initial start-up phase. This goes against the normal trend of business owners easing off, to some extent, after the business has become established. It is perhaps a reflection of the overall growth in the total number of small businesses, which has had the knock-on effect of there being more competition in all industries. Therefore businesses, especially small businesses have to work harder to maintain any market share, given that do not normally have the luxury of having significant market share.

In terms of the overall economic climate in Australia, it is currently one of caution and conservatism, as opposed to the brashness of the late 1980's. In broad terms there appear not to be the excesses today as there were in the late 1980's, when money was easy to borrow, albeit at very high interest rates. This business cautiousness is reflected in some small businesses in terms of reluctance to employ staff, thus forcing the owners to do more themselves, resulting in them having to work longer hours. One of the reasons cited for reluctance to employ staff was because of uncertainty about future work, again tying into the general conservatism and lack of risk taking of small business today.

Another key reason why some SBOs are reluctant to employ staff is their insistence on retaining their autonomy and stay at a very small, micro size. Given that a key motivation for starting a business is to be ones own boss, then the thought of having to employ people and take on that responsibility, is not something that a lot of SBOs feel comfortable about. Even with the ever increasing compliance requirements and regulations placed on businesses by governments, a proportion of micro business owners choose to work longer hours, rather than employ someone else to assist them. Micro business, as a business category, has the most static figures on employment growth, compared to either other larger small businesses and both medium and large businesses (ABS, 1999).

5.2. MEASURES OF SUCCESS

The main proposition of this research is that contrary to much of the previous empirical research and anecdotal information, the owners of small businesses do not solely or primarily use financial criteria to measure the success of their enterprises. The importance of non-financial affective measurements has been alluded to in previous research, but not actively tested to any notable degree. The first hypothesis sought to establish this principal issue by initially defining the two opposing criteria, which are financial measures and lifestyle (non-financial) measures and then test which one of the measures was most predominant. The hypothesis was as follows:

5.2.1. Hypothesis 1. Measures of success.

This hypothesis was stated as:

H_o 1. Small business owners principally use financial criteria to measure their success.

This first hypothesis was rejected based on the results of the t-tests. They showed that when comparing combined lifestyle issues as measures of success with combined financial issues, the lifestyle issues were more important to the SBOs in the sample. On the test of the individual success measures, there was no statistical difference, however the mean score was higher for lifestyle than for financial. This would seem to indicate that financial measures are of course important, given the financial imperative for all businesses to be financially solvent, but they were not the principal measure used by this sample.

The question therefore is why do lifestyle measures appear to be more important overall? There are numerous reasons as to why SBOs value lifestyle over financial measures, however that is not to say that financial criteria are unimportant. As the results showed, financial criteria were also important, but that the importance was not to the exclusion of lifestyle issues. As noted in the literature, businesses are only viable if they are financially solvent. Therefore it was anticipated that a reasonable proportion of respondents would value financial criteria highly. Indeed, at the qualitative stage of the

study several of the interviewees, at the outset of the interviews, mentioned making money as being their criteria for thinking that the business was successful.

This is fact, the success of business *per se* is universally measured by governments and other institutions in financial terms, however, how the business owner measures their personal success is less well defined. This is because of the intertwined nature of the business and the business owner and as has been already stated, some business owners are also the actual business. But if the personal characteristics of the SBO can be separated from the actual business, then the measurements of success also need to be separated. Hence the difference between the tangible nature of the measure in the business sense and the intangible nature of the measure in the personal sense.

When the interviewees were pressed further and asked if there were any other measures they used in assessing the success of their business, in addition to making money, then the majority mentioned intangible lifestyle factors. These factors were consistent with the literature and formed the basis for the quantitative part of the study. What was interesting was the almost automatic reaction of the interviewees to the initial question of how they measured their business success. The notion that making money was the principal measure of success, appeared to be what the interviewees thought they were expected to say. It was an almost rote reaction. As Jarvis et al. (2000) found in their study of performance measures, their respondents felt the need to tangibilise the measures that they used, which in that case was cash, as opposed to the intangible nature of 'profit'. Profit is an accounting term, which nevertheless has meaning, but no actual form. Whereas cash, as money, has form.

Only when asked to either qualify what they meant by making money, or expand on other measures, did the interviewees then appear to give the question some real thought. The notion of making money as the only measure effectively became much less prevalent in the conversation. The interviewees then started talking about the affective measures that they used. Often being able to structure their working arrangements in order to free up time was an important feature of being the owner of the business. This allowed them to be able to do personal activities such as baby-sit their young child so that their partner could continue her career, or go for a long lunch, without having to explain their actions to anyone. It is accepted that in any qualitative research there is

interviewer bias, and all of the interviewees knew of the nature of the study. However the quantitative part of the study shows that some of the lifestyle measures, which were often mentioned after financial measures in the qualitative part of the study, were more important overall to the sample.

The four criteria that became the 'lifestyle' category in the factor analysis of the alternative measures of success, were all balanced against the importance of making money and were all derived from an individualistic perspective. The second set of factor analysis, which was conducted on the motivations for starting a business, produced another category, 'lifestyle balance' which overlapped some of the previous measurement statements but also included the issue of work and family. The two different sets of factor analysis were based on different items in the questionnaire but ultimately produced similar results regarding the overall importance of lifestyle issues to small business owners, in both the motivation for starting their business and their personal measure of success.

The reasons why these lifestyle measures are so important to the SBOs can in part, be explained by the previous literature, but need to be expanded further to incorporate the wider picture of the changing nature of work and working life. Part of the reason why there has been little written about this issue in relation to small business from an affective perspective, are the base characteristics of business in general. when viewed from an historical basis. The world of commerce is by its very nature a competitive environment and which is overlaid with masculine mores. This is evidenced in the language and culture of large organisations, which frequently appear to assume a combative and often aggressive stance on business practices. As an example, one of the best selling populist business books of recent times was titled *'The Art of War'* by Sun Tzu. The titles of these types of books are often couched in terms of outwitting opponents, such as the one mentioned or being smarter than the opposition. There is not a lot of room for less masculine attitudes, such as achieving results through consensus or the fulfilment of personal non-financial goals.

If the information technology (IT) industry is taken as a current example of an industry within the category of Property and Business Services, the notion of the industry being a 'boys club' is still prevalent (Gaudin, 1999; O'Neill-Cooper & Walker, 2001) and with

that perception comes the expectation that work and work association and colleagues are central to work life. This is often to the exclusion of family life. The culture of some IT companies is one of placing the company before personal domestic responsibilities, and is evidenced in issues such as the expectation of working very long hours and being at the office for more than eight hours a day. As Melymuka (2000, p. 54), when referring to the situation in Silicon Valley states, "you are not seen as dedicated if you're not at your desk by 7.00am". This can make working life difficult, especially for people with domestic responsibilities. This type of work pressure is obviously not just confined to the IT industry and is prevalent in all industries, as Parker & Fagenson (1994) comment when reviewing management issues,

while men in management were expected to be at work and not with family, when work demanded it, managerial work for women did not provide the same choice. Instead, whether explicitly or implicitly stated, organizations with hired women for management slots in the 1970's generally expected women in management not to have families" (p.20).

Whereas Parker & Fagenson were commenting on the situation several decades ago, Schein (1994) when reviewing more current management attitudes in the US believes that nothing really has changed. This would appear to be also true in Australia (Hoddinott & Jarratt, 1998; Moore, 1998).

Even though in Australia there has been government emphasis placed on the workplace becoming more family friendly, with the introduction of clauses in the Federal *Workplace Relations Act 1996* to address work and family issues (Russell & Bowman, 2000), this does not necessarily translate to what happens in reality. With the casualisation of the workforce, not all workers have access to the work-family services or programmes. There is also anecdotal evidence that many men are reluctant to access work/family benefits in case this is perceived as lack of commitment to the organisation (Russell & Bowman, 2000). Therefore if the aspect of balancing work and family becomes too complex or difficult, then self-employment becomes the more attractive alternative.

Additional factors that need to be considered are the other general environmental changes in work practices. One of these key workforce changes is the decline of the

implementation of the standard working week. The most recent ABS statistics on employment arrangements show that a large proportion of the paid workforce work more than 50 hours a week (Thornhill, 2001), which is considerably more than the statutory eight-hour working day. Further, some of this overtime is unpaid, and often affects employees who are salaried. Salaried employees are often in managerial positions, which implies they have certain applicable skills. The feeling of being abused by employers is a very real reason for leaving paid employment, and was a reason mentioned by several respondents as a motivation for starting their own businesses.

The casualisation of the workplace has also led to more part-time work and short term contracts. This type of condition of employment historically effected women and low-paid workers generally, but is now prevalent for all levels of employees. Short term or longer contracts, i.e. five years, are often used to gain specialist skills which a company needs that its current workforce does not possess, without having to train current staff. This type of contract situation often has a high financial benefit for the contractor, however it also means that the organisation does not have to commit to real permanency of employment. This contracting out of work can lead to high levels of job insecurity and with that goes high levels of stress. This was reflected in some respondents initial motivation to enter self-employment, as a counterbalance to these issues.

A further factor is in the societal change connected with how work is perceived, and its overall value to the individual. From strict work ethics and the Taylorism principles of the turn of the century, to more freedom in the 1960s and the 1970s, back to the more restrictive work patterns currently being experienced, is a situation that some people are no longer comfortable with. The post-war Japanese work ethic was of great economic value to Japan and other Asian Tiger countries which sought to emulate it, however, when Japanese workers (mainly men in managerial positions) began dying in their workplaces through exhaustion (*karoshi*), then some people started to question the value of working to such a point. Whereas only some Japanese work practices were ever implemented in Australia, as there was a perception that Japan had a quite different work ethic to Australia's more 'laid back' image, the notion of industriousness by maximisation of labour (almost to the point of exploitation) by a company, still holds true in some industries, principally manufacturing.

Society reflects current values and there is a changing perception for some workers that work is not the 'be all and end all' of life, and that family and relationships are also important. As Gritzmacher (1993) states, when referring to home-based work, "although people work for economic survival, they also pursue work as a means for their own fulfilment and satisfaction" (p. 148). Not all workers want to emulate the long working hours of previous generations. Therefore if this is translated into the small business environment and to the owners of these businesses, then the aspect of balancing work and lifestyle that the respondents were expressing, it is easy to see why high financial rewards are not what these SBOs are seeking from their businesses²³.

Finally, to corroborate the individual and combined factor results, the Lifestyle Finance Matrices were developed which also demonstrated the relative importance that the respondents attributed to the two different criterion. On the combined criteria matrix the majority of the sample (60%) placed a high emphasis on both lifestyle and financial measures, with only 7% stating that financial measures rated more highly than lifestyle measures. Given that the traditional measures of small business success were normally defined in financial terms, then it would have been expected that the results would have shown a higher proportion would have valued financial measures above lifestyle measures. The figure of 7% is a very low figure and perhaps reflects the real importance that small business owners do place on the affective non-financial measures of their business success.

5.2.2. Hypothesis 2. Success measures & gender

This hypothesis was stated as:

H₀ 2. Gender does not affect small business owners' measures of success using lifestyle or financial criteria.

²³ It does have to be acknowledged that there is an expectation or assumption that these businesses are financially viable.

This hypothesis was accepted based on the criteria being used, which were the combined and individual lifestyle and financial success measures²⁴. The fact that there were no gender differences on the combined or individual lifestyle factors, as defined in the first hypothesis, was perhaps surprising, as it infers that men valuing lifestyle highly (as well as financial measures) and women valuing financial measures highly (as well as lifestyle measures), which is opposite to the traditional wisdom on small business ownership and gender. This traditional view has been that men are more financially focused than women (Cromie, 1987; Marlow & Strange, 1994; Still & Chia, 1995) and that women were more lifestyle focused than men (Brush, 1992; Parasuraman et al. 1996). The results of this study show the opposite. As previously stated, the sample might not be reflective of the small business population as a whole, therefore care should be taken in the interpretation, however for this sample, there was an impression of almost role reversal.

Since women joined the workforce in significant numbers, they have always gravitated to service industries therefore it is not that surprising that an industry sector such as Property and Business Services should display some possible work trends for women. In addition, one of the prominent professions within the industry category is accounting (18% of the sample) which is a profession that has always employed a reasonable proportion of women, albeit in junior positions, such as bookkeeping (Hoddinott & Jarratt, 1998; Moore, 1998).

The high incidence of men valuing lifestyle issues as well as financial issues is interesting and is perhaps a reflection more of an overall societal change than just an issue that is of importance to male SBOs. The sexual division of labour and the career patterns of men and women is well documented (Alimo-Metcalf, 1994; Burke & McKeen, 1994; Larwood & Gutek, 1989, Schein, 1994) and was traditionally seen as men being the breadwinners and women as the primary care givers and who did not work outside of the home (Rowe, Stafford & Owen, 1992). These roles are not quite so defined in Australia and elsewhere today, as Lewis (1996, p. 2) states "within families the once traditional pattern of breadwinner husband and homemaker wife is now a

²⁴ There were however significant differences on five of the individual items, which made up two of the other combined factors and on three of the subsidiary individual success measures.

minority form". Some of those traditional gender roles have also been noted within the small business literature (Allen, et al., 1992; Baines & Wheelock, 1998; Loscocco, 1997; Parasuraman et al., 1996) and often relate to how women have had to put their domestic responsibilities before their business responsibilities.

However, there are some studies which are beginning to report that men want to be more involved in domestic responsibilities at home. This relates to self-employed men (Wheelock & Baines, 1998) and men in the paid workforce (Bardoel et al., 2000). So, given that some men want to be more participatory in their parenting role, men who own their own businesses are in a better position to do so, and therefore could be placing a degree of importance on the aspect of business ownership which gives them that freedom. It is also acknowledged that non financial measures are personally motivated and there are other measures which do not include family responsibilities, such as having time for leisure pursuits²⁵.

The secondary finding, that women are placing more emphasis on financial considerations is not that surprising, given the number of women who are SBOs, either in their own right or as a partner, primarily with their spouse. If it is in a partnership arrangement, then the women are often the partner doing most of the financial administration (Allen, et al., 1992; Rowe & Hong, 2000) and are therefore more cognisant of the financial position of their business. In this instance it would seem logical that women are placing importance on the financial aspects of their business, as they see how the income is being generated and also how it is being spent.

The majority of women in the sample who were sole traders, were also working full time in their businesses, therefore it is assumed that the income they were deriving from the business would be their principal income. That is not to say that they did not have additional income from other sources, however the notion that women only operate businesses for 'pin money' (Kaur & Hayden, 1993; Mirchandani, 1999; Read, 1998; Scott, 1986) was a stereotypical view of women business owners previously held by some members of the wider business community, and would not be true of the women

²⁵ Of the men who were interviewed, several of them expressed a wish to play more golf or to engage in solo social activities such as surfing.

in this sample. This view of women not being 'serious' about operating a business was often perpetuated in institutions such as banks, and was based on prejudice rather than fact. Whereas the situation is a great deal better for women today, there are still barriers, including access to finance and entrenched masculine cultures, that women starting their own businesses face.

Possibly because of these barriers, which most business women are aware of, even if they have not had any direct experience of discrimination against them, the women who were interviewed stated that they approached their business dealings in a thorough and professional way, which included business planning and having a high level of understanding of the financial aspects of their businesses. Whereas banks were traditionally discriminatory towards women (Buttner & Rosen, 1992; McKechnie, et al. 1998; Riding & Swift, 1990) be that in a real or perceived manner, some are now actively seeking women business owners as their customers (Westpac, personal communication, 2000). The rationale is that women are now being assessed by these banks as lower risks than their male counterparts. This is a major culture change for financial institutions like banks, which have traditionally been seen as conservative in outlook, especially in gender issues²⁶.

The reality of women SBOs becoming more overtly business orientated can be shown by the two individual success measures of 'increases in customer base' and 'industry or peer recognition'. Both of these items had a significantly higher score for women than men, thus showing that a proportion of women in the sample were very interested in growing their businesses, as increasing a customer base is a basic growth strategy and an external measure of success. In the Jarvis et al. (2000) study, one of the measures of good performance used by businesses was by being busy. This was defined by the number of telephone calls a business received, which was then extrapolated into those telephone calls being from people who wanted to do business with that company, thus potential sales revenue.

²⁶ Prior to EEO legislation Australian banks, government agencies and other institutions had a policy of not employing married women. This was based on the notion that their husbands could or should support them financially.

Further, the fact that women valued industry or peer recognition highly, demonstrates that women view business ownership as a legitimate work strategy. It could be argued that women have to work much harder than men before they gain acceptance by their industry, whereas men are automatically assumed to have a certain level of credibility. This has certainly been the case for women in management positions in organisations (Alimo-Metcalfe, 1994; Parker & Fagenson, 1994). As the previous literature has stated, many women have started businesses in the past because of issues such as sexual discrimination in previous employment, a typical 'push' motivation. However, the majority of the women in this sample did not fall into the category of being pushed into self employment, as noted in hypothesis six.

There was also a gender difference in measures of success and the aspect of social responsibility. The four items that made up this factor, had a focus on the wider issues of small business ownership, and the results showed that men had a higher score overall. However, three out of the four items were not necessarily applicable to all respondents, such as how they felt about employing people and becoming a family business. A proportion of women in the sample did not employ anyone and also not all of the women had children, whereas the majority of men did. Therefore even allowing for the adjustments that the statistical programme made, the sample was not gender matched on this issue. The item which related to the issue of spending more time with family than on the business had a higher individual score for men than women, thus concurring with the previous argument posited that men do want to spend more time with their families and that work is often seen as hindering that desire. It was perhaps not such an issue for the women in the sample, as they are most likely to be the principal care giver, and would therefore have already factored in spending time with their family.

What this hypothesis shows is that the reasons why gender differences exist are not just restricted to small business but are indicative of the wider domain of work and employment. As gender differences exist in the paid workforce, then small business ownership is likely to mirror these differences. What is perhaps more the case for SBOs is that self-employment can give people more freedom, certainly in regards to time, and so SBOs potentially have more ability to balance their working days around their domestic responsibilities and their own personal non-work goals. Women have always

had to balance work and family responsibilities, in both paid employment and as business proprietors, and therefore the freedom they have from being a SBO is tempered with the practical way they have to structure their days. For men, there is possibly a changing realisation that small business ownership does give them more personal freedom, which they can use however they so choose.

An aspect that has not been mentioned in the changing work patterns is the increasing number of families that are, by necessity, dual income (Rowe et al.,1992; Russell & Bowman, 2000). It is not so uncommon today to find that the female partner has a more senior work position than their male partner, and could be earning more. In these cases the male spouse could be performing more of the domestic responsibilities. Whereas there has been no research on this issue in regard to small business ownership, some of the men in the sample who rated lifestyle highly, were in just such a position.

5.2.3. Hypothesis 3. Success measures & business size

This hypothesis was stated as:

H_o 3. Size of business does not effect the measurements of success using lifestyle or financial criteria.

This hypothesis was rejected, as the results showed that size of business is a determining factor in how small businesses measures their success. Business was differentiated in terms of size by it being either a micro business, (non-employing or employing five or less staff) or a small business which employed over five staff, and as can be seen from the frequency count, the majority (78% of the sample), were micro businesses. As with the previous hypothesis, there were no discernible differences in relation to the lifestyle measure of success, that is, both groups of business sizes rated lifestyle highly. There were however differences both in the individual and combined measures of success.

Larger small businesses had a statistically higher score than micro businesses on the aspect of financial measures. This is not unexpected as the more staff that a business has, more importance would need to be placed on being able to financially support those

people, that is, to pay their wages. One of the reasons stated in the qualitative interviews for not wanting to expand in ways such as taking on staff, was the personal responsibility that they incurred by doing so. Being financially responsible for other people (staff) is a facet of business (except for sole operators), but given the option of staying as a micro business and possibly not employing anyone, or becoming a larger enterprise, there are obviously many business owners who choose the former.

Employing people was one of the individual items which was aggregated into the attitude factor of 'social responsibility'. Larger small businesses had a significantly higher score on this factor, which seems to indicate that these owners accepted that expansion of their businesses would require them to take on staff or more staff, and with that comes the extra responsibility. This responsibility is not just financial responsibility, as employing staff can also be an emotional responsibility. In several of the qualitative interviews respondents talked about the emotional responsibility they felt for their staff in terms of knowing their personal circumstances and therefore knowing that the business they created was now supporting not just themselves but also staff members and their families. This did give some respondents some anxiety and in one case, a respondent felt that the business had to be financially successful because of the number of mouths that it fed.

The other aspect in the individual measures which is linked to the financial aspects of business ownership is measuring success by increases in customer base. As previously stated this is a basic growth strategy, and from the results, larger small businesses are more likely to measure their success by increases in this measure. Further, larger small businesses were more influenced by industry or peer recognition in terms of the higher means scores. External perceptions can contribute to a business being thought of as being successful. The majority of the 'self-help' 'how to' books on business and how to be successful at it²⁷, will contain a chapter on image. That is not to say that the image of a company has no influence on its performance, however there has been no empirical evidence to substantiate the true importance of image.

²⁷ the majority of 'self-help' 'how to' books regard success in purely financial terms, and are couched in terms of how to make more money, and often in a very short space of time. The methods that are often suggested normally require a personality type that does not necessarily fit anyone who is not either single minded and/or very ambitious.

Given that the majority of the sample were micro businesses, as indeed are the majority of all businesses in Australia, these findings show the comparative importance that micro business, compared to other small businesses, place on financial criteria. Regarding the aspect of social responsibility, which includes attitudes towards employing staff, the comparison here is that micro businesses are not as enthusiastic as larger small businesses in taking on staff or more staff, and are content to stay very small.

If micro businesses are not interested in employing staff, even when they know that it could mean potential business growth, and commensurate financial rewards, then the notion of small business being a creator of employment opportunities, is not perhaps relevant to most small businesses. This fact has serious implication for government policy related to small business growth, if policy is based on the economic assumptions of businesses being continuous exponential growth enterprises. Small businesses might well be “the engine room of the economy” (Howard, 1997, p. iii) and “the seedbed for entrepreneurial talent” (Micro Business Consultative Group, 1998, p. x) however if micro businesses have no desire to grow in any discernible way, then their true growth potential may well peak far short of government expectation. Indeed it would be hard to find many SBOs who would say that being able to employ people was one of their motivations to start their business in the first instance. The final hypothesis on success measures used place of operation as the independent variable.

5.2.4. Hypothesis 4. Success measures & place of operation

This hypothesis was stated as:

H_o. 4. Place of operation does not effect the measurements of success using lifestyle or financial criteria.

This hypothesis was rejected as there were significant differences in relation to how the SBOs measured their business success and where they operated their businesses from. Place of operation was defined as being either a home-based business or an external based business. From the frequencies, approximately one third of the sample were home-based businesses. As has been the case with the previous two hypotheses when

reviewing the individual measures, there were no significant differences between place of operation and measuring success by lifestyle criteria. Both home-based and external business operators had a high mean score on this item. And again as with the previous two hypotheses, there was a significant difference in relation to measuring business success using financial criteria. SBOs working from external premises had a higher score than home-based businesses on this item.

Conversely, home-based businesses had a significantly higher score on the item which referred to personal freedom. This is different to the previous results on this item when using the independent variables of gender and size of business, which showed no significant difference. Personal freedom and lifestyle had the highest two mean scores for this hypothesis, which demonstrates that the choice of operating a business from home is very much a decision based on personal feelings rather than just financial criteria.

When looking at the combined factor items, there was a significant difference on the factors of lifestyle criteria, financial criteria and social responsibility, with home-based businesses valuing lifestyle more so than external businesses. Externally based businesses had higher scores on the financial criteria and also on social responsibility, which is consistent with the literature. It was expected that home-based businesses would value personal freedom highly and have a stronger lifestyle focus than externally based businesses, as one of the key reasons given for running a business from home was the flexibility it afforded the operator. This makes intuitive sense, as operating a business from home gives the SBO almost complete control and autonomy, both of which were mentioned as significant 'best aspects of being in business' in the qualitative data.

Whereas flexibility was a generic reason indicated by all businesses, being able to work from home adds another dimension. One of the interviewees made the comment that working from home allowed him the flexibility to work whatever hours of the day he liked and to dress as he liked, which meant working in his pyjamas if he so choose. Other reasons stated for running a business from home were the convenience, and for some respondents, being able to combine work and family, a reason which has often been associated with women.

Australian Business of Statistics data states that more men than women work from home, whereas anecdotally it is thought that more women than men work from home. This is a reflection of the difficulty of both a clear definition of what a home-based worker is, and also the unknown number of 'grey workers'²⁸. These grey workers are often women who do work from home, and do not declare any of the income they derive. This is also true for men, but women would often appear to work in a more part-time casual capacity, doing jobs such as cleaning. As these would not be registered businesses they are never captured in any census, or in any study, such as this one. Whether they could be classified as legitimate businesses is also an area of debate, however, their reasons for doing part-time casual work is often because of domestic responsibilities, which leads to an inability to be able to comply with the fixed requirements in the mainstream workplace.

There are also grey businesses which do eventually turn into legitimate businesses, often based at home, and so have perhaps an advantage over other new business ventures that start from scratch, in that they already have some infrastructure in place. These businesses are likely to be very slow growing, if issues such as domestic responsibilities are still pertinent to the SBO and are therefore also likely to remain in their home location. This type of slow growth has been referred to as organic growth (Saxon & Allan-Kamil, 1996; Still & Timms, 1998) and has often been associated with businesses owned by women, and as previous studies have stated, women's businesses often grow at a slower rate than comparable male owned businesses (Clayton, 1998; Lee-Gosselin & Grisé, 1990). This growth differential can in part be explained by the fact that women's businesses are often younger, and that the slower growth by women owned businesses is not necessarily a strategic decision, rather a result of the stage that the business is at (Cliff, 1998; Rosa et al., 1994). Given that women start businesses at twice the rate of men (ABS, 1998b), these businesses are likely to be in the early start-up stage.

²⁸ Grey workers are people operating in the informal business sector, which is the black or 'grey' economy (Birley, 1996).

Several issues regarding home-based businesses which were of concern to some SBOs emerged from the qualitative interviews. One was the trade-off in customer perception between being a home-based or an external based businesses. During the interviews several of the home-based businesses expressed the opinion that they sometimes felt that they were not taken as 'seriously' as businesses which operated from an external premise. This attitude was also confirmed in a study by Houghton (1999) of home-based businesses in Queensland. This opinion can sometimes lead to a dilemma on the part of the home-based SBO concerning the fees to be charged. On the one hand they felt they could (and almost implicitly should) charge less than similar businesses which were externally based, because of the lower overheads. And on the other hand, by charging less, they felt they were diminishing their professional expertise. One of the interviewees rationalised their feelings by commenting that they were not in business for the money, and therefore were happy to charge less than the standard commercial rate. However, this same person was worried that the perception in the wider business community of home-based businesses was that they were not thought of as being as professional or serious as businesses which were externally based.

Another difficulty expressed by several of the home-based interviewees was separating the business from the home, both physically and mentally. One of the interviewees did express feelings concerning having strangers in their house, and felt they were constantly on show and were being judged more for their surroundings and tastes in furniture, than in their ability to provide a professional accounting service. On the cerebral side, several SBOs mentioned the difficulty of having the office in a part of their house and not being able to switch off. A further concern was that they lacked the mental stimulation that can be gained from working in a shared work environment, and the commensurate friendship and camaraderie that results from working in a team or simply with other people. The feeling of isolation was mentioned by all of the interviewees who worked on their own from a home base. All of these negative feelings were also expressed in the qualitative data set on worst aspects of small business ownership.

Given all of the difficulties and potential drawback, most of these people were not sufficiently unhappy with their working arrangement to make them want to get external premises. These SBOs balanced the negative factors against the positive lifestyle factors

such as personal freedom and appeared to conclude that operating a home-based business was still their preferred option. From the quantitative results, there were few negative comments made regarding home-based operation. Some expressed the fact that they could not afford external premises (financial constraints) but the majority indicated that it was to combine work and family and/or lifestyle and/or convenience. The length of time that some of the home-based businesses had been operating for, often for over ten years, indicated that they are very comfortable with the working arrangements.

What the findings have shown overall is that the aspect of measuring business success by lifestyle factors has been equally important to all of the different groupings, and is more important than financial aspects for all groups. On the financial aspects there has been some individual differences with some items and some variables. The next set of hypotheses looks at the same set of independent variables and the reasons why the SBO went into business in the first instance.

5.3. REASONS FOR BUSINESS START UP

The reasons for starting a business are numerous, and have often been categorised as factors which either pull or push someone into self-employment. What has not been reviewed to any great extent is the notion that the reason why a person initially went into business would impact on how they measured their success.

5.3.1. Hypothesis 5. Start-up factors

This hypothesis was stated as:

H₀ 5. Small business owners are pulled or pushed equally into starting their businesses.

This hypothesis was rejected as the SBOs in this specific industry sector very much fell into the pull category. There could be various reasons for this, such as the level of

education of the respondents, the actual industry sector itself, or the effect of overall workforce and societal changes.

The level of education of the sample was higher than that of the general workforce, which was not surprising given that the industry sector consisted of professions such as accountants, lawyers, architects and management consultants. The length of time needed to obtain the necessary qualifications would be a discouragement to people who were not prepared to expend so much time and money to achieve further qualifications. Level of education is strongly correlated to general small business survival (Dolinsky, et al. 1993; Gray, 1999) and specifically in services industries (Bates, 1995). That is, the higher the educational level the greater the chance of survival. This specific industry sector is also a low risk sector in relation to capital outlay required.

Further, professions such as accounting and law are often seen as lifelong occupations, and not ones that are entered into for a short length of time. Management consultants *would be a slightly different case, as it is unlikely that many young people set out to be a management consultant. Being a management consultant requires a great deal of experience, both actual and vicarious, which can only be gained over a number of years. Even though there is no requirement to have formal qualifications, the majority of the respondents who were management consultants had tertiary qualifications.*

This industry sector may also be atypical, in the fact that most self-employed business service professionals are reasonably well remunerated, which could be a major incentive for people who wish to become self-employed and who want to work within a relatively stable environment. Even though that is a value statement, professional fee structures are normally more than charges levied by tradespersons for work done. That is not to say that all tradespeople make less money than professionals, as their working structures are different, however, there would be few self-employed lawyers or accountants who could not make a 'comfortable' living in their respective professions, if they so chose. Again that is a value statement as the same could be said for all self-employed persons, but the professions mentioned are less affected by economic vagaries, such as interest rate fluctuations. These external factors have an impact on industry sectors such as building and construction, where interest rates changes effect the sector acutely. However even in times of economic decline, there is still a need for professional

services such as lawyers, architects and especially accountants, such is the nature of taxation systems.

It could also be that people in these professional occupations are more financially solvent, in terms of having either savings or low debt, because of having had reasonably high salaries in previous employment, especially if it had been in the same profession. Therefore their reasons for starting this current business were because of personal affective rationale, such as personal satisfaction and lifestyle, as shown by the mean scores, than because of wanting to make a lot of money, and certainly not to do with negative push factors. Financial Gain was ranked third in order of importance behind Personal Internal and Lifestyle.

The other major reason for people choosing to start their own businesses is the changes that have taken place in the workplace. There are no longer jobs for life, with one employer, even in these professions (Middlehurst & Kennie, 1997). Therefore people who want to become an accountant or a lawyer in the first instance, would be aware of the limited opportunities there are to simply stay as an employee. As with all work situations, there are more qualified people than jobs to be filled. This is also an industry sector which has historically consisted of lots of micro businesses or sole proprietors, because of the nature of the work involved (Middlehurst & Kennie, 1997). And unlike other sectors, such as retailing, which has become the domain of the multi-national to the demise of the corner shop, this sector maintains the majority of businesses, as being micro in size. The three hypotheses using the different sets of independent variables will now be individually discussed.

5.3.2. Hypothesis 6. Gender and start-up

This hypothesis was stated as:

H₀ 6. Gender does not effect the reasons for starting a business.

This hypothesis was rejected, as there was a significant difference on one of the four start-up factors. The previously reviewed research into the aspect of gender and start-up

has stated that historically a high proportion of women were pushed into self-employment, as opposed to willingly choosing self-employment, and conversely, that men were more likely to be pulled towards starting a business (Brush, 1992; Buttner, 1993; Buttner & Moore, 1997; Cliff, 1998; Cromie, 1987; Pihkla, Vesalainen & Vittala, 2000; Scott, 1986; Watkins & Watkins, 1986). Further, women chose to start businesses for lifestyle reasons rather than financial reasons (Brush, 1992; Buttner & Moore, 1997) as opposed to men who were primarily interested in the financial aspect of small business ownership (Marlow, 1997; Breen, Calvert & Oliver 1995). It is difficult to accurately say whether this was actually the case for the majority of women, or men, mainly because the samples used in previous studies were often small and not necessarily representative of all types of small businesses. However the broad consensus was that there were gender differences in reasons and motivations for starting a business.

The principal reasons given for women being pushed into self-employment were the negative factors such as lack of opportunities and barriers to advancement, sexual discrimination, and the difficulty of balancing work and family. The results from this current research show that the women in the sample had much higher scores on the pull factors and were therefore not pushed into self-employment. Indeed the men actually had higher mean scores on the push factors, signaling higher agreement with the statements. This indicates that the men had been more inclined to start their businesses due to lack of advancement in previous employment, resignation, inability to find suitable employment, redundancy or to avoid low paid employment.

There was also a statistically significant gender difference on the aspect of financial motivation for starting a business. Given that the majority of the men in the sample were married and had children, it would seem likely that they would take on the traditional societal responsibility of being the family breadwinner, and with it the ensuing financial responsibilities, this result was to be expected. However when the individual mean scores are reviewed, then what emerges is that men placed Personal Internal reasons and Lifestyle Balance reasons above Financial Gain (making money) and placed Negative External last. There was a similar ranking for the women in the sample.

Whereas Personal Internal reasons have always been given by both women and men as the motivations for starting a business, what is interesting in this sample is that the men ranked Lifestyle Balance so highly, and above the traditional masculine motivation of making money. Indeed, in the individual item rankings, making money was tenth for women and ninth for men, with all of the personal affective reasons placed above this financial motivation.

These results show that the women were similar to the men in the majority of reasons for starting their businesses. What is different from previous studies is the fact that the men in the sample were using intrinsic personal rationale for starting their businesses over financial rationale. These intrinsic personal reasons were traditionally the domain of women SBOs. Perhaps not only are women changing towards becoming less personally motivated and more financially motivated, men are doing the reverse, that is, becoming more personally motivated and less financially motivated. This would be in keeping with the latest research into work and family, which is beginning to show changes in how men view their domestic roles (Russell & Bowman, 2000). In the qualitative comments made about the worst aspect of being in business, several younger men mentioned not being able to spend time with family.

Given what appears to be a change in attitudes towards business ownership from both women and men, the age of the respondents and their level of education were also taken into consideration, as these variables have already been mentioned as being significant in other hypotheses. The age of the women respondents overall was slightly lower than that of the men in the sample. This could indicate that younger women do not or have not, encountered the same sort of 'barriers' or restraints that women attempting to enter self-employment previously confronted. It is well established that women who were starting up in business 20 years ago encountered discrimination (Carter & Allen, 1997; Still & Guerin, 1991; Stranger, 1990; Watkins & Watkins, 1986).

With this change in attitudes, or at least a perception of change, as sexual discrimination still exists for women, is a corresponding raising of the level of education for women and men. Young women are better educated today, as the entry to undergraduate university courses attests. The women in the sample had more post-graduate qualifications than their male counterparts. So even though there were some gender

differences it would appear that the gender gap is perhaps decreasing, and that women are becoming more financially focused and less domestically focused and conversely men are become less financially focused and more domestically focused.

There was little difference shown on the Start-up Motivation Matrix between women and men, with women being slightly less Motivated and slightly more Unambitious, but with almost identical findings on both of the high push quadrants. This further compliments the previous findings for this hypothesis. However this might not be the case for other industries as this specific industry sector could be the overriding factor with these findings.

5.3.3. Hypothesis 7. Business size and start-up

This hypothesis was stated as:

H₀ 7. Business size does not effect the reasons for starting a business.

This hypothesis was rejected as there were differences on this variable. The results showed that micro businesses were more likely to have been pushed into self-employment than larger small businesses and that financial criteria was more important to larger small businesses than micro businesses. There is an anomaly here in that when gender was used as the independent variable for whether the SBO was pushed into self-employment, women had lower scores than the men, indicating they were less likely to have been pushed. However the overall results show that women are operating smaller businesses overall than men, therefore based on the results of this hypothesis, that smaller equates to being pushed, women should also have been pushed into self-employment, which has not been shown to be the case.

The second major difference on these items and size of business was in Financial Gain. As stated previously, it would be expected that larger small businesses would have a greater financial imperative than micro businesses, given the economic assumption of business growth equating to the need to employ more staff. And with more staff comes larger wage bills. What the findings have so far shown is that financial gain is not the

most important issue for small businesses in general but that as businesses grow in size, the financial aspects become more important.

The obvious policy implication for this finding is that if money is not a major motivator to growing a business, then there will always be a very large proportion of businesses that are content to stay very small. This is borne out by the longitudinal studies conducted in the UK by the Small Business Research Trust which show that in real terms only 4% of businesses display a propensity to expand and then do so (Gray & Allan, 2000). The small number of businesses which actually become the creators of employment is not a problem if small business ownership at the micro level is thought of as being a good alternative to unemployment, or at least giving large numbers of people some gainful self-employment. However if small business ownership is seen as a way of curbing unemployment via their potential to become generators of jobs, and therefore a vehicle for employment growth and job creation, then the research shows that this is not likely to be the reality.

As noted previously the literature is at odds as to whether small businesses actually create jobs or are simply responding to external environmental forces. It would be true to say that there are always some enterprising people who do want to grow their businesses and are prepared to take the commensurate risks and responsibilities that are attached to business expansion. However if the raw numbers of the sample are looked at, just under 20% (19.9%) were classified as larger small businesses, with the rest being micro in size, which is similar to ABS data. What also needs to be taken into consideration is that one third of the sample were sole proprietors, therefore the total amount of external employment that these businesses have actually generated is small, compared to employment rates overall. What it also shows is that given that the sample appears reasonably satisfied with their businesses and how they are operating them, there seems little incentive to grow their businesses to any discernible size, therefore these businesses should not be viewed as potential employment creators.

When reviewing the Start-up Motivation Matrix for this variable it showed that micro businesses were the most Unambitious, with nearly a quarter (24%) having a low push low pull score. As would have been expected the larger small businesses had the highest percentage of Motivated SBOs with virtually all of that cohort (86%) having a low push

high pull score, and virtually none (2%) of the group being pushed into starting their businesses. This last figure compares with 13% of the total sample having a high push score. What has to be remembered is that the larger small businesses were the smallest of the variable groups, and only accounted for 20% of the total sample, so although they in themselves are motivated and ambitious, they are not the vast majority of small businesses.

The final start-up hypothesis concerning aspects of business start-up used place of operation as the independent variable.

5.3.4. Hypothesis 8. Place of operation & start-up

This hypothesis was stated as:

H₀ 8. Place of operation does not effect the reasons for starting a business.

This hypothesis was rejected as there were two significant differences on this hypothesis, which were that home-based businesses were more likely to have been pushed into self-employment, and that Lifestyle Balance factors were more important to them than to external based businesses. The aspect of home-based businesses being more likely to be pushed into self-employment demonstrates that starting a business is often a reaction to changes in employment status. Whereas this sample overall showed that push factors were the least important of the start-up reasons overall, using place of operation as the independent variable, the highest mean scores were produced within all of the variables. Home-based businesses had a mean score of 2.47 on Negative External compared to the total sample having a mean score of 2.16, showing that push factors were more pertinent to business start-ups at home. This is also born out by the Start-up Motivation Matrix, which showed that 20% of home-based businesses had high scores on the push factors.

Often businesses started from home in the first place are by people who are going into business for the first time, and starting from home gives them the opportunity to see if the business idea is viable and indeed if they themselves are capable of operating a

business. In addition operating a business from home is a cheaper lower risk start-up option than having to borrow money to access external premises. The home-based businesses are often younger businesses, which is borne out by the sample, as this cohort had been in operation for less time than the external based businesses.

It is unknown if the external businesses started off as home-based business, however just under one third of the home-based businesses had been operating from their home for over ten years. As one of the reasons stated for choosing to work from home was convenience, and 76% of the home-based businesses cited that reason, then it could be assumed that these businesses would never want to move to external premises.

This specific industry sector, because of its relatively low operating costs, makes running this type of service business from a home base quite acceptable, which is not necessarily the case for other industries, such as manufacturing. As a supplier of a service, several of the interviewees who were home-based indicated that they conducted any required face-to-face components of their service in the offices of their clients and also often used the clients own facilities for conducting other parts of their services. These particular SBOs saw no reason to have external premises, which was a sentiment also expressed in some of the qualitative comments made.

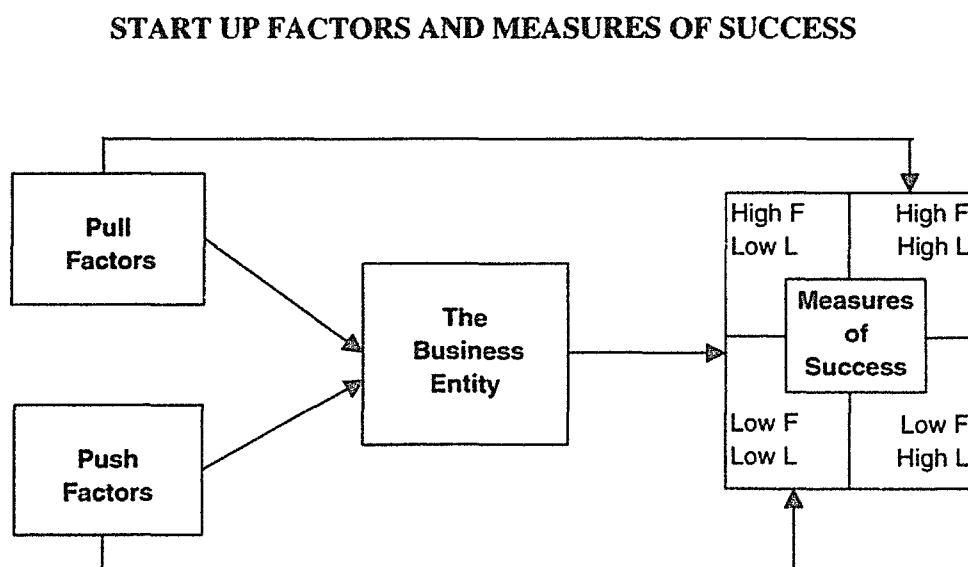
The service nature of this industry sector lends itself to sole operation and was the status of a third of the sample, thus making operating from a home-based a rational option. Operating the enterprise from a home base makes it a low-risk business strategy. The onus on having to generate sufficient income to pay rent and other associated costs is removed. Therefore financial criteria would be expected to be a low measure.

The other significant difference was in Lifestyle Balance, with it being more important to home-based businesses than external based businesses. As 39% of the home-based businesses stated that lifestyle was a reason why they operated from home, than it would be expected that this item would have a high mean score, which in this instance was 4.28, and was the highest score for this factor from any of the three variables tested.

5.4.1. Hypothesis 9. Start-up and success measures

This hypothesis combined the two main research premises, which were that small businesses owners did not primarily use financial criteria to measure their success and that there were different reasons for starting a business. Further those start-up reasons would effect the measure of success that the SBO used.

The hypothesis showed that willing SBOs were more likely to have high measures on both criteria than unwilling SBOs. This can be shown diagrammatically in Figure 5.1. below.



Low F Low L = low score on financial factors and low score on lifestyle factors

High F Low L = high score on financial factors and low score on lifestyle factors

High F High L = high score on financial factors and high score on lifestyle factors

Low F High L = low score on financial factors and high score on lifestyle factors

Figure 5.1. Start-up Factors and Measures of Success.

The importance of affective push motivations over pull motivations is reflected in the model. The majority of the sample went into business for what could be referred to as 'selfish' or personal reasons, which is not necessarily a bad thing, given that the

majority still value these affective measures, based on the set of hypotheses which measured the SBOs success criteria. Indeed these personally defined reasons might well be a good indication of whether a business will have any kind of longevity. That is, if the expectations are not defined by financial terms, then the SBOs are not so prone to external environmental influences which they have no control over.

5.4.2. Synergy of the start-up factors and measures of success

Bringing together all of the first eight hypotheses and the reasons for business start-up and measures of success, the sample consisted of ratios of 64:36 men to women, 80:20 micro to larger small businesses and 63:37 externally based businesses to home-based businesses. Further extrapolation reveals that in percentage terms, there were similar numbers of men and women running micro businesses, but more men were running larger businesses. In relation to place of operation, more women than men were running home-based businesses. So in broad terms, more women in the sample were running smaller home-based businesses, compared to their male counterparts.

These results are similar to other studies previously mentioned that have used similar variables. The other factor which impacts on these broad findings is the age of the business. A reason that is often given as to why women are running smaller businesses, regardless of place of operation, is that these businesses have often been in operation for less time than similar male owned enterprises. This is reflected in the current sample and additionally, the women SBOs were operating businesses with smaller turnovers comparative to their male counterparts. Given that the businesses operated by women were younger, it is not unexpected that they have a proportionately smaller turnover. As some studies have pointed out (Roffey et al. 1996; Rosa et al. 1994) women are starting from a different point to their male counterparts, and therefore have got some catching up to do, if they are to operate comparable businesses, i.e. with higher turnovers and employing more staff than they currently do.

As can be seen, the reasons for business start-up are various, and the key variables which have been tested have produced mixed results. This is shown in Figure 5.2. below.

Variables leading to Start-up Reasons

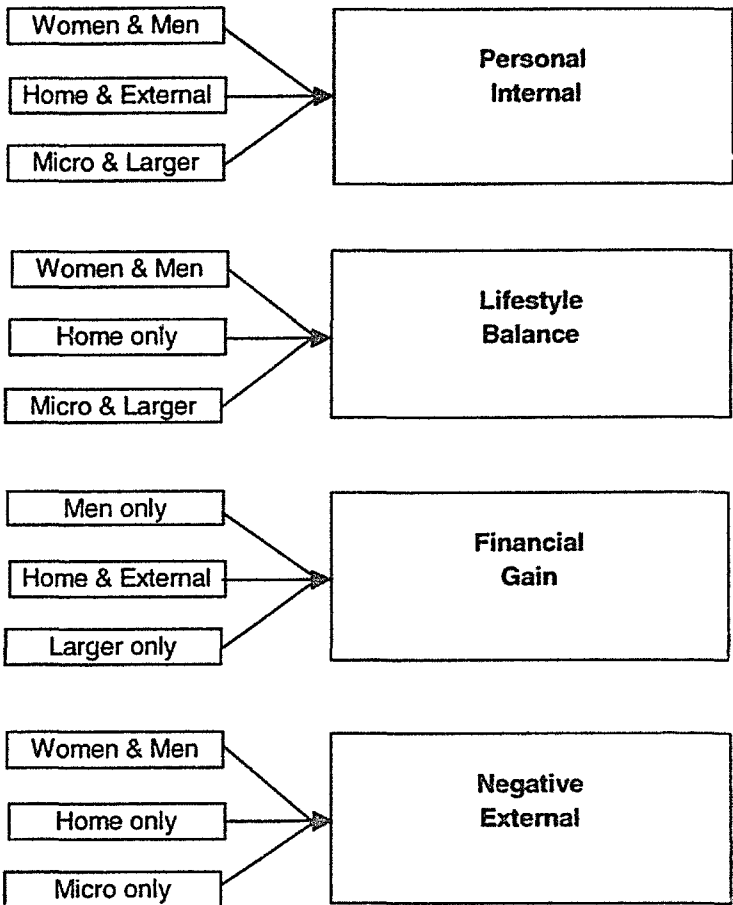


Figure 5.2. . Variables leading to Start-up Reasons

What the results also show is that how businesses measure their success cannot be viewed in isolation, or as a single criteria, as both personal internal and external factors have an impact on this measurement. Whereas financial criteria are most certainly important, and no business can survive for long without positive cast-flow, the aspect of making lots of money from this very personal endeavour, it is in most instances, not high on the list of aspirations of the average owner of a small business in the Property and Business Services category. The exception is men operating larger small businesses.

What can be seen is that the majority of the businesses surveyed were more interested in the non-financial affective measurements of success. Moreover why the SBO decided to start a business in the first instance must be taken into account when reviewing how they measure their current business success.

This study has shown that there are various different reasons for starting a business, being broadly from a pull or push perspective, and that the three key variables of gender place of operation and size of business have produced some significant differences. The reasons for business start-up and the financial / lifestyle measure of success matrix and the three variables are all now combined to demonstrate the relevance of start-up factors to end measures of success. This is shown diagrammatically in Figure 5.3.

COMBINED START-UP FACTORS AND MEASURES OF SUCCESS MODEL

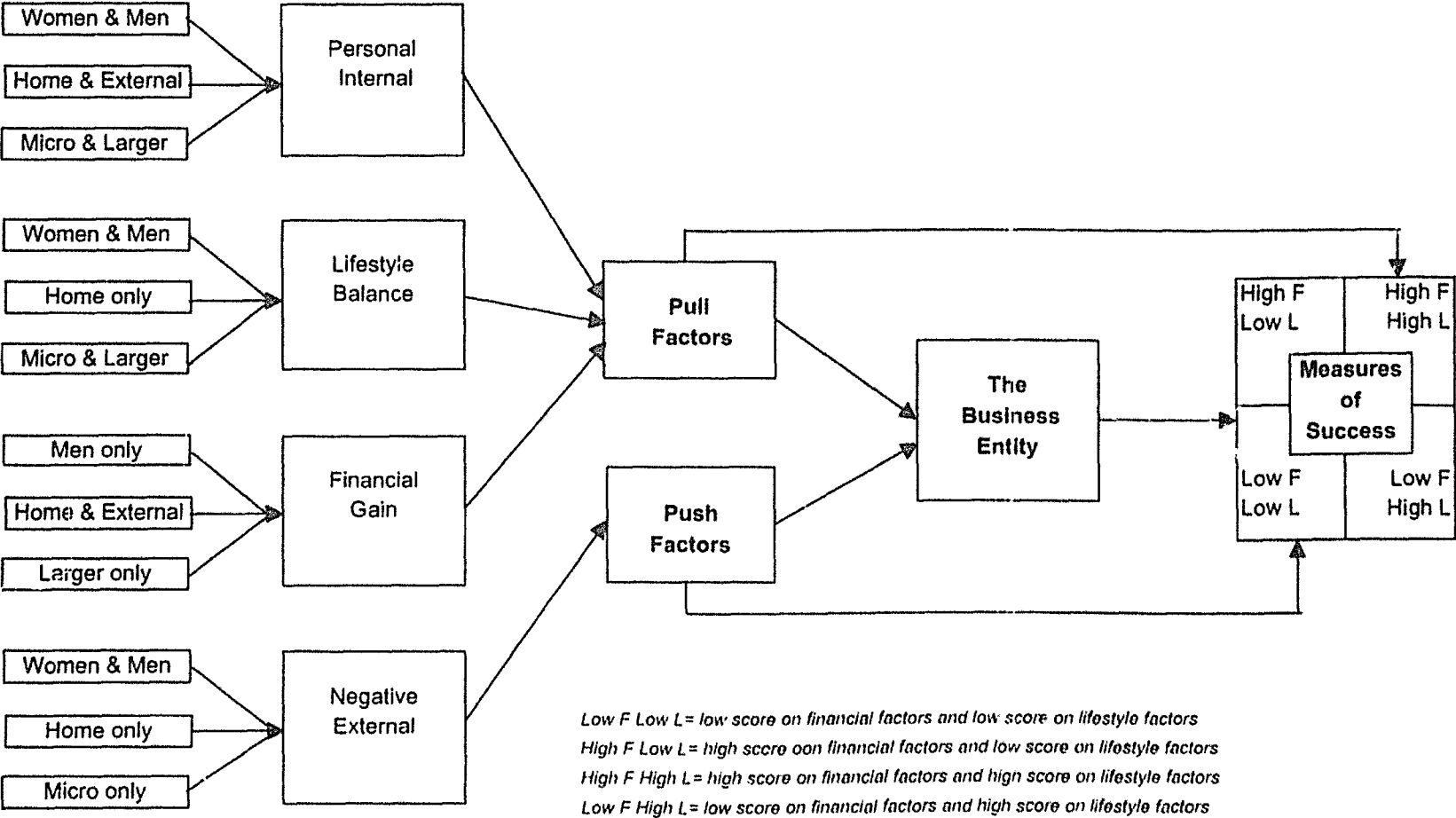


Figure 5.3 Start-up factors and Measures of Success

What the model shows is that SBOs who start their businesses because of pull factors, which was the majority of the sample, are more inclined to measure their success by a combination of both high lifestyle and high financial criteria. Conversely SBOs who start their businesses because of push factors are more inclined to have low measures of success on both financial and lifestyle criteria. This is possibly because they are less likely to believe that they are successful in the first instance. This would be intuitively correct, as often people who are successful in their business endeavours use emotive words to explain their success such as “having a passion” for their business.

Qualitative comments which emerged from both the interviews and the questionnaires about being in business showed that some of the respondents had very strong emotional feelings about being in business. Expressions such as “I just love being in business” and feeling that they were contributing to helping other people are demonstrations of these strong emotional feelings. This is not the sort of emotional explanation that people who are unwilling SBO use to describe their businesses. These psychologically defined feelings are intangible and are therefore very difficult to quantify in the same way as financial measures.

What the survey did not ascertain was whether the respondents were personally financially stable, which obviously would make a difference to how they viewed their business and indeed their life in terms of success. The turnover of the businesses was requested and was seen as being in general proportion to the type of business relative to its size. However the major reason given as the worst aspect of being in business was cash flow and financial insecurity, therefore an assumption is made that most of the businesses were average and not disproportionately financially successful. This also leads on to whether most of these businesses had real aspirations to make more money through expanding their businesses.

5.5. GROWTH

The aspect of growth is an important part of the life of a business, especially from an economic and governmental perspective and as has previously been stated, is normally linked to financial rewards. Given that most of this group were not motivated solely by financial rewards then the importance of growth to the majority of the sample appeared not to be very relevant. However there were obviously some businesses that were interested in growing their business therefore the influence of growth and theoretical growth models will now be reviewed.

It is unlikely that many SBOs start a business with one of their goals to become an employer. They might anticipate operating a business which will grow to an extent that it requires more assistance and maintenance than the owners can provide, therefore necessitating the employing of staff, but to have as a motivation the wish to be responsible for other people is not something that most aspirant SBO would think about. Indeed employing staff is an action that small business owners have real problems with and was mentioned in the qualitative data as being one of the worst aspects of small business ownership. This is often more to do with their own personal lack of HR skills and the underlying reason that they went into business in the first instance to do something that they felt they were personally skilled at, such as accountancy, law, architecture, and not necessarily managing human resources.

Even if the SBO had had experience of managing staff, there is a quantum leap between managing staff within an organisation as a paid employee themselves and managing staff as the owner of the business. The human resource decisions then become both more personal and potentially critical to the viability of the business, as bad staffing decisions have a direct financial effect on the owner. One of the interviewees talked about wanting the employees to work harder or at least hard as they did, even though they knew that it was an unrealistic expectation on their part.

There are various reasons why some businesses fail and some businesses become economically viable. In the case of viability, this is often because of having either a good product or service or good expertise on the part of the SBO in their area of

specialisation. Conversely some new businesses fail because the SBO has an inflated sense of their own abilities and do not realise the inherent difficulties that are involved with starting and operating a small business. If businesses manage to get over the trauma of start-up they normally have the option of expansion. Expansion is normally viewed as growth and has already been stated a popular growth model is the Churchill & Lewis (1983) business life-cycle model.

According to Churchill & Lewis (1983) businesses go through different stages of growth. A stage that is often reached in a business's lifecycle is where the SBO has to choose to either expand or alternatively to not expand, thereby consolidating. Expansion often means taking on staff and consolidation essentially means maintaining the *status quo*, which Garsley (1996) using economic rationale, states is impossible to maintain, as economic principles of growth factor in external components such as inflation, therefore to stand still is in reality to go backwards. However economic rationale does not take into account the personal decisions or motivations of the SBO, which as this study has shown. Most SBOs appear not to be governed or motivated by economic principles, much to the chagrin to accountants and economists.

Given that a proportion of SBOs measure their success in non-financial terms, then it can be assumed that they also make business decisions based as much on personal affective rationale as on financial considerations. Therefore if the SBO makes a strategic business decision which is intuitive or a "gut reaction", not only is that their prerogative, but is part of the very ethos of being an autonomous independent business operator. This study has shown that financial considerations are not the most important aspect of owning and operating a small business.

From the interviews it was apparent that SBOs make business decisions based on a number of factors, not all of which are essentially logical, (from an economic perspective) but the underlying fact is that the decisions are made that the SBOs feel comfortable with. These decisions are often related to their initial motivation for starting the business in the first instance. Several of the interviewees admitted to turning work away, because they either did not want to work with the organisation offering the contract, or because it would have compromised pre-existing arrangements. If the same people were employees rather than being self-employed, they would most likely not

have had that freedom of choice, which essentially was the principal motivation for a proportion of the sample to start the businesses initially.

For businesses which decide to expand the option is to employ staff or possibly bring in other experts, which then necessitates change, both operationally and at a personal level. It also involves making the emotional shift from personal ownership and the all inclusive hands-on approach, to one of professional management structures and delegation of authority. This can have two different outcomes. Making the decision to expand can bring bigger financial rewards and can free up the SBO to concentrate on their area of expertise without the encumbrances of doing all of the other tasks required to operate a small business, being the jack of all trades. These jobs are then delegated to staff who have the commensurate expertise in those areas.

The alternative outcome of expansion is that the focus of the business may stay the same but the original founders can find that they are no longer doing what they really want to do, which is practice their area of expertise. They often find themselves forced to spend more of their time doing administrative tasks. This is because they have an inability to let go, they believe that because they started the business only they can run the business the way it should be run. Having a expanded business is a situation that they are not very comfortable with, thus they get to a stage of either not enjoying the business, and in some instances may either sell up and just sell out, or they revert back size-wise to a smaller operation, even if this means a reduction in turnover.

This lack of growth aspiration of some SBOs is perhaps more common than some government publications (Howard, 1997; Micro Business Consultative Group, 1998) would have us believe. That is, it is incumbent on governments at all levels to encourage growth in the economy, as without it, there truly would be less employment overall. All countries require and therefore aspire to having a thriving economy. Because of this need governments must promote the benefits of such in order to encourage people to engage in 'entrepreneurial' endeavours, which often involve taking on more staff.

However the reality of the growth intentions of the majority of SBOs is perhaps not as positive. As has been demonstrated, most SBOs are not primarily motivated by financial

rewards, so there is little incentive for them to actually expand if the rationale is for them to make more money. Given that non-financial reasons are more important, and as these are often lost when businesses expand, then growing a business could be a negative motivator for some businesses. If it is accepted that the motivations and goals for starting the business in the first instance can be used as indicators of success, then actions that make those goals unattainable, or unfulfillable could make SBO resist growing their businesses. Therefore how SBOs measure their business success might be a better indication of any growth intentions they might have for the business. If the SBO has achieved their goals then they are unlikely to want to continue to pursue growth strategies, because of the inherent risk involved. A more realistic model of a small businesses life cycle, based on the original Churchill & Lewis (1983) model is shown below.

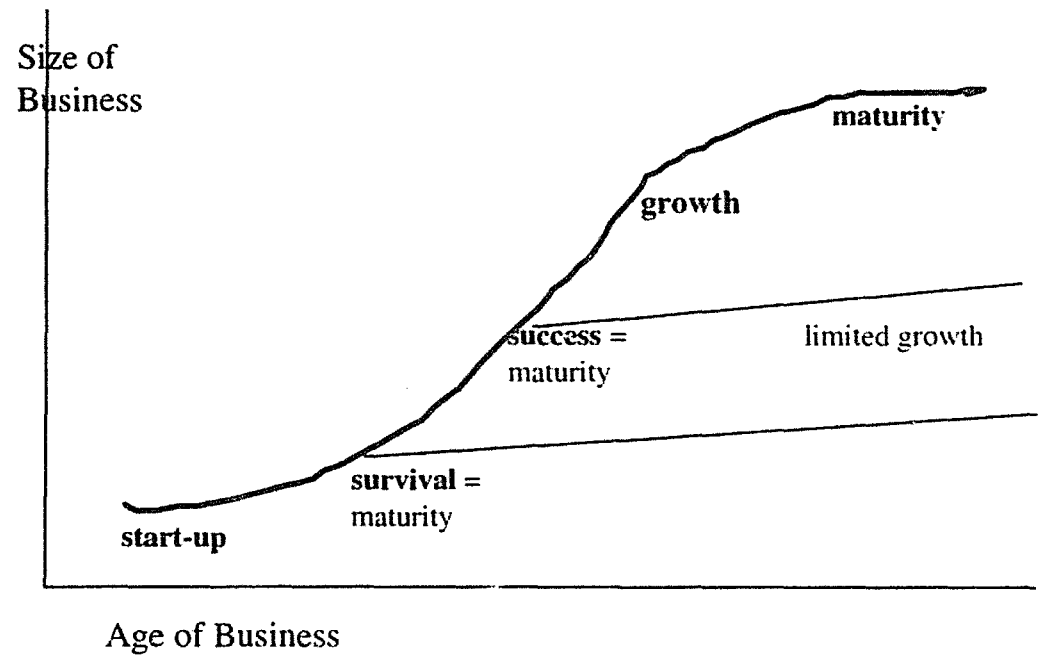


Figure 5.4. Revised Micro Business Life Cycle Model

The Churchill & Lewis (1983) business life cycle model has businesses growing at incremental rates. An alternative scenario is that the majority of businesses peak much early in their life cycles and never go through all of the five stages to maturity, or if they do it is at a much more moderate level. For some small businesses, success, obviously personally determined by the owner, would be achieved reasonably early on in the life cycle of the business. They would then consolidate. This would be equivalent to the survival stage of the original Churchill & Lewis model, and is the bottom horizontal line on the diagram. These would be the businesses from the sample that fell into the 'High Lifestyle Low Finance' quadrant from hypothesis 1, and also the 'Low Lifestyle Low Finance' quadrant.

The second 'early exit' or reaching their personal success stage, would be the businesses which plateau at about the third stage on the Churchill & Lewis model, which they refer to as the initial success stage. This is the phase where the business has established itself. The SBOs are comfortable with the lifestyle they have achieved and the financial remuneration they are receiving from the businesses and they do not wish to expand anymore. These businesses would fall into the 'High Lifestyle High Finance' quadrant from hypothesis 1. This is the second horizontal line on the model. As Gray (1997b, p. 3) states, "The assumption that all small business owners in the establishment phase view business growth as desirable, fails to recognise the lifestyle goals of founders which may be contrary to wealth creation". The businesses which fell into this quadrant were the majority of the sample.

There would of course be businesses which would follow the Churchill & Lewis stage model and continue to grow in an exponential manner, and these would consist of SBOs from the 'Low Lifestyle High Finance' quadrant, which made up 10% of the sample. This makes the assumption that growth businesses pursue financial rewards over lifestyle rewards, which would seem to be the case, given evidence from other studies (Gray, 1998). Therefore if the majority of small businesses do not actively seek to grow their businesses in any discernible size, and rather pursue slow grow or no growth, then policies aimed at encouraging any form of business expansion, are going to fall on deaf ears.

Those businesses which do want to have some form of expansion or at least to consolidate in a meaningful way need to make decisions on how to structure the business and how to plan for growth. The business needs take into account the initial aspirations of the SBO, and the length of time they had envisaged that they would own the business, or if they had aspirations for the business to become a family business. The notion of most small businesses being family businesses is the next hypothesis to be discussed.

5.6. FAMILY BUSINESS

5.6.1. Hypothesis 10. Family businesses

This hypothesis was stated as:

H₀ 9 The majority of small businesses consider themselves family businesses.

This hypothesis was rejected as the majority of the sample did not consider themselves a family business. This is contrary to other studies and official statistics which state that most businesses can be classified as family businesses. This difference can in part be explained definitionally, as Australian data is collected on this issue by self selection. This means that without a universal definition, there is much left to the opinion of the person answering the question in regards to whether they think they are operating a family business.

What is interesting is that some of the respondents were in partnership with their spouse, and yet still did not consider their business a family business. This is perhaps because of the traditional view of family business being more than one generation, therefore working with ones spouse might not equate in the mind of the SBO that they are actually operating a family business. It is only when children are brought in, or parents or even members of the external family such as cousins, that a business is thought of by some people as being a family business.

An aspect of the spouse partnership arrangement within the business, is the allocation of work. That is, one of the partners might not consider that they are operating as a family business, because the partnership is not on an equal basis, that is a 50:50 allocation of work tasks. This is often the case when the business is principally the 'brainchild' and an extension of the expertise of one of the partners and the other partner is not and cannot be engaged in the principal source of income generation. A situation like this often occurs when the male partner is the principal business service provider and the female partner is doing the administration side of the business. This leads to differences in attitudes, by both parties as to the individual roles the partners play and their value to the business. In several of the personal interviews, the male partner felt that they were the mainstay of the business and their partners were the 'back-up'. This was true in some of the cases in that it was the expertise of the male partner that determined the business and which the female partner did not have. The test would be as to whether the business could be operated solely by the female, and in most instances that would not have been possible.

However in other cases, the male partner did not credit their spouse with dealing with all of the domestic responsibilities, which meant that they were not able to devote the same number of hours to the businesses. The male partner felt that they did more of the work, and therefore the business was really theirs. These male SBOs felt that the business was essentially their creation and that they were not in a 50:50 partnership in terms of work output, yet for taxation and legal purposes their spouse was their business partner in equal percentage terms. This attitude was very similar to other studies which have looked at spouse working partnerships, and have reported disproportionate values being allocated by the 'true' working partner to their spouse partner by not acknowledging the unseen work they do, normally in the domestic sphere (Cliff, 1998).

One of the more traditional ways to ascertain whether the business is a family business is by the business being inherited, which was certainly not the case with this sample. Of the 290 respondents, only 3 (1%) had inherited the business, whereas 245 (85%) had started the business themselves. Quite clearly this sample could not use inheritance as their definition of being a family business. The industry sector could be a factor for this lack of inheritance, as service industries do not have the same type of historical longevity as industries such as manufacturing or retailing. Also some of the professions

that are included in the industry category are relatively new industries, such as IT, so it would have been unlikely that they would have been in a position to have been trading for more than one generation.

The number of business that were newly started indicates that these particular SBOs were self motivated and were intent on developing their own enterprise. The respondents were asked the business status of their parents, and just under half of the respondents had had at least one parent who had been in business themselves. Even though nearly half of the sample had a background of business ownership, next to none of them inherited businesses. The question of parental business status was a mutually exclusive question that did not request elaboration, so there are numerous possibilities as to the current status of the respondents parents, including the very real possibility that they were no longer alive, let alone in business, or they might only have been in business for themselves for a short time. Whatever the situation, perhaps this lack of inheritance is a reflection of changing values and of less pressure being brought to bare on children going into the family business with the understanding that they will eventually be the owners of that business.

Whereas there are still obviously many businesses that classify themselves as family businesses and have been operated by more than one generation of a family, the external environment does have an influence on peoples work lives. As has been stated previously, there is no longer an expectation of employees staying with the same company or organisation all of their working lives. This would therefore be true of ownership of some businesses. The continuously changing nature of commercial enterprises produces industries that become redundant, as technology takes over. This has always been the case, but current technology has speeded up the process in some industry sectors. So in some instances, there is simply no business to pass on.

Another scenario for a lack of a business entity to pass on is that sometimes small businesses are subsumed into larger enterprises, therefore ownership passes out of the hands of the family to a board of directors. Family members do join these boards, but often they are eventually displaced, mainly because they may not have the skills required to be part of a larger management structure. A problem for second and third generation family members is that they may have been employed in the family business

because of nepotism and not necessarily because of their professional abilities. This situation may well be acceptable when the business is owned by the family, but when control shifts from the family unit to an outside entity, their skills may then be found wanting.

It is quite possible that some family members do not actually want to be involved within the family business, but feel that they have an obligation to work with their parents and/or siblings. This is especially true in family businesses which have strong cultural or religious family ties, such as the dominance of the Confucian norms followed in many Asian countries (Stavrou, 1999). There is little written about reluctant or unwilling SBOs in relation to family business, yet given the fact that multi-generational family businesses decrease in numbers as each successive generation takes over, then part of the failure of some businesses could be attributed to the inheritor not really wanting to be in that position of authority.

5.6.2. Hypothesis 11. Mono-generational businesses

This hypothesis was stated as:

H_o 11. Small businesses are 'mono-generational' and do not seek to pass on the business to the next generation of their family.

As one of the criteria for being a family business involves more than one generation of the same family being involved in the operation and control of the business, then it is interesting to note that most of these businesses do not actually last for more than three generations (Birley et al., 1999). Some of the reasons for this lack of longevity have been alluded to in the previous section, such as reluctance on the part of the potential inheritor to take up the family business mantle, in addition to the changing nature of business today.

The whole debate over succession issues in family businesses has been widely researched, however it is often viewed from the perspective of the founder or at least the current owner not wanting to relinquish control, and the inheritor, waiting patiently or as is more often the case, impatiently for the reins to be handed over. An alternative

perspective is that of the reluctant inheritor. That is the son or sons (and in all countries it is almost inevitably the male children that assume the inheritors role) have pressure brought to bare on them to join the family business (Haslam McKenzie, 1997; 1999). This is often the case in farming families with the rationale being that the farm needs the physical labour that family members can supply for the amount of money that the farm can afford to pay. This is also applicable to other industries, especially manufacturing and hospitality.

However, not all second or third generation family members want to continue the 'family tradition' (Stavrou, 1999). The much wider availability of education today makes it possible for most people to have a career that they personally choose, which widens their options to simply going to work in the family firm. That is not to say that second or third generations of families do not want to perpetuate their family business, rather there are extended opportunities for them.

What this means is that they might set up a business in their own right, but probably not doing the same sort of occupation that their parents or grandparents did. This could be true of this sample, given that nearly half stated that their parents had been in business themselves, but only 1% inherited their business. This could also be reflective of the industry sector, as even though it incorporates some relatively new industries, it also included some of the oldest professions such as law and accountancy.

Further the aspect of maintaining the same business for the length of time required for another generation join was not something that this sample intended to do. This question was asked of the respondents in relation to the future plans for their business and only 10% stated that they were expecting their children to join them. The most common future plan was to maintain till retirement, which nearly half of the sample stated was one of their plans.

Having stated that the industry sector had both new and old professions, some of the professions within the sector would not actually lend themselves easily to becoming family businesses in the traditional multi-generational sense. As previously mentioned management consultancy is not a profession that lends itself to becoming a multi-

generational business, as of the expertise required is based on personal experience and knowledge, which is not quickly or easily acquired.

The results showed that the respondents went into business for very personal reasons, and to achieve goals which were personally defined. The aspect of making money was a secondary consideration, as was to involve other people. No one mentioned that they wanted to really build an empire, although that was not one of the options given, however, those types of grandiose plans normally have a high financial component attached and being as this sample were not primarily motivated by financial matters, then it is unlikely that any of them had such very high expectations of their business. Several did mention becoming a public company, which would be one of the biggest goals to set, however it almost precludes the notion of it also being a family business, given the incidence of family members not faring too well on boards of directors of pre-owned family businesses.

The majority of the sample started their businesses to fulfil very personal goals, and whereas they do not necessarily preclude the business becoming a much larger entity, their measure of success was already defined, and did not include the ability to pass the business on to the next generation. Nor did it involve the business continuing on indefinitely, which would have to be the case in some instances as some of the respondents had young children. Most of the respondents were using their personal expertise in their business, which might not be the same profession that their children would or have embarked on.

It would appear that a large proportion of respondents were using their businesses as a means to an end, which was to be financially viable and to be gainfully employed until they retired, or sold the business. In the personal interviews, of the respondents who had children, few thought that their children would ever join their business, and were ambivalent to say the least, even at the prospect. One of the interviewees had 2 of his sons working in the businesses and said that it was a "mixed blessing". He also stated that he would have sold the business if it had not been for his sons being involved and felt that they were not as committed to the business as he was. This particular business was in a traditional manufacturing industry and the interviewee expressed concern that

with the ever increasing changes to the industry because of technology, the business might not survive.

A further reason for businesses being mono-generational is a reflection of the changes in the workforce and the fact that people are more likely to have more than one career change. This would also be true of business ownership. Business has to be receptive to the changing environmental needs, therefore there is a real possibility that some industries will disappear and new ones will emerge. What this means is that business owners may not necessarily be able to plan to be in the same business for twenty to thirty years. Whereas there will always be a need for certain professions, especially the ones included in this industry sector such as accountants and lawyers, how the actual service is delivered could change.

The final reason why businesses are not multi-generational can be linked to the amended business life cycle model. If businesses peak at earlier stages than the original Churchill and Lewis model states, then there is possibly not the opportunity to maintain the business for a long period of time, or at least long enough for ones children to join. As a business consolidates and stabilises then it is unlikely to be able to sustain itself indefinitely, which was not a goal of founders in the first place. Given the tiny number of inheritors in the sample it would be feasible that because they started their own businesses and did not inherit, then they expect the same of their own children. The final section is an overview of the open-ended comments that were made about the best and worst things about business ownership.

5.7. REVIEW OF THE QUALITATIVE COMMENTS

The qualitative comments were very interesting as they provided some additional depth to the quantitative details. The very high proportion of responses indicated that this group of SBOs were quite prepared to give extra information about operating their businesses and had a willingness to state their feelings. Some of the comments made helped to confirm the hypotheses.

5.7.1 The best thing about being in business

The majority of the sample appeared to enjoy being in business. The first six most popular reasons given as being the best things about being in business, control of ones own destiny, freedom/lifestyle, flexibility, responsibility, personal satisfaction and to be ones own boss, are the very statements which made up the Lifestyle Balance and the Personal Internal factors for reason for business start up. Two thirds (67%) of the sample stated these reasons, with only 6% mentioning money or financial reasons. Therefore it could be interpreted as the reasons which are the best things about being in business strongly correlate with the reasons why they went into business in the first place.

It would therefore be true to say that the reasons and motivations for starting a business, which have already been demonstrated to be mainly non-financial, are a good indicator of how some SBOs measure their own business success. This is, that their personal goals and motivations having been realised. Often in the paid work or salaried environment, effort is not always recognised or rewarded, or at least not perceived to have been recognised or rewarded by the employee. Reward does not have to be financial and often acknowledgement or praise is often as effective, however lack of recognition often leads to dissatisfaction and again becomes a motivator to leave a particular work environment. So if one of the motivations for changing jobs, and in this supposition, from the paid/salaried environment to self-employment, then the fact that the SBO perceives that they are now being valued for their endeavours is in itself the reward. Nowhere in the whole process is the financial remuneration a consideration.

5.7.2 The worst thing about being in business

The main reason given as being the worst thing about being in business centred around financial matters, such as cash flow and getting paid. Also mentioned to a lesser degree were stress and the long hours and lack of time off. The difficulty of cash flow and work flow, (which was also mentioned, but to a less degree) are acknowledged as being major issues for small business. It is also an issue for larger business too, but economy of scale often has a bearing on this, with larger businesses generally have greater buying power and more influence with financial institutions. Often the smaller business is perceived as

a higher risk than a larger business, although this is sometimes rather anomalous, given that when larger companies fail, the loss all round is commensurately larger.

The third worst reason stated about being in business related to government red tape, specifically taxation matters. Banks also came in for severe criticism as not being understanding or empathetic to small business, which was also a criticism that was levelled at government. Whereas this study was done before the actual implementation of the Goods and Services Tax, the tax changes had been gazetted to become legislation, which the businesses that were interviewed were well aware of. As a general observation, since the rather disastrous introduction of the Goods and Services Tax, small business has been struggling to cope simply with the administration of the new tax, which has meant that any benefits to small business are yet to be noticed or acknowledged. How the new tax system was originally implemented demonstrated that the government of the day did not have a complete understanding of the effect that a complete overhaul of the Australian taxation system would have on small business. That lack of understanding could be extrapolated into whether governments in general have a true understanding of any issues that are pertinent to small business owners and the day to day operation of their businesses. The comments made by the respondents would appear to show that they do not.

The other reasons given as being the worst aspect of being in business were related to external factors, such as problems dealing with clients or staff and being responsible for the whole operation, which included staff but also being the 'jack of all trades' or as one respondent said "having to wear too many hats". Another problem mentioned was lack of interaction with colleagues or like minded people. This was especially mentioned by home-based businesses and sole practitioners. All of these problems have been well documented so this sample was not unusual. However an interesting comment that was made by several respondents (13) was that there was no worst reason, they stated that they "loved being in business". This was something of a surprise given that SBOs and especially very small businesses are often thought of as having to struggle to survive, so it is perhaps a reflection on the fact that some of the businesses in the sample were truly willing operators of their businesses from which they derived enormous self satisfaction, which was not necessarily financially motivated.

5.8. SUMMARY

The results have shown that personal affective motivations to operate a small business were more important to this sample than financial considerations. These personal views of business ownership and how the sample measured their business success were moderated by two key factors, principally the changing business environment and the changing workplace. These two factors are closely entwined as the business environment dictates the workplace. As the workplace becomes more casualised, so does the attractiveness of self-employment. What has not been mentioned to any great degree is the high failure rate of small business start-up, however this study was only focused on businesses which appeared to have some degree of financial viability. The findings concerning the aspect of businesses actually being family businesses and of businesses being in operation for more than one generation are contrary to previous wisdom on this matters, but can be justified.

CHAPTER 6

CONCLUSION

6.1. INTRODUCTION

This study primarily sought to discover whether the previously held view that businesses were principally motivated to measure their success financially, was true for all businesses, irrespective of size. Or could small business owners be more motivated by internal subjective rewards? The two alternative measures of how small business owners measured their success were tested against the variables of gender, size and location of the business. A secondary research focus was on whether the initial motivation to start the business had a bearing on the measure of success the SBO used, and whether the three previous variables mentioned were significant.

The additional independent variable of family, and its influence on the SBOs decision making, was also reviewed to see if it was an important factor in the continuation of a business for a longer period of time. Finally, taking all of the variables into consideration, the aspect of growth and whether small businesses followed the traditional growth stages of business development was reviewed.

The conceptual model "Start-up Factors and Measures of Success", which was developed as a result of the findings shows the importance of the variables which were tested. What can be seen is that how SBOs measure their success is dependent to varying degrees on the gender of the operator, their business size and location and the owners initial motivation to start their business.

6.2. SUCCESS MEASURES USED BY SMALL BUSINESS OWNERS

The initial research questions sought to define what criteria SBOs actually use and how important were financial considerations to them. The first hypothesis, which developed

from the literature and which was that small business owners principally use financial criteria to measure their success, was rejected. The study found that the most important criteria for how the majority of small business owners measured their success, was by non-financial lifestyle criteria. These criteria were subjective and personally defined, centering around self-esteem and the SBOs personal sense of worth and well being. Financial criteria were also important, which was to be expected given the economic imperative of financial solvency for all businesses, but were not the overriding measure used by SBOs.

The three subsequent hypotheses tested how people measured the success of their business according to gender, size and location of the business. The results show that gender, size of business or place of operation do not significantly impact on the aspect of lifestyle. However, even though there were no significant differences, the mean scores for the lifestyle items were, in each case, well over the mid-point. This indicates that the majority of small businesses use lifestyle as the most important criterion of business success. In relation to financial measures, there were no significant gender differences, however micro businesses and businesses operating from home were less concerned with the financial aspects of the business, compared with larger small businesses, thus showing that as businesses grew in size, financial criteria became more important. It should be reiterated that the majority of all Australian businesses are micro businesses therefore when stating that the micro businesses in the sample (albeit from one industry sector only) have a preference for non-financial measures of success, then this measure could be applicable for the majority of all Australian businesses.

The previous literature had only alluded to the importance of non-financial criteria as being a possible indicator of how small business owners measure their success. This in part is perhaps because of the assumption that small businesses were similar to larger businesses and therefore used the same measures, which for larger businesses are predominately financial. There is good rationale for why larger businesses need to be financially focused, given the imperatives that they have regarding staff and possibly shareholders. However small businesses are not scaled down versions of big business (Burns, 1996; Penrose, 1980), and the entwined nature of the business entity with the business owner, makes most small businesses unique in their own right. Yet can be classified with other businesses of similar size for purposes such as government data

collection. What the findings showed was the strong commonalities on the key issues within the sample.

6.3. WHY PEOPLE START THEIR OWN BUSINESS

The reasons why people start their own businesses was an area of small business research that had been extensively reviewed in the literature. Two principal reasons have been established, which are that people are forced or 'pushed' into self-employment or they are much more willing and are 'pulled towards self-employment. This study found that the majority of the sample stated that they were pulled towards self-employment.

Previous findings on this issue which have used gender as a variable, have determined that women were more likely than men to have been pushed rather than pulled into self-employment. This study did not support that view, as the majority of women in the study had high scores on the pull factors, indicating that they wanted to start their own businesses. When comparing the mean scores, the men in the sample had lower scores than the women, suggesting that they felt that they had been pushed rather than pulled into starting their own businesses. This is an interesting finding as the previous literature which had stated that was women who were more likely to be pushed rather than pulled, had not necessarily tested a mixed gender sample or used paired sample. However it should be reiterated that his sample was only one industry sector, albeit one that women had reasonable representation in. It could equally be a reflection on the current employment for both men and women, with men also experiencing negativity at work.

Two variables which had not been extensively explored in the previous literature were that of size and the location of the business. As to whether SBOs was either pulled or pushed into self-employment, owners of home-based businesses were more inclined to have felt that they were pushed into starting their own business. Micro business owners also felt they had been pushed into self-employment more so than larger small businesses.

A start-up typology was developed from the findings, with respondents being classified as being either Unwilling, Circumstantial, Unambitious or Motivated small business owners. The typology was derived from the scores of the respondents to the items relating to the reasons why they started their businesses, and whether they had a high or low mean score on the push items and the pull items. The Unwilling SBOs had a high score on push and a low score on pull factors, the Circumstantial SBO had a high score on push and a high score on pull, the Unambitious or Accidental SBO had a low push score and a low pull score and the last category, the Motivated SBO had a low push and a high pull score. Even allowing for majority of the sample to be micro (which were more inclined to have high push scores when tested against larger small businesses) the majority of the sample were Motivated or willing SBOs.

6.4. MEASURES OF SUCCESS AND START-UP REASONS

The research findings show that the reason for starting a business impacts on how a SBO measures their success. That is, SBOs who willingly started their own businesses (pull factors) were more likely to believe that they were successful, given that they rated themselves highly on the mean scores for that factor, and that their success was defined by using a combination of lifestyle and financial criteria. SBOs who were pushed into starting their own businesses were more likely not to think of themselves as being very successful, again using the mean scores, and therefore rated their measures of success at a much lower level than the SBOs who were pulled into self-employment.

This was shown diagrammatically in the model entitled "Start-up Factors and Measures of Success" in the previous chapter. The model also showed which of the three independent variables were more likely to have been pulled or pushed into self-employment and additionally which measure of success they used. The overall findings showed that SBOs who were initially pushed into self-employment, which were predominantly micro home-based businesses, were more likely to have lower scores on both of the defined success measures (lifestyle and finance), than larger businesses being operated from external premises. In addition, even though there was no gender difference on the key motivators of pull or push, men were more likely to have started their businesses because of financial motivations and home-based businesses were more

likely to have started their businesses because of a desire for lifestyle balance. Both these two last groups used the combined high lifestyle and high finance quadrant to measure their success.

6.5. SMALL BUSINESSES AS FAMILY BUSINESSES

The final two hypotheses concerned the question of whether small businesses considered themselves to be family businesses, and given that the majority of businesses in Australia, and therefore by default the majority of small businesses, are stated as being family businesses, this is an interesting question. The term family business does have certain connotations, predominantly that of previous or potential longevity, thus creating an aura of stability. The findings in this study showed the majority of the sample did not consider themselves to be a family business, which is contrary to the literature (ABS, 1998b; Fletcher, 2000).

The definition of what constitutes a family was clearly a consideration here, as the broad definition includes a spouse partnership, which was the status of more businesses than actually acknowledged being a family business. As the answer to this question was by self-selection in the study, as it is in the ABS data collection, then there is an element of perception on the part of the respondent, rather than being able to categorically define what is meant by family business.

This lack of acceptance or acknowledgement of the business being a family business has interesting ramifications. Family circumstance is an additional variable in that it defines how much effort and energy a person is prepared to put into their business activities. If a business is not to be continued indefinitely, and become a family business in the traditional sense of being in operation for more than one generation, then these SBOs could have different views on aspects such as growth and expansion, as opposed to SBOs who clearly perceive the business to be one that subsequent family members will become part of.

That is, businesses which are mono-generational might allocate less financial earnings for investment for the future and concentrate more on the present. These SBOs might be

providing themselves with a comfortable living, but have no real intention of creating any type of leverage in the company, thereby creating a better business asset to sell.

These types of business have less need to protect assets for the long term and can therefore be set up to be managed solely by the current operator or operators. This could imply that there might be many more start-ups in the future, as well as businesses which cease to trade. This could also mean that most businesses will not follow the traditional business life cycle and could peak much earlier, as there is less need for them to continue on for a longer period of time.

What is not clear is the relevance of the industry sector in these assumptions. Service industries are very much dependent on the personal skills and expertise of the proprietors and staff, which often creates a business dependent on persons rather than capital equipment. Therefore there might not be viable businesses to sell or pass on. This is a point which could be explored in more detail.

6.6. ECONOMIC IMPLICATIONS OF THE RESEARCH FINDINGS

There are numerous implications for the research findings, from both an economic and social perspective.

6.6.1. Pursuit of Growth by small business owners

The fact that this sample demonstrated that financial criteria were not the most important facet of small business ownership, could be an antecedent as to whether a business has any plans or desire for growth. Growth in this instance is based on the economic principle that growth is synonymous with financial gain, and has been one of the more traditional measures of business success. The majority of the sample were not primarily focused on major expansion plans for their business, rather on self interest. Therefore if the majority of the sample were not financially focused or looking to expand, then as a group they could hardly be referred to as “the seedbed of entrepreneurial talent” or really “a vital source of enterprise, innovation and jobs” (Howard, 1997, p. iii).

The findings of this study and the respondents attitudes to growth could be a reflection of the industry sector, as growing a service type of business is intrinsically more difficult than a manufacturing type of business. This is because of the reliance on the personnel rather than product. What might be more appropriate is to view this sample as being a reasonably contented collective of SBOs who contribute at an individual level, but not a collective of budding entrepreneurs who through their business endeavours could contribute significantly at a higher economic level.

6.6.2. Pursuit of financial gain by small business owners

The previous literature on small business success primarily used measures that were economically or financially defined. That is, successful businesses were likely to pursue growth, as through growth came additional financial gain. These businesses could then be potentially the creators of employment and wealth, both at an individual level and at a national contributory level. It could also be assumed that the opposite might be true of businesses which did not adopt growth strategies.

What the study showed was that the majority of the sample of SBOs who considered themselves to be successful in their business venture, did not use the traditional financial measures of success. These were also the respondents who were categorised as the Motivated or Willing SBOs from the motivation typology. Their principal measure of success was by subjective non-financial rationale, therefore making money, or more money than they were already making, was not a prime business motivator. If this is the case, then they are unlikely to be persuaded that by adopting more aggressive growth strategies, which could well require employing staff, they could become more financially successful. The majority of the SBOs did not appear to be very interested in pursuing growth strategies, as one of the down sides to small business ownership which was mentioned in the comments section was stress, and the related risks that came with business ownership.

In addition, the group of respondents who were classified as Unwilling SBOs are even less likely to pursue growth strategies, as per the traditional economic perspective. The Unwilling SBOs were respondents who were pushed into self-employment and who did not feel successful, as defined by having low scores on both the lifestyle and financial

factors. These people did not express high levels of self-esteem, as indicated by having a high score on the items such as personal satisfaction or having pride in a completed job. As any type of growth strategy has an element of risk, and this group would not be classified as risk takers. Therefore there would be little value in trying to encourage people to start their own enterprise, if they do not have a real desire in the first place.

Further the aspect of financial gain was not significantly greater for these Unwilling SBOs than for the Motivated SBOs. This again shows that financial factors are really not how the majority of small businesses measure their success. Therefore promoting small business ownership through Government programmes, as a potential source of greater income than can be achieved in paid employment, would not be a motivating factor for some nascent SBOs. However this sample might well have been unusual in that the majority fell into the willing category, with less than 10% believing that they were not successful. As has been previously stated, given the composite of the industry sector, it is unlikely that there would be many people who were pushed into it, which could explain the high number of respondents who considered themselves successful.

6.6.3. Small business as a creator of employment

The other issue that governments often posit in relation to the economic importance of small business is their potential to become employers. Unfortunately, (from a government perspective) there are two key reasons why small businesses do not want to employ staff. The first reason is because of all of the government regulations that relate to business and business ownership. Secondly, the majority of small businesses wish to maintain their autonomy and the control of their own businesses, which was one of their principal motivations for starting the business initially. This second reason was verified by qualitative comments that were made in relation to the best things about being in business.

If these two reasons are seen as potential barriers, then the first reason could be addressed by making concessions and alterations to the legislation that small business is most effected by. There appears to be a feeling that in the general scheme of national economic management, small businesses are often overlooked and their views not taken into account. However given that most businesses do not want to grow then the

targeting of potential growth businesses becomes more important. In the past this has been the cause of much debate and the consensus is that it is very difficult to 'pick the winners' (Birley, 1996). This notion of picking winners has always been based on 'winning' or success being synonymous with financial reward. If perhaps business success was also acknowledged as being able to be measured in non-financial ways, then there could potentially be many more businesses who could be deemed successful.

This could have the effect of encouraging other potential or nascent businesses to start up, without the pressure of having to achieve ostensible financial success. As this study has shown, the majority of the sample measured their success by personal satisfaction, which was very much defined for themselves. That is, as the majority of the sample were very small or micro businesses, when the business was being discussed so too was the actual business owner, such is the entwined nature of small business ownership and operation. Further, some of these businesses were so heavily involved with the owner, that the business revolved around them, to exclusion of others, especially family members. This was demonstrated by the very small number of businesses who considered themselves family businesses.

6.7. SOCIAL IMPLICATIONS OF THE RESEARCH FINDINGS

Whereas thinking of the majority of sample as being 'contented' is perhaps an acceptable inference albeit somewhat patronising, it does have implication for any governments that might wish to promote small business as being such a vital part of a larger economic strategy. From a social implication perspective, it might be more appropriate to acknowledge that the majority of SBOs appear to be very content to stay small, and with that 'contentment' comes a benefit for the wider community. This is in relation to issues such as being less of a burden on social services, both in terms of them being self-sufficient and also requiring less financial support in the short term, and possibly in the long term through their own funding for retirement.

The study showed that small business ownership and the commensurate measurement of success are both personally defined and personally measured, and cannot simply be

benchmarked against bland economic rationale. People do not go into business to become government statisticians, or initially to be creators of employment. In this study, they were primarily motivated to start their own businesses to gain personal satisfaction, which they did not necessarily often achieve as a paid employee. Having taken the risk to start their own businesses, the majority of SBOs appeared to be positive about the experience, which is encouraging for the future. This is important as given the changing nature of the work place, and the decrease of long term secure employment, small business could well be seen as a viable option for more people. Whereas there were some negative comments made about small business ownership, overall this sample demonstrated that people who had a genuine desire to start their own enterprise were more likely to measure their success in affective terms, than people who chose self-employment because of negative rationale.

6.8. RECOMMENDATIONS AND AREAS OF FUTURE RESEARCH

Based on the findings of the study there are several areas of potential future research. The principal limitation of the study was that it only looked at one industry sector in one geographic area at one point in time.

1. The first area of future research would be to test the model with other industry sectors. It is felt that the industry sector was significant in some of the findings, in particular from the aspect of gender. This is because the findings in this study are contrary to other studies that have used gender as a variable. Also it was acknowledged that the sector was perhaps unique in some of its characteristics such as the high level of education and the influence of 'professional' occupations.
2. As the sample was only from one urban geographic location, this might also have had some impact on the findings. Location could be expanded to test for differences using rural or regional businesses within the same Australian state, using a national sample, or an international sample. Using an international sample would be interesting as the aspect of the Australian work ethic (defined as being willing to give small business ownership a go) was mentioned as being a possible reason for having such a high proportion of motivated SBOs.

3. Testing these hypotheses longitudinally would ascertain if opinions change over time. This could take into account the effect of maturity on both the business entity and the business owner.
4. An obvious area for future research would be to test the hypotheses with larger businesses. The aspect of autonomy was very important to this sample of SBOs, however what the findings did show was that size of business operation was a significant variable for issues such as financial goals, with financial matters being proportionally more important to larger businesses. Also as businesses grow in size, there is normally a commensurate change in management structure, with the day to day operational control shifting from one person to more of a team structure.
5. This study considered the aspect of family businesses and how in this industry sector it was not the dominant business group. An area of future research would be to see if the industry sector was the key variable or whether the results were a reflection of a more general changing trend. That is, that the notion of businesses being family businesses in the traditional sense of being more than one generation or whether more businesses are being mono-generational.
6. A final area of potential further research would be to look at the difficulty of work isolation, especially in home-based businesses. Feeling a sense of isolation was mentioned by home-based businesses and sole proprietors as being one of the worst aspects of business ownership. This could impact on whether isolated SBOs have a higher proclivity to engage in joint ventures or collaborative projects, or whether it is a reason why they eventually cease the business.

Quite clearly there are many areas for potential future research, not the least being to monitor this specific sample to see if they themselves change overtime.

6.9. SUMMARY

This study sought to discover whether the traditional financial measures of business success were applicable to all businesses, as there appeared to have been no empirical studies which had looked at this issue. Previously the aspect of business success had predominantly centred round financial criteria, without taking into consideration the business owners themselves, who especially in small and micro business are inseparable from the business entity. In addition, it sought to ascertain if the initial motivation for starting the business was also an indicator of how small businesses owners measured their success.

The research findings demonstrated that contrary to some previous studies, small business owners actually place greater value on non-financial subjective criteria as their success measures and are more interested in personal satisfaction than personal wealth. Why people choose to start their own business is also a good indication of how they will eventually measure their success, with people who are sufficiently motivated to make the decision to become self-employed experiencing high levels of personal satisfaction, compared to people who are more reluctant to become self-employed.

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