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**THE IMPACT WHICH SOCIAL NETWORKS  
HAVE UPON THE DEVELOPMENT OF SMALL  
PROFESSIONAL BUSINESS SERVICE FIRMS**

by

**Eleanor Shaw**

**A thesis submitted for the degree of Doctor of Philosophy to  
the Department of Management Studies  
University of Glasgow**

**July 1997**

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## ABSTRACT

The purpose of this thesis is to acquire an understanding of the impact which the micro environment in which a purposive sample of small graphic design agencies are embedded has upon their development which will offer practical recommendations to the owner-managers of small professional business service firms as well as make suggestions for policy and future research.

For the purposes of acquiring such an understanding the concept of a social network (Mitchell 1969) is used to guide the collection of data about participants' perceptions of the impact which the relationships in which small graphic design agencies are embedded has had upon their development. The findings to emerge from inductive analysis of this data suggest that one factor contributing to the development of a purposive sample of small graphic design agencies were the social networks in which they were embedded. Particularly this analysis identifies the multiplex relationships which case-firms shared within individuals holding 'broker' positions within these networks as having had an important impact on their development. Further, this analysis suggests that participants involvement in 'networking' activities and owner-managers' control of these were also important in the development of case-firms. This analysis also identifies a number of influencing factors which suggest that certain findings may be specific to small graphic design agencies. The thesis concludes that the social network concept was a useful construct for conceiving of the relationships in which case-firms were embedded and identifies a number of recommendations for the owner-managers of small professional business service firms as well as for research and policy.

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*"We have no friends; we have no enemies; we only have teachers".*

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## **DECLARATION**

No portion of work referred to in this study has been submitted in support of an application for another degree or qualification in this or any other university or other institution of learning.

## CHAPTER ONE : INTRODUCTION

### Rationale and Overview

This thesis argues that the findings generated by the in-depth and detailed, exploratory study of the social networks in which a purposive sample of small graphic design agencies are embedded will provide an insight into the impact which the micro environment has had upon their development which will be : useful in directing future small firm networking research, of interest to policy makers and able to offer practical advice to the owner-managers of small professional services. As an introduction to this thesis, the purpose of this chapter is two fold. Firstly, the chapter aims to present a rationale for the topic which has been selected for study. This is achieved by describing the research problem and highlighting the need for the study before detailing the aim and objectives of the thesis and considering the research approach adopted. The second objective of this chapter is to provide the reader with an overview of the thesis by providing, chapter by chapter, a summary of its contents.

#### 1.1 The Research Problem

Small, particularly micro-sized firms which employ no more than nine people and account for 94.5% of the total stock of British business and 31.66% of British employment (Quarterly Review of Small Business Statistics, 1997) are now accepted as constituting an integral part of the British and most Western economies. Since the publication of the Bolton Report (1971), small and medium sized enterprises (SMEs) have been of interest to British researchers and policy makers alike. One reason for this relatively recent interest in small firms is the disproportionately large contribution which it is argued they make towards the generation of new jobs (Daly et al 1991; Daly and McCann 1992; Gallagher and Miller 1991). The publication of the Birch Report (1979) which detailed the large contribution made by small firms to the American job generation process during the period 1969 - 1976, encouraged the then recently elected Conservative Government to regard small firms as holding one

solution to the related problems of large scale and long term unemployment which Britain was experiencing. Under Thatcher, the Conservative Government committed itself to the creation of an 'Enterprise Culture' and subsequently introduced a variety of initiatives, including the Loan Guarantee, Business Expansion and Enterprise Allowance Schemes, specifically targeted towards encouraging the creation of new and the growth of existing small firms as well as the promotion of self employment as a viable career alternative.

The introduction in 1991/2 of a network of Training and Enterprise Councils (TECs) in England and Local Enterprise Companies in Scotland (LECs), commissioned with the remit of assisting regional economic development by, amongst other activities, offering information, advisory and support services as well as financial incentives to encourage the creation and growth of new and existing small firms, provides a recent exemplar of the commitment to small firms at a local level also. Particular to Scotland, Dun and Bradstreet data has suggested that compared to other regions within the United Kingdom, Scotland has experienced lower rates of new firm formation and consequently, lower rates of job generation. Responding to these suggestions, Scottish Enterprise introduced in 1993 its 'Birth Rate Strategy'. This strategy stated that "Scotland would achieve a 50% increase in the number of new businesses started every year by the end of this decade" (*Improving the Business Birth Rate : A Strategy for Scotland*, 1993) and by so doing, would reduce the gap between Scotland and the rest of the United Kingdom, in terms of the number of new businesses created and consequently, the number of new jobs generated. Estimates that the Scottish Enterprise spend on new starts would increase from £15 to 20 million, 1993 - 1998, together with Scottish Enterprise's specific target that an additional 25,000 new firms and 50,000 jobs will be created by 2000, illustrates that particular to the Scottish economy, small firms have been identified as an important source of economic development and regeneration.

As discussed in Chapter Two the small firm sector has more recently been recognised not only for the contribution which it makes to Britain's job generation process. An increasing amount of attention has also been drawn to the 'no-growth' stance adopted



by the majority of small firm owner-managers ( for example, see Barber et al 1989; Burns and Choisine 1991; Reese & Shah 1992; Stanworth and Curran 1973) and to the finding that the contribution which the sector as a whole makes towards Britain's job generation process is concentrated in the small number, around four percent of firms which grow at a high and fast rate (Bannock & Daly 1994; Gallagher and Miller op. cit.). Likewise, the volatility of the sector, caused by high death rates <sup>1</sup> of particularly the youngest small firms has attracted the more recent attention of not only policy makers, researchers and practising small business owner-managers but also, the media and consequently, potential small business owner-managers. These concerns, together with the argument that as a sector, small firms are heterogeneous (Curran et al 1991; Curran & Blackburn 1994; Goss 1991) and the factors which impinge upon their start-up, survival, development and growth may be dependent upon both industry sector and spatial location, have questioned the effectiveness of both small firm policies and the research topics and approaches upon which their development and implementation are informed.

This growing and widespread realisation, fueled by the British press, that with small firm failure being concentrated in the youngest firms (Daly 1987; Dunne and Hughes 1989; Ganguly 1985) self employment is a risky career option, has raised questions about the use of public money directed towards the expansion of the small firm sector. Specifically, concerns about the mortality rates and job generating abilities of Britain's small firms have recently encouraged policy makers (see White Papers, HM Government; 1994; 1995; DTI 1995) and researchers (Storey & Johnson 1987; Storey 1994; Smallbone 1997) to consider criteria for the effective identification and selection of those individuals and business ideas with the greatest potential to survive start-up and contribute significantly to the generation of new jobs. Also, more recently ( Small Business Foresight Workshop, March 1997), discussions about small firm policy have considered the issue of whether policy and research have concentrated on the creation and growth stages of the small firm lifecycle to the neglect of the

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<sup>1</sup> Particular to Scotland, recent figures show that while 21, 417 new firms were established in 1995, 'The Year of the Entrepreneur', 15, 335 went out of business in the same year (*The Birth Rate Strategy - Update*; March 1996)

processes of change involved in the small firm's transition from start-up to survival, sustainability, development and eventually, possible growth.

It has been argued that to be cost efficient as well as effective, small firm policy requires to be informed by research which considers the heterogeneous and volatile nature of Britain's small firm sector. Particular to the former of these characteristics, this thesis argues that as the growth in professional business services has been concentrated in small firms<sup>2</sup>, the selection of small graphic design agencies for rigorous academic research is worthwhile. With regard to the high death rates experienced particularly by the smallest and youngest firms, this thesis argues that the findings generated by the in-depth exploration of the impact which the environment has had upon the development of small graphic design agencies, will contribute significantly towards current knowledge and understanding about impact which contextual factors have upon the development of small professional service firms. Further, this thesis argues that the findings generated by such a study will provide an insight into the interactions involved in the development of such firms and consequently the types of behaviors in which such firms engage during their development.

Responding to Aldrich's (1979) proposition that organisations are essentially "open systems" which are influenced by the relationships which they share with transacting parties as well as the social context in which they exist, networks have emerged as an effective way of conceptualising the micro environment in which organisations engage. Particular to small firms which are characterised by the informality of the relationships in which they engage, the concept of a social network has been proposed as a useful way of conceptualising the environments in which they exist (Aldrich & Zimmer 1986; Birley et al 1989; 1990; Blackburn et al 1990; Curran & Blackburn 1992; Donckels & Lambrecht 1995; Johannisson 1986; Joyce et al 1995). This thesis argues that the use of the social network as a sensitizing concept will be useful in the

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<sup>2</sup> For a detailed discussion of the growth of the service sector and the role which small firms have played, see Keeble et al 1991. For recent figures see the Quarterly Report of Small Business Statistics, January 1997

exploratory study of the impact which the environment has had upon the development of small graphic design agencies selected for in-depth and detailed scientific study.

## 1.2 The Need for the Study

As presented in Chapter Four, while social network theory has identified both morphological and interactional dimensions<sup>3</sup> of such networks, much of the research attention focused on small firm networks has concentrated on using quantitative methodologies to collect cross-sectional data about the structural dimensions, in particular, the size of the networks of relationships in which small firm owner-managers are embedded at the pre- and start-up stages of small firms. As a result, it has been found, for example that the networks of relationships in which English small firm owner-managers are embedded are “much more limited and much less proactive than notions such as ‘networks’ and ‘networking’ as used in the literature” suggest (Curran et al op. cit.) and that the networks in which potential Scottish entrepreneurs (Hand & Tomblin 1992) are embedded are smaller than their American counterparts. Less is known about the reasons why small firms choose to engage in the particular relationships in which they interact or about the outcomes which result from their involvement in different relationships and the impact which these have upon their creation, development and growth.

Recently it has been argued that there is a need to collect for data about such interactional dimensions as the contents of the relationships which constitute the social networks in which small firms are embedded ( Blackburn et al op.cit.; Curran et al op.cit) and for researchers interested in small firm networks to “look for indicators of their impact” on small firms (Joyce et al op. cit.; p12). This thesis argues that small firm researchers’ failure to collect data about the interactional dimensions of the social networks in which small firms are embedded has not only failed to produce an understanding of the impact which these networks have upon

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<sup>3</sup> A description of these dimensions is provided in Chapter Four. For a more detailed description, see Mitchell (1969).

small firms, but also, has produced an incomplete understanding of their structural dimensions

An up to date review of small firm networking literature presented in Chapter Four made apparent that there was a significant gap both in the area selected by this thesis for study and in the ontology, epistemology and methodology adopted for the scientific study of small firm networks. Table 1.0 below summarises these gaps and by doing so highlights the need for the exploratory study of the impact which the social networks in which they are embedded have upon the development of small firms.

**Table 1.0 Research Gaps - The Need for This Study**

<i>Focus of Previous Small Firm Network Research</i>	<i>Research Gaps</i>
<ul style="list-style-type: none"> <li>• Owner-manager as unit of Analysis</li> </ul>	Small Firm as Unit of Analysis
<ul style="list-style-type: none"> <li>• Networks at start-up</li> </ul>	Networks during development
<ul style="list-style-type: none"> <li>• Cross sectional studies, snapshot data, hypotheses testing</li> </ul>	Sector specific, in-depth studies which collect rich data & generate understanding
<ul style="list-style-type: none"> <li>• Structural dimensions &amp; quantitative data; e.g. size &amp; shape of network</li> </ul>	Interactional dimensions & qualitative data; e.g. contents & impact of network
<ul style="list-style-type: none"> <li>• Concentration on conceptualisation</li> </ul>	Empirical data

This thesis argues that a comprehensive description of the relational influences in which an organisation is embedded is provided by conceptualising these networks as the composite of the overlapping social networks in which organisational members are embedded. It was found however that small firm networking research has tended towards selecting the owner-manager as the unit of analysis and the argument was

made that as such, a restricted view of the relationships which have the potential to impact upon small firms has prevailed. The concentration on small firm creation and growth mentioned above as well as the mechanistic perspective from which their study has been approached were also found to be common to the small firm network literature. It was established that within this literature, research has concentrated on testing relationships between the structural dimensions of the entrepreneur's network of relationships and their successful creation of small firms. Apart from the work of a handful of researchers (Butler and Hansen 1991; Brown and Butler 1995; Ramachadran et al 1993), it was established that there are few published studies about the processes of interactions involved between small firms and the social networks in which they are embedded as they survive start-up and develop. Related to this, it was found that while studies involving the collection of quantitative data from large, cross-sectional samples of small firms have contributed significantly to current understanding about the structural dimensions of the social networks in which small firms are embedded, there were fewer studies within the small firm network research literature which have collected data about the interactional dimensions of these networks or about the impact which they have upon small firms as they develop. This thesis argues that one reason for this is that the collection of data about the interactional dimensions of social networks requires that a qualitative approach which allows the researcher to understand and interpret the perceptions which participants have about the contents and the outcomes of the relationships in which small firms are embedded is adopted. While such studies are able to generate a rich and detailed understanding of the interactions between small firms and their environments, it is argued that the time investment which they require together with the restrictions which they place on the generaliseability of their findings have encouraged researchers to focus on the structural dimensions of such networks. Additionally, the researcher would argue that as a consequence, small firm networking researchers seeking to maximise the number of publications generated by their research will favor the collection of data about the structural dimensions of small firm networks which lend themselves to collection by quantitative methods.

The foregoing discussion highlights the need for the small firm to be selected as the unit of analysis in small firm networks studies and suggests that qualitative data about

the contents and the outcomes of the relationships in which small firms engage, together with data about the impact which these outcomes have upon the development of small firms competing in particular industry sectors should be collected.

### 1.3 The Aim and Objectives of the Study

Because of the exploratory nature of the study, the initial direction of the research was directed by the aim of :

*'Exploring the impact which the social networks in which small professional business service firms are embedded have upon their development'.*

As data was collected and compared across different sources and with relevant small firm and organisational networking literature, the following more focused series of objectives emerged :

- 1 *Identify the relationships in which participants perceived case-firms to be embedded.*
- 2 *Develop an understanding of the reasons why the social networks in which case-firms were embedded fluctuated over time.*
- 3 *Identify the contents of the relationships in which case-firms engaged.*
- 4 *Discover the impact which case-firms' involvement in relationships comprised of particular contents had had upon their development.*
- 5 *Understand the benefits of case-firms' involvement in multiplex relationships, particularly those which they shared with individuals holding 'broker' positions within the social networks in which they were embedded.*
- 6 *Identify the types of networking activities in which owner-managers and staff engaged and understand how and why these activities were managed and controlled by owner-managers.*

- 7 *Develop an understanding of the ways in which those factors found to influence the contents, outcomes and/or networking activities exercised this influence.*

#### **1.4 The Research Approach**

The research approach adopted was influenced both by the nature of the topic selected and the aim and objectives detailed above. The study of small firm networks essentially involves the study of human subjects and the interpretation of the perceptions which they have about the relationships in which they engage. Particular to the aim and objectives of this study, the collection of data about such interactional network dimensions as the contents, outcomes and impact of the social networks in which small firms are embedded suggests that an approach which allows the researcher to get 'close' to participants in order to develop an impression of the perceptions which they have about the relationships in which they interact and the impact which their involvement in these relationships has had upon the development of small firms be adopted. For these reasons, a qualitative approach which encouraged the development of a flexible research design and the use of qualitative methods of data collection and inductive analysis was selected as the appropriate research approach for this study.

#### **1.5 The Structure of the Thesis**

For the purposes of providing the reader with an overview of this thesis which is structured in seven chapters, the contents of each are outlined below.

#### ***Chapter 1 Introduction : Rationale and Overview of the Thesis***

Chapter One discusses the research problem, the need for the study, the aim and objectives of the study, the research approach and offers an overview of the thesis.

*Chapter 2 An Analysis of Britain's Small Firm Sector : Implications for Research*

This chapter opens with a consideration of what constitutes a 'small firm' together with a discussion of whether 'entrepreneur' is an appropriate label for the owner-managers of today's small firms. Having established that, given the heterogeneity of the small firm sector, grounded definitions (Curran et al op. cit.; Curran and Stanworth 1986;) provide a more accurate description of firm size than those suggested by the Bolton Report (op. cit.) and that 'owner-manager' rather than 'entrepreneur' is a fitting description of the individuals currently owning and managing small firms, the chapter turns to a critical review of where and why small firms have revived. This review makes clear that growth in the small firm sector has not been equal across either industry sector or spatial location and argues that as services, particularly professional business services, are one sector which has benefited from the revival of small firms, research particular to small professional service firms is appropriate and worthwhile. Attention is also drawn to the environment created for small firms within Scotland and the implications which Scottish Enterprise's 'Birth Rate Strategy' has for the sector within Scotland. The chapter concludes by highlighting the research implications of Britain's currently heterogeneous and volatile small firm sector. Specifically, the chapter argues that there is a need for research to consider the impact of industry sector and spatial location. Also, given the high death rates experienced by the smallest and youngest firms, the no-growth stance adopted by most small firm owner-managers and the finding that the contribution which the sector as a whole makes towards job generation is concentrated in the small number of firms which grow at a fast and high rate, the chapter argues that there is a need for research to inform policy of the processes involved in the development of small firms, before they have the opportunity to grow.



**Chapter 3**     *A Critical Review of the Small Firm Research Literature  
: An Identification of Research Gaps and Introduction to the  
Research Problem*

This chapter opens with a critical review of the small firm research literature for the purposes of establishing whether it has responded to the implications which Chapter Two argued the heterogeneous and volatile nature of Britain's small firm sector have for research. After identifying a number of gaps in the topics selected for research as well as the samples used and the research approaches and methodologies adopted for the scientific study of small firms, the chapter argues that there is a need for research to consider the impact which the micro environment has upon the development processes of small firms competing in different industry sectors and spatial locations. Specifically, the chapter identifies small graphic design agencies as a legitimate form of professional business service and highlights the significance of such firms within the Glaswegian environment and economy. The chapter goes on to argue that by recognizing that small firms are "open systems" (Aldrich op. cit.) which operate within a social context, much can be understood about the impact which the micro environment has upon the development of small graphic design agencies. The chapter concludes by identifying network concepts which have a strong tradition within other branches of the social sciences, for example sociology (Bott 1957) and social anthropology (Boissevain and Mitchell 1973), as a useful starting point from which to develop an understanding of the impact which the micro environment in which they exist has had upon the development of the small graphic design agencies involved in this study.

**Chapter 4**     *Conceptualising Social Networks for the Study of Small Graphic  
Design Agencies*

This chapter opens with a discussion of the recent popularity of using network concepts for the purposes of understanding the behaviour of organisations in relational terms. This discussion concludes that these concepts have been used metaphorically rather than analytically and argues that as a consequence, a body of research which is confusing, disparate and lacking in its practical application has emerged. Drawing upon the work of Mitchell (1969) the chapter goes on to identify

what is meant by a social network and to describe the dimensions which it is conceived to possess. Using subject areas as a classification system the chapter continues with a critical review of the organisational networking literature. This review concludes that research which has approached the study of organisational networks from transaction cost and industrial marketing perspectives has reduced the study of such networks to individual sets of dyadic 'business' relationships, such as strategic alliances. Particular to the small firm networking literature, this review establishes that while the social network concept has been used to study the relationships in which small firms are embedded, much of this research has concentrated on examining relationships between the structural dimensions of the personal contact networks of owner-managers and their successful establishment of small firms. The chapter argues that consequently, less is known about the impact which these networks have upon the development of small firms or about the reasons small firms have for engaging in relationships. Having identified gaps in the small firm network literature, the chapter concludes by refining the research problem and detailing the ways in which the thesis will contribute to current understanding and knowledge about the impact which social networks have upon the development of small firms.

### *Chapter 5      Research Methodology*

This chapter describes and justifies the qualitative approach adopted to guide the exploratory study of the impact which the social networks in which a purposive sample of small graphic design agencies were embedded had upon their development. The chapter opens by arguing for a research approach which allows the researcher to 'get close' to participants, penetrate their realities and develop an understanding which 'fits' and 'works' with these realities. The chapter goes on to defend the flexible research design adopted and to explain the criteria used for the selection of a purposive sample of small graphic design agencies as well as the researcher's decision to use herself as the 'instrument' for data collection and inductive analysis. Having discussed the role of the researcher and issues involved in her accessing case-firms as well as issues of relevant ethical considerations, the chapter details the methods used

for data collection and analysis. Attention is drawn to triangulation of data before the process involved in inductive analysis of data is explained with the aid of the 'Research Spiral' developed by the researcher. The chapter concludes with some discussion of the overlapping and emergent nature of the research process as well as an explicit statement of the limitations of the methodology.

***Chapter 6 An Illustrative Case Study***

For the purposes of describing the context of the substantive research area and conveying the richness of the empirical data in which the findings to emerge are grounded, material from case-firm one is presented in this Chapter. After introducing case-firm one and providing background information about its history, activities, structure and performance, the remaining case-study material is presented around those themes which emerged as pertinent to understanding the impact which the social networks in which they were embedded were perceived to have had upon the development of all case-firms.

***Chapter 7 The Impact which Social Networks Have upon the Development of Small Graphic Design Agencies.***

This chapter presents and initiates a discussion of the findings which emerged and which is concluded in the Chapter Seven. The chapter opens with an explanation of the manner in which the findings are presented and provides a summary of these findings before presenting and discussing them in full. The chapter goes on to discuss the implications of fluctuations found in the social networks in which case-firms were embedded before presenting and discussing the contents found within these networks and the impact which these networks had upon the development of case-firms. Continuing, the chapter discusses the networking activities in which participants were found to engage before concluding with a discussion of the factors found to influence these activities as well as the contents and the outcomes of the relationships in which case-firms were embedded and also the size and composition of these networks.

**Chapter 8      *Conclusions : Concluding Remarks , Limitations and Recommendations***

This final chapter opens with an overview of the thesis which summarises the arguments developed as well as the research approach and methodology used. The chapter goes on to summarize the key findings which emerged before discussing their implications. The chapter then explicitly states the limitations of the research before detailing the recommendations which this thesis has for the owner-managers of small professional business service firms, policy makers and future small firm network research.

**1.6      Summary**

The purpose of this chapter was to introduce the reader to the subject selected by this thesis for scientific inquiry. Specifically, the chapter sought to provide a rationale for the qualitative, exploratory study of the impact which the social networks in which small professional business service firms are embedded have upon their development and to highlight the need for this research to be undertaken. This chapter has also considered, briefly, the research approach which was adopted and has outlined the aim and the objectives of the study. Finally, this chapter has provided the reader with a chapter by chapter overview of the contents of the thesis.

## CHAPTER 2 - AN ANALYSIS OF BRITAIN'S SMALL FIRM SECTOR

### Implications for Research

This chapter undertakes a critical review of Britain's small firm sector for the purposes of identifying those topics in which research which seeks to assist and develop the sector should be concerned. This chapter opens with a discussion of the problems involved in defining the unit of analysis in small firm research and argues that as the size thresholds which differentiate between micro, small, medium and large firms are dependent upon industry sector, a grounded approach to defining small firms should be adopted. This discussion also suggests that rather than focus on the owner-manager, research should consider the small firm as the unit of analysis and explore the processes involved in the development of small firms. A review of the reasons why small firms have become relatively more important to the British economy, particularly from 1979 onwards, emphasises these points and highlights the need for research to consider the impact which the context in which they exist has upon small firms. The chapter concludes by discussing the research implications of Britain's currently heterogeneous and volatile small firm sector and arguing that small firm research should explore the processes involved in the development of small firms competing in different industry sectors and spatial locations.

#### 2.1 Defining "Small" Firms

Defining small firms is a complex and debatable task. The literature identifies two major issues of concern. One is the criteria used in distinguishing between small, medium and large firms. The other is the consideration of whether differences exist between entrepreneurs and small business owner-managers.

### 2.1.1 Distinguishing Between Small, Medium and Large Firms

There is no universally accepted definition of what constitutes 'smallness' in terms of business organisation in the United Kingdom. One of the first British publications to tackle this subject was the Bolton Report (1971). Bolton defined small firms in economic as well as in statistical terms. In economic terms, Bolton identified four conditions which 'small' firms should meet :

“First, in economic terms, a small firm is one that has a relatively small share of the market. Secondly, an essential characteristic of the small firm is that it is managed by its owner or part-owner in a personalised way and not through the medium of a formalised management structure. Thirdly it is also independent in the sense that it does not form part of a larger enterprise and that the owner-managers should be free from outside control in taking their principle decisions”. (p1, op. cit.)

Table 2.0 below outlines the statistical criteria suggested by Bolton ( op. cit.) as a way of classifying small firms in different industries.

**Table 2.0 Bolton's Statistical Definitions of Small Firms**

Industry	Criteria
Manufacturing	less, or equal to, 200 employees;
Retailing	T.O. less, or equal to, £50,000 p.a. ;
Wholesale Traders	T.O. less, or equal to, £200,000 p.a.;
Construction	less, or equal to, 25 employees;
Mining/Quarrying	less, or equal to, 25 employees;
Motor Trades	T.O. less, or equal to, £100,000 p.a.;
Miscellaneous Services	T.O. less, or equal to, £50,000 p.a.;
Road & Transport	5 vehicles or less;
Catering	all excluding multiples & brewery managed public houses.
Source : adapted from Bolton, (1971)	

Bolton did however caution that as statistics on British small firms were inadequate, any attempts to define or classify firms as 'small' in economic or statistical terms should be considered with caution. Since the publication of the Bolton Report, many criticisms have been made about the validity, applicability and usefulness of its proposed definitions for analysing and understanding the small firm sector. The literature (for example, Curran and Stanworth 1986; Curran & Blackburn, 1994; Stokes, 1995; Storey, 1994) is critical of the economic definition primarily because it suggests that small firms have little control over their environment despite the fact that many small firms command large shares in local, niche markets. While the statistical definitions proposed by Bolton (op. cit.) appreciated that firms in different industry sectors have different characteristics, including different thresholds at which they can no longer be described as 'small', the criteria suggested for this threshold have been criticised in a number of ways. The variety of different measures used makes it difficult for comparisons to be drawn between sectors and across different regions and economies. The figures have also been criticised as invalid because of subsequent inflation and have been described as contradictory. Not only is it difficult to imagine how a firm of two hundred employees can be managed in a 'personalised' manner but also Bolton's (op. cit.) classifications are not valid descriptions of the actual size of small firms. Using various criteria, figures produced by the Federation of Small Businesses in 1993, shown below in Table 2.1, reveal that small firms are in fact much smaller than Bolton's definitions suggest.

**Table 2.1 Federation of Small Business Figures on Firm Size**

97% of all businesses employ less than 20 people.
91% of all businesses employ less than 10 people.
83% of all businesses employ between 0 and 5 people.
78% of all businesses turnover less than £100,000 per annum.
97% of all businesses turnover less than £1 million per annum.
Nearly 80% of all VAT revenue is collected from just 1% of all businesses.

Recent attempts by the European Community (ENSR 1993) to develop statistical definitions of firm size (see Table 2.2 below) have superseded Bolton's classifications and while these, like Bolton, have been criticised for failing to take account of the heterogeneous nature of the small firm sector, their use of 'number of employees' as the only measure of firm size is useful in drawing comparisons between small firms in different economies within the European Community. Also, the inclusion of 'micro-firms' which employ no more than ten employees and account for 92.3% of Britain's total stock of businesses and 51% of British non-government employment (Bannock & Daly, 1994) is official recognition of the large numbers of very small firms of which European Community economies are comprised.

**Table 2.2 European Definitions of Firm Size**

Large firms	=	500+ employees
Medium firms	=	200-499 employees
Small firms	=	20-199 employees
Micro firms	=	1-9 employees

Source : (ENSR 1993)

Many writers however are not satisfied with attempts to create blanket definitions of organisational size within the small firm sector and concur with Curran and Blackburn, (op. cit.) that it "is the extreme variability in the characteristics of small enterprises which undermines attempts to apply simple, qualitative (and quantitative) definitions across the entire range of activities in which such enterprises engage" (p55). Responding to these dissatisfactions, researchers of small enterprises have used a variety of definitions which have largely depended on the "particular groups of small firms which are the focus of their efforts (Storey op.cit. p. 16). Appendix 1.1 illustrates the variability with which firms have been classified as 'small'. Different criteria are used : turn over (Freedman & Godwin 1994); number of employees



(North et al 1992); users of informal capital ( Mason & Harrison 1991); family-owned businesses (Nenadic 1993); start-ups (Townroe and Mallalieu 1993); nationality (Jones et al 1993). Where the same criteria are applied, most common being number of employees, the size thresholds are different, ranging from less than 10 employees (Nayak and Greenfield 1994) to 1-500 (Hughes 1992).

While Bannock (1991) supports the practice of defining small firms according to the particular economic activity in which they are involved he argues that small firms should not be defined according to their size in terms of employment. He recommends that small firms are identified by the common characteristics by which they are distinguished from large firms. Specifically he asserts that :

“ No simple definition of what constitutes a small firm can be used for all purposes, a window cleaner with a ladder and a bucket, an independent shop with two employees, a farmer with 300 acres, one employee and a tractor,...all share some common problems which are essentially different to those of a multinational company. It is not necessary to agree upon a precise threshold point at which a small business becomes a large one, to make helpful generalisations about small and large firms”. (p2)

Wynarczyk et al (1993) concur that small firms are hard to define in numerical terms and argue that as small firms are not scaled down versions of their larger counterparts, they are more appropriately defined in terms of the characteristics which they share; namely : uncertainty in the market place; innovative product offerings designed to satisfy the needs of differentiated, niche markets and the process of evolution through which they progress as they develop into larger enterprises. Each of these characteristics however can be criticised in its applicability to the small firm sector. Like Bolton's (op. cit.) economic definition, Wynarczyk et al (op. cit.) wrongly assume that small firms are surrounded by uncertain environments in which they are price-takers with a limited customer base and over which they have no control. In terms of innovation, much research ( Storey op.cit; ; Lloyd-Smith et al 1993) has

shown that rather than developing new products and alternative ways of producing goods and services, many small firms are in established markets supplying traditional products. Particular to the growth of small firms, the reasons which owner-managers have for NOT wanting their firms to grow are so well documented in the literature, (Barber et al 1989; Burns and Choisine 1991; Carson et al 1995; Reese and Shah 1992; Scase and Goffee 1980; 1982; Stanworth & Curran 1973; 1976;) to suggest that the evolution towards growth identified by Wynarczyk et al (op. cit.) as a distinguishing small firm characteristic does not actually apply to the majority of small firms.

Finding official definitions unhelpful and insufficiently specific, Curran and Stanworth (op. cit.) argue that there is a need to 'refine' definitions of firm size particularly to take account of the heterogeneous nature of the small firm sector. They assert that "the concept of size adopted for organisational analysis should formally incorporate the perceptions of those directly involved" and argue that 'grounded' definitions of size which take account of these perceptions provide a more accurate indication of what constitutes firm size in different industry sectors. Curran et al (1991) further argue that unlike such arbitrary imposed size criteria as turnover or number of employees, as grounded definitions of firm size are multidimensional, they encapsulate the subtleties needed by researchers investigating managerial and behavioural issues in small firms. As shown in Appendix 1.2 rather than using 'once and for all' definitions of firm size, grounded definitions are particular to individual industries. For example, using grounded definitions of firm size Curran et al (op. cit.) found that while a small firm in the restaurant trade employed no more than ten people, owned or rented their premises and had one outlet only, in the design industry a small firm was viewed by those involved in the industry as having less than 25 employees, one outlet only and not ranking in the top 300 agencies.

While grounded definitions of firm size can make it difficult to draw statistical comparisons between industry sectors, they have a number of advantages. In contrast to the inconsistency encouraged by quantitative definitions (see Appendix 1.1) which regard the small firm sector as homogeneous, as grounded definitions are

multidimensional, they provide accurate definitions of firm size which take account of the heterogeneity of sector. Also, and perhaps more importantly, as grounded definitions "fit and work" (Glaser & Strauss 1967) with the perceptions of those involved in owner-managing and working in different industries, comparisons between the perceptions and behaviours of those who own-manage and work in 'small' firms can be made when grounded definitions of firm size in each sector are discovered and applied. To be more accurate, grounded definitions of small firms should be expanded to incorporate the additional classification of 'micro-sized' firms identified by European Community classifications of firm size as these very small firms make a large contribution to Britain's stock of businesses.

### **2.1.2 Entrepreneurs or Small Business Owner-Managers?**

A second problem facing small business research is the definition of an 'entrepreneur' (Carson et al op. cit.; Fiet 1996; Jennings and Beaver 1997) and related to this the ways in which this term is distinguished from a 'small business owner-manager' and the implications which any differences between the two have for researching and understanding small businesses. Much of the research considering 'entrepreneurial personalities' ( Adam and Chell 1993; Blanchflower & Oswald 1990; Brockhaus 1980; 1982; Casson 1982; Chell 1985; Chell et al 1991; Cromie and O'Donoghue 1992; Dunkelberg and Cooper 1982; Hornaday 1970; Hornaday and Aboud 1971; Kets de Vries 1977; McClelland, 1961; ) which has sought to identify those traits which predispose certain individuals to become entrepreneurs, suggests that entrepreneurs are a particular "type" of person, distinguishable from small business owner-managers. Supporting this view is research which differentiates between managers and entrepreneurs (Drucker 1986; Gibb 1984; Mintzberg 1973; 1979; 1982; Minkes 1987; Miner 1990), defining the former as being involved in managing resources and the latter as seeking out and exploiting market opportunities. Two key problems surround these views. The first concerns the lack of a universally accepted definition of what constitutes an entrepreneur; the second, the characteristics which the 'entrepreneur' is conceived to possess.

Writing in 1969, Cole believed that the search for a common definition for the entrepreneur was an impossible task, explaining that :

“ My own personal experience was that for ten years we ran a research centre in entrepreneurial history, for ten years we tried to define the entrepreneur. We never succeeded. Each of us had some notion of it - what we thought it was, for his purposes, a useful definition. And I don't think you're going to get much more than that.”

Despite these reflections, since 1969 a plethora of research has sought, without success, to agree upon a universal definition for the 'entrepreneur' and identify those traits by which the entrepreneur can be recognised. Discussing these problems, recent researchers have concurred with Cole's reflections and made alternative suggestions. Vesper (1982) for example, proposes that rather than focusing on the entrepreneur, researchers should adopt a behavioural approach which explores the *process* of entrepreneurship which he defines as the creation of new organisations. Gartner (1989a and b) and Gartner and Starr (1993) agree but argue that as the creation of an organisation is the outcome of a complex process involving many influences, only one of which is the entrepreneur, behavioural approaches to small firm research should regard “the organisation as the primary level of analysis” and view the “ individual in terms of the activities undertaken to enable the core organisation to come into its existence” (Gartner 1989a, p21). By moving the focus of research away from a concentration on those traits which identify entrepreneurs towards the behaviours involved in the complex process of creating new enterprises, it is likely that the findings of such research will benefit our understanding of small firms. Particularly, a conceptually strong and empirically valid framework could be developed from studies of the processes involved in the creation, development and growth of small firms.

Particular to the characteristics which entrepreneurs are conceived to possess, a cursory review of the literature reveals that a multitude of traits have been used to distinguish entrepreneurs from managers, ranging from their ability to take high risks (Brockhaus op.cit), to their drive or need for independence and autonomy

(McClelland op.cit), to their ability to exploit market opportunities by combining raw materials in new ways, developing new production processes and creating innovative products (Drucker op. cit.; Rothwell 1983; 1986; Schumpeter 1954 ). This literature can be criticised in two ways. Firstly, the over-socialised perspective which it adopts assumes that entrepreneurs are homogeneous and that when faced with similar external stimuli will behave in similar predictable manners. Secondly, there is much empirical research to question the extent to which those individuals currently owner-managing small firms are innovative or risk-takers. Common to many of those who have recently selected the option of self-employment are the previous life and employment experiences which they possess. Not only do these provide them with the technical know-how of particular industries but also the necessary contacts with suppliers, distributors and in general, relevant people within the industry, both of which serve to reduce the risk of self-employment and owner-management (Lloyd-Smith et al op.cit.; Storey op. cit.). Also reducing this risk is the smaller amount of capital required to establish small firms competing within service sector rather than manufacturing and production industries which Curran and Burrows (1988) identify as largely comprised of firms employing less than twenty five people. The findings of recent empirical studies have then raised questions about the validity of theorising about those traits used to identify individuals as entrepreneurs. Many of these questions have been asked because the characteristics distinguishing 'entrepreneurs' are out of date, their focus better suited to business owners of the late nineteenth and early twentieth centuries than to those individuals who own and manage small firms in today's service sector dominated economy.

Instead, empirical evidence would suggest that 'owner-manager' is a more accurate definition of the individuals who currently own small firms. Caution however should be exercised that one does not assume that because 'entrepreneur' is too out-dated a term to be used when researching the owner-managers of many of today's small firms, that this implies that they are either conceptually or empirically similar to the managers at the focus of much of Mintzberg's work (op. cit). Neither of the terms 'entrepreneur' or 'manager' captures or expresses what it means to presently own and manage a small firm. The inappropriateness of the former term has already been

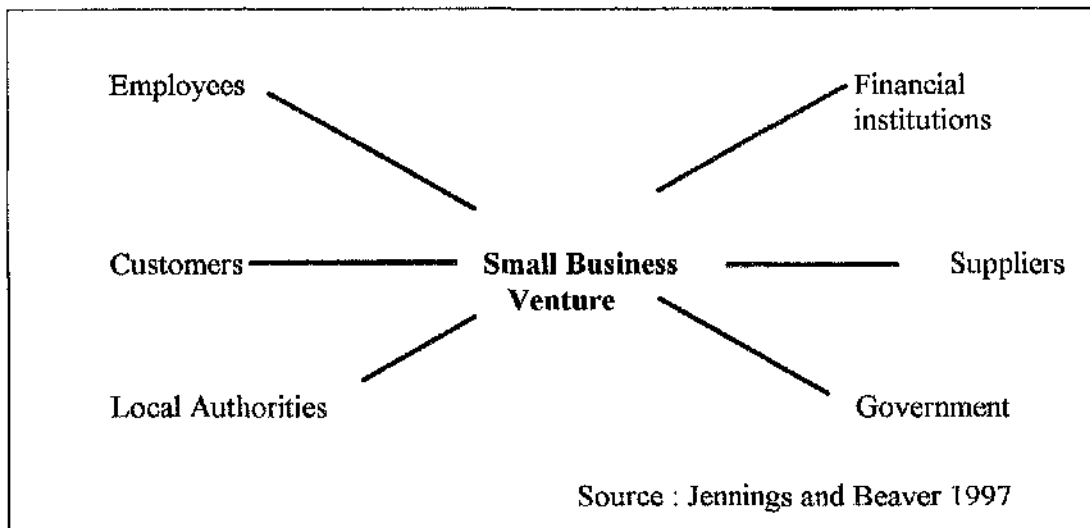
discussed. There are two key points to make when explaining the difference between managers and small firm owner managers. The first is that owning *and* managing a firm has implications for the aims and objectives of the firm as well as the activities in which it is involved. For example profit and growth motives, may not be as central to the objectives of owner-managed firms as they are to firms in which ownership is divided from its management. The second point relates to the size of the firm. The more limited resource bases from which smaller organisations are managed has implications for the activities in which small firms engage and for the ways in which they respond to the environments in which they exist. Small firms have neither the time resources to invest in strategic planning nor the budgets to manage comprehensive information systems yet small firms are an essential component of Britain's current stock of businesses. The fact that small firms do exist and survive in increasingly dynamic and competitive environments is often credited to their flexibility in the marketplace and implies that the tactics which they adopt and the activities in which they are involved, while different from those of their larger counterparts, are effective.

While it may be appropriate to discuss the 'owner-managers' of small firms and to be aware of the implications which combined ownership, management and firm size have for the objectives and activities of small firms, researchers should be careful not to restrict their studies of small firms to the owner-manger. Discussing this issue, Jennings and Beaver (op. cit.) propose the stakeholder map shown below (Figure 2.0) as useful in identifying the other 'players' involved in this process of small firm creation, development and possible growth.

While Gartner (op. cit.) and Gartner and Starr's (op.cit.) recommendation that by selecting the *small firm* as the unit of analysis is appropriate when there is a need to understand the *processes* involved in the ways in which small firms respond to and interact with others actors in their environments, their advice should not be restricted to researching only those processes involved in the creation of new firms. Instead, researchers should select the small firm as the unit of analysis and extend

recommendations to adopt a behavioural approach to the processes involved in their creation to consider also those processes inherent in their development.

Figure 2.0 The Stakeholder Web of the Small Firm



The above discussion has made apparent that there is much research to suggest that many of the characteristics traditionally associated with entrepreneurs may no longer be accurate or viable descriptors for those individuals currently owning and managing small firms. Moreover, it is suggested that the creation of new enterprises and their subsequent development is a complex process involving more than the owner-manager. Consequently, the discussion presented in this section identifies research which positions itself at the *level of individual small firms* and seeks to explore the *processes* involved in the development of small firms as important and worthwhile.

## 2.2 Reasons for Recent Interests in Small Firms

Ironically, since the publication of the Bolton Report ( op. cit. ) which stated that the "small firm sector is in a state of long-term decline, both in its size and in its share of

economic activity" (p342) Britain's economy has experienced a revival of its small firm sector. Particularly since 1979 when a number of factors including the election of the Conservative Party and the publication of the Birch Report (1979), which praised the contribution in terms of numbers of jobs which small firms had made to the US economy over the period 1969 - 1976, Britain's economy has witnessed a revival of its small firm sector. Many writers have theorised about the reasons for this revival (for reviews see Mason 1986; Kebble et al 1993a) and while no single explanation is wholly convincing in its own right, it is evident that the variety of economic and socio-cultural changes which Britain, like most Western developed economies experienced post-1970's led to increasing numbers involved in self-employment or employment in smaller-sized firms. While the revival of Britain's small firm sector has been such that, at least in numerical terms, its current position compares with that which it held at the beginning of this century, the nature of today's small firm sector and the types of firms of which it is comprised are substantially different. There are fewer small firms in manufacturing and, for example, the number of female owner-managers is increasing. Also, the sector is currently more heterogeneous than it was previously.

### 2.2.1 The Revival of Small Firms - where did it take place?

One way of establishing the nature of today's small firm sector is to look more carefully at the types of small firms which have recently been established - which industries and where they are geographically concentrated. Pinpointing the size and make-up of the small firm sector in any level of detail or accuracy is however not without its problems. Writing on this subject, Daly and McCann (1992) believe that while "it is evident that the vast majority of firms is small (given any reasonable interpretation of that term) the lack of any single comprehensive data source has made it difficult to provide a precise answer" (p47) to such questions as, "how many small firms are there?" and "where are they to be located and found?". Bannock and Daly (op. cit.) and Storey (op.cit) provide detailed discussions of the advantages and disadvantages of the data sources commonly used to calculate the answers to these



questions. However, as the list presented in Appendix 1.3 illustrates, no single source provides adequate data on the size and make-up of the UK small firm sector. Despite this, calculations combining data from different sources have however provided reasonable estimates of the extent of the small firm sector and the industries and locations in which it is concentrated. The lack of a national register of small firms, combined with the number of small firms which do not register for VAT either because they are below the tax threshold or because they choose not to, mean that while the figures in Table 2.3 below are illustrative of the scale of the growth Britain's small firm sector, 1979 - 1991, they probably underestimate the total size of the sector.

**Table 2.3 Total Numbers of Businesses and Share of Businesses and Employment by Size Band in the United Kingdom, 1979-1991**

Employment Band	Numbers('000)			Share of Total(%)					
				Businesses			Employment		
	1979	1986	1991	1979	1986	1991	1979	1986	1991
1-2	1,099	1,595	1,735	61	64	64	7	11	11
3-5	319	535	565	18	22	21	6	10	10
6-10	179	178	196	10	7	7	7	7	7
11-19	109	84	97	6	3	4	8	6	6
20-49	46	56	65	3	2	2	7	8	9
50-99	16	16	20	1	1	1	5	6	7
100-199	15	9	10	1	-	1	10	7	8
200-499	5	5	6	-	-	-	8	10	9
500-999	2	2	2	-	-	-	8	7	6
1,000+	2	1	1	-	-	-	35	29	27
<b>Total</b>	<b>1,791</b>	<b>2,481</b>	<b>2,697</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Adapted from : McCann 1993; Daly & McCann 1992

While general information on the aggregate size of the small firm sector such as that presented above illustrates the revival which Britain's small firm sector has experienced, information of a more precise nature is required to highlight where the

growth in small firms ( less than 200 employees) from 1, 783,000 in 1979 to 2,688,000 in 1991, equal to an increase of 51% has come from. A closer analysis of the above figures reveals that most of this growth can be attributed to firms at the smallest size levels, employing the fewest numbers of employees. When the European Community definition of a 'micro' firm is applied, it becomes evident that those firms employing fewer than 10 people grew most from 1,597,000 to 2,496,000 over the period, 1979 to 1991 or by 56%. Of this growth, the largest contributors were those firms which employed no more than 2 people which grew by 58% over the same time period. The importance of these very small sizes of firms in the UK economy should not be understated. The option of setting up one's own company seems to have been increasingly attractive, as the figures on self employment which increased by 52.3%, 1981 - 1991, illustrate (Campbell & Daly 1992).

Clearly, the distribution of small firm growth has not been uniform. Not only have some size bands experienced greater growth than others but also the growth of small firms has been more apparent in some locations and industries than others. For example, Strathclyde has witnessed over the period, 1980- 1990 the same number of firms being established as closed down (Whittam & Kirk 1995), and professional business services have witnessed the growth of more small firms than any other industry (Daly 1990). The implications of spatial and sectoral differences in small firm growth have received much research attention ( for example see Keeble et al op.cit.). The number of small firm births and deaths which different locations experience has been considered within the context of small firms' ability to contribute to Britain's job generation process and is discussed in greater detail later in the chapter. The concentration of small firms in the service sector has been repeatedly used by researchers (Curran 1986; Curran & Blackburn 1991; Keeble et al 1991; 1993b) to argue that as manufacturing is no longer typical of British firms (Curran & Blackburn 1994), to be effective in informing policy, research should concentrate on understanding those factors which impact upon the creation, development and growth of small service firms. While indicative of this research, Keeble et al's statement (1991) that "by far the greatest volume and rate of small business growth in the UK has been in services" (p4) does not provide a precise enough indication of the

particular industry sectors in which this growth has been concentrated. Daly (op. cit.) specifies that it is "(t)he growth of small firms in professional business services that stands out as the single most important component of the rapid growth of the small services business". Keeble et al (1993b) agree that growth in the small firm sector "has been most dramatic in professionally-based, information-intensive business service sectors such as computer services, management consultancy, and professional, scientific and technical services, rather than in support services" (p43),<sup>1</sup> and they use the following figures to illustrate that small firm growth has not only *not* been spread equally across both manufacturing and service sectors, but that also, within the service sector there has been an unequal growth across different industries.

**Table 2.4 Locating Hi-Growth Industries**

Sector	% increase in employment growth, 1981-1989
All services	+19%
Manufacturing	- 13%
"Other Business Services"	+158%

Adapted from : Keeble et al 1993b

The figures presented above identify that the growth in employees for both small and large firms between 1981-1989 was highest, in absolute terms, in management consultancy, market research, public relations, employment and recruitment, translation and document copying firms which are classified under SIC 8395 as "other business services". Combined with the findings of Curran and Burrows research (op.cit.) that 90% of all service sector firms employ no more than 24 people, it becomes evident that much of the growth in service firms can be attributed to small firms.

The analysis of small business statistics presented in this section has shown that growth in Britain's small firm sector has been uneven, concentrated more in certain size bands, locations and industries than others. Importantly, this analysis establishes

<sup>1</sup> For a detailed breakdown of these figures, see Appendix 1.4

that the small firm sector is extremely heterogeneous (Curran et al 1993b; Curran and Stanworth op. cit.; Goss 1991; Westhead and Birley 1995) and supports the argument that to be effective in informing policy, small firm research should assume that small firms competing in different industry sectors and spatial locations do NOT share similar characteristics.

### 2.3 Reasons for the Revival of Small Firms

As mentioned above, literature about the revival of Britain's small firm sector offers a variety of reasons for the 51 - 58% increase (depending on the size threshold used) which this sector experienced, 1979-1991. Although none of these is wholly convincing in its own terms and there is much debate surrounding each explanation, a review of the reasons for the revival of small firms confirms the heterogeneous and volatile nature of the sector. Storey's (op. cit.) taxonomy presented below (Table 2.5) usefully summarises these reasons and categorises them according to whether they were influenced by supply or demand-side factors.

**Table 2.5**      **Categorising Explanations of the Revival of the Small Firm Sector**

Supply	Demand
<i>Technological Changes</i> - new products - new industries	<i>Structural Changes</i> - demand for services
<i>Fragmentation/cost advantages</i> - subcontracting - Japanisation - buy-outs	<i>Uncertainty of Demand</i>
<i>Labour force/unemployment</i> - demography - unemployment - education	<i>Macroeconomic Conditions</i> - unemployment
<i>Government</i> - privatisation/deregulation - welfare/benefits/taxes - enterprise culture - attitudes to risk	<i>Economic Development</i> - services - agriculture - "niches" - flexible specialisation
<i>Prices</i> - energy prices	

Adapted from Storey (1994), p35

While this type of classification is helpful in providing a summary or snapshot of the different arguments proposed for the revival of Britain's small firm sector, it illustrates neither the sophistication of some of these arguments nor captures their inter-related nature. Arguments which typically overlap are those concerned with the implications which large firms' rationalisation policies ( Atkinson & Meager 1986; Shutt & Whittington 1986; Thorburn & Takashima 1992); industrial restructuring ( Hirst & Zeitlin 1989; Piore & Sabel 1984; Pyke 1992); technological advances (Rothwell op. cit) and changes in consumer lifestyles and demands ( Campbell & Daly op. cit.) have for creating opportunities for small firms, each of which are discussed below.

### 2.3.1 Large Firm Strategies

Rationalisation policies have been adopted by many large organisations in an attempt to remain competitive in the increasingly hostile and difficult environments in which they operate. Faced with changing and fragmenting consumer demands, increasingly competitive market conditions and the maturity of product lines, larger companies have rationalised their activities in two key ways, each of which has created opportunities for small firms and can, using Storey's (op.cit.) classification, be described as supply side factors. In search of lower costs, those rationalisation policies which move large firms out of markets which are expensive for them to serve, for example, because they are geographically distant or are in markets where the level of demand does not allow the benefits of scale to be taken advantage of, serve to create market niches, often at a local level which can be profitably filled by small firms (Binks & Coyne 1983). Other rationalisation policies which have encouraged larger firms to subcontract out their peripheral activities allowing them to concentrate on their core, generally high value adding activities, have also created opportunities for small firms (Shutt & Whittington op.cit.). Wherever small firms have been able to service the needs of larger organisations by supplying such peripheral activities as catering, cleaning and security at less cost and inconvenience than when they are provided in-house (Campbell & Daly op. cit.), they have been able to take advantage of larger firms' moves towards sub-contracting. In rationalising their activities then, large firms have created particular types of opportunities for small firms which have implications for the composition of the small firm sector.

### 2.3.2 Industrial Restructuring and Changes in Technology and the Consumer

While the opportunities for small firms created by their larger counterparts' rationalisation policies are functions of relatively recent changes in the environments in which the latter compete, there are other more long term changes, such as the restructuring of the British economy which have also indirectly created opportunities for small firms. Theories of industrial restructuring suggest that over time, as

advanced economies have moved away from their reliance on manufacturing and production, towards a concentration on services, in particular business services, they have created market demands which are most effectively met by small firms. Writing with specific reference to Britain, Curran (op. cit.) explained that as "Britain's post-war economy ...was really a left-over from the early twentieth century, based on heavy industry and manufacturing..," moves throughout the 1970's and 1980's away from a 'modern' economy, reliant on big business and the scales of economy inherent in the production of standardised products for mass markets, towards a 'Post-Modern' economy were necessary to bring Britain "in line with the economies of other industrial societies". While much has been written on the subject of industrial restructuring connecting it with the increased size of the service sector, both in terms of employment and contribution to GDP, as well as the fragmentation of mass markets and consumption, central to all such discussions is the impact which this restructuring has had on the small firm sector, serving to place it more centrally in the British economy (Curran & Blackburn 1991).

Related to this discussion of industrial restructuring are the issues of technological advances and changes in consumer lifestyles and demands, both of which have been identified as having impacted positively upon the small firm sector and are classified by Storey (op. cit.) as supply and demand-side factors, respectively. Technological advances have been identified as assisting small firms in a number of different ways. For example, they helped to reduce the costs of production by lowering the minimum efficient scale and making it possible for small firms to compete head on with their larger counterparts. They have also led to the creation of new types of business services which have become dominated by small firms. Good examples of this are the impact which the microchip and computer technology have had for all types of business services firms, allowing small firms to undertake the same level of sophisticated analysis as their larger competitors and, with the advent of desk-top publishing, to prepare competitively high quality documentation reports (Campbell & Daly op.cit.).

Changes in technology can also be discussed as demand-side factors which have created opportunities for small firms. Related to industrial restructuring, as the industrial base of most developed societies has moved towards services, so too have consumer demands for all types of services increased. Such socio-demographic changes as the increase in working women and the increased affluence experienced by most developed societies have served to create demands for all types of personal and business services, which, given their local nature and need to be tailored to the specific demands of the individual are best provided by smaller size firms in possession of local knowledge as well as the flexibility to tailor services to meet the needs of individual consumers. Within industrial markets also, company demands have changed. Not only have companies increased their demands for all types of periphery activities, but also, with advances in computer technology, which require skilled and expensive personnel for their effective operation, company demands for information and design services, central to the strategic direction and competitive positioning of many organisations have increased.

Demands have not only moved away from tangible products towards personal and business services, but have also become increasingly fragmented and specific. Writings on Post-modernism (Connor 1989; Harvey 1989; Lash and Urry 1987) often make connections between these changes in demand and industrial restructuring, linking the former to the cultural impact of 'Post-Modernity' and the latter to its production impact, more commonly referred to as 'Post-Fordism' (Hirst 1989). While much has been written about the move towards a 'post-modern society', there is still much debate (for a discussion, see Curran and Blackburn 1991) surrounding its implications for patterns of consumption and methods of production. At the simplest level, these discussions suggest that post World War Two, particularly since the late 1970's/early 1980's, as consumers have become more affluent, they have sought to surround themselves with purchases which identify them as individuals, separate from the mass markets within which they exist. In response to or perhaps as a prime reason for these changes in demand, many producers have moved away from the production of large batches designed for mass markets, replacing them with small batches of highly differentiated, often tailored products. Whatever the intricacies of the 'Post-



Modern' phenomena, it is difficult to interpret the impact which any cultural change has upon the production methods and patterns of consumption of a society (Curran and Blackburn op. cit.). What is clear is that in more recent times, individual and industrial consumers have demanded different types of product offerings. They have demanded fewer standardised products and more distinctive, highly differentiated, often tailored products as well as increased their demand for all types of personal and business services. In essence, individual and organisational consumers have increased demands for the types of products and services which are most readily met and satisfied by the flexibility offered by small, often local, firms.

While the extent to which individual reasons are able to provide a convincing explanation for the recent revival of Britain's small firm sector, the review presented above does explain why much of this revival has been concentrated in specific industry sectors and supports the argument that to assist in the development of the sector as a whole, there is a need for research to take account of its heterogeneous nature and consider those factors which impact upon small firms operating in different industry sectors. Of the research which has attempted to pull some of the reasons proffered for the revival of Britain's small firm sector, Piore and Sabel's Flexible Specialisation Model (op. cit.) and Rainnie's "Contracting-out Theory" (1989; 1992) have received most attention (see Table 2.6 below).

**Table 2.6 Comparing Models of Industrial Restructuring and Small Firm Growth**

	Model	
Characteristics	Flexible Specialisation	Fragmentation/ Contracting Out
Market Types	Niche, fragmented	Sub-contracted/ vertical integration
Relationships with large firms	Independent	Dependent
Role of small firms/self employment in the economy	Central	Peripheral

Adapted from : Curran and Blackburn 1991  
& Stanworth and Gray 1991

In presenting their 'Flexible-Specialisation' model, Piore and Sabel (op.cit.) identify three areas of economic restructuring which they argue have served as the main driving forces behind the revival of the small firm sector. Firstly, they assert that new flexible technology has lowered minimum efficient levels of production to permit small manufacturing firms to compete effectively with their larger counterparts in sectors in which the unit costs were previously such that the production runs of small firms were too costly to allow their entry. Secondly, this model suggests that recent changes in social attitudes have encouraged more people to select the option of self-employment. Relating to this, the third driving force identified by Piore and Sabel (op. cit.) is the impact which industrial restructuring has had upon the mass-market. They argue that changes in consumer tastes have served to disintegrate mass markets into smaller, often more regional niche markets in which small firms can more effectively compete. While the model proposed by Piore and Sabel (op. cit.) suggests that small firms play a central role within the economy, autonomous from their larger

counterparts, as its construction is built upon the experience of small firms in Italy, particularly the Emilia-Romagna region which is recognised for the incubation it has provided to networks of small firms, the extent to which it is representative of the British small firm experience is unclear (Hirst op. cit.). Better suited perhaps to the economic and societal changes experienced in Britain is Rainnie's (op. cit.) 'Contracting-Out' model. In contrast to Piore and Sabel (op. cit.), Rainnie identifies large firm rationalisation policies as the main driving force behind the revival of small firms in the British economy. As a consequence of the opportunities which these policies have afforded to small firms, Rainnie argues that small firms are now comparatively more dependent upon the strategies of their larger counterparts and that they have less autonomy than that proposed by Piore and Sabel's 'Flexible-Specialisation' Model. While Rainnie's model has been criticised on the grounds that it may offer some explanation for the revival of small service firms but is of less relevance to small manufacturing firms (Imrie and Morris 1988), like the model proposed by Piore and Sabel (op. cit.), it highlights the complexities inherent in economic development and the many factors which impacted upon and encouraging the revival of the small firm sector.

### **2.3.3 Government, Unemployment and Small Firms' Job Generating Abilities**

While unemployment and government policy, particularly throughout the 1980's have also been identified as having impacted upon the revival of small firms (for reviews see Keeble et al 1993a; Mason op. cit.), the impact which they have had upon the recent growth of Britain's small firm sector is a much debated issue. Particular to the impact of unemployment, some researchers argue that when faced with the reality of unemployment, especially when accompanied by a "golden handshake... many reluctant entrepreneurs" have been pushed into self-employment" (Stokes op. cit. p 17). Other such as Hakim (1989) disagree, arguing that in recessionary periods as unemployment increases, many of the factors which create opportunities for business, such as high levels of demand and large amounts of disposable income decline and consequently create conditions which are neither supportive of, nor conducive to, the

creation of new small firms. On a conceptual level then, while each of these opposing arguments is convincing, debate between the two fails to clarify the extent to which unemployment has contributed to the revival of Britain's small firm sector. Likewise, when empirical evidence on the impact which unemployment has had upon the birth of small firms is considered, the findings are mixed with increases in small firms being noted in the earlier recession of 1981-82 and reductions during the more recent, 1990-1991 recession. While the impact which unemployment has upon the creation of new firms is an unresolved debate, there is more agreement over the intention with which government both centrally and more latterly, locally, have introduced policies and initiatives directed towards Britain's small firm sector. Specifically, there is agreement that in directing public resources towards the small firm sector, government has been motivated by the job generating abilities of small firms. For the purposes of establishing the effectiveness of policies designed to encourage the contribution which the small firm sector makes towards Britain job generation process, the policies and initiatives implemented by government are considered before analysing figures on the components of job generation and identifying the extent to which small firms have contributed to the creation of employment.

#### **2.3.3.1 Government as a Reason for the Revival of Small Firms**

Faced with difficult economic circumstances, government policy since the election of the Conservative government in 1979 has looked towards the small firm sector as a key source of economic rejuvenation. Convinced by the job-generating qualities which the Birch Report (op. cit.) heralded US small firms as possessing, many authors agree with Burns and Dewhurst (1986) that the "raison d'être behind many of the government's reasons for aiding small businesses (arose) from the belief that only in this sector of the economy (was) massive job generation possible." Convinced also by the argument that small firms have the ability to challenge the economic inefficiency of large firms, push the technological frontiers of Britain's industrial base and offer greater job satisfaction for both owners and employees (Gray 1997; Mason op. cit.) the Conservative government introduced in the five years, 1979-1983, more than one

hundred measures aimed at assisting small firms. Storey (1993) concurs that government's " sharper focus on small firms as a tool of economic regeneration" has encouraged a range of initiatives aimed at facilitating the birth of new small firms and that these are central to government policy for regional and economic development.

As it is neither possible nor appropriate to review all of the policies which to date have been introduced by government for the purposes of assisting the growth of Britain's small firm sector, the Enterprise Allowance Scheme<sup>2</sup>, which later became the Business Start-Up Scheme, is worth considering as it is indicative of the approach which government has traditionally adopted in its dealings with the small firm sector. As the requirement for receiving Enterprise Allowance was that an individual had to have been recently unemployed and in possession of a business idea, the extent to which this initiative was designed with an awareness of the types of small firms required to develop and maintain a small firm sector and make a contribution to Britain's job generation process or, for the purpose of reducing the number of people who were officially registered as unemployed, has been much debated. What is clear however, from empirical evidence is that approximately 43% of all small firms which started under this scheme failed within their first three years of trading (Gray 1990). Consequently, the scheme has been criticised for concentrating more on the generation of large numbers of start-ups than on the quality of small firms which it helped create (for example Storey 1993). Likewise, the 'Enterprise Culture' which the Conservative government sought to replace what they identified as a 'dependency culture' has received much research attention (Blackburn et al 1990; Burrows 1991; MacDonald 1992; Ritchie 1990; Storey and Strange 1992). Government efforts to increase the number of people who set up their own business by changing British society's attitudes towards risk have, like the Enterprise Allowance Scheme, been criticised on the grounds that they focused more on generating large numbers of small firms than they did on either the quality or the development and growth of firms whose establishment they encouraged. As a collective, like the Enterprise Allowance Scheme and measures to establish an Enterprise Culture, the policies which

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<sup>2</sup> Introduced in 1982, the Enterprise Allowance Scheme provided a nominal amount of money to encourage those who had recently become unemployed and had a business idea, to select the option of self employment.

government has directed towards the British small firm sector have been criticised on the grounds that they have focused on encouraging the creation of large numbers of small firms while failing to provide the support necessary to assist such firms through their survival and development or to encourage the creation of 'quality' small firms with the potential to contribute significantly to Britain's job generation process.

Government has also been criticised for having a reactive rather than planned approach to its dealings with the small firm sector. Many are in agreement with Storey (1993; 1994) that while the volume and variety of initiatives directed by government towards the small firm sector are indicative of government's support for small firms, they are also revealing of the 'knee-jerk' reaction with which government has responded to calls for more effective small firm support. Storey (1994) identifies two key ways in which these policies could become more effective. He supports the move towards a more targeted approach in which government does "less and better, rather than more and worse" (p 314). He also asserts that for any policies directed towards the sector to be effective, there is a requirement for government to become more focused in what it is trying to do with Britain's small firm sector and to develop an overall strategy or framework within which policies can be created and evaluated. Storey's former suggestion has received much recent research attention. Robertson (1994) for example, believes that there "is growing evidence from around the world that there should be a switch of resources from support of business start-ups to a more focused strategy designed to nurture small firms with growth potential". Similarly, Smallbone (1997) asserts that by targeting those small firms which have growth potential, not only can a strong and healthy sector be developed but also resources directed towards the sector can be more effectively used. While support exists for the suggestion that a targeting policy should be adopted, there is debate over the basis on which firms should be selected for the receipt of government support and the exact form which this targeted action should take. Criteria which have been considered and used for the purposes of targeting public resources include industry sector and spatial location. Latterly, the extent to which the human capital possessed by would-be owner-managers could be used for the purposes of targeting individuals with the potential to establish, develop and possibly grow small firms has also been proposed (Storey 1993;

Johnson and Fan Ma 1995) but as there is currently not enough known about the ways in which this capital can be assessed, this is a criterion has not yet been used for the purposes of targeting support.

Responding to the criticisms which have been levied at it, the Conservative government identified in the *Small Business in Britain*, ( Department of Employment 1992), the following areas in which it was interested.

**Table 2.7 Areas of Small Firm Research Which are of Interest to Government**

- 1) Internal and External Growth Constraints Facing Firms.
- 2) SMEs demand for and access to finance, including equity.
- 3) Inter-relationships and inter-dependencies between small firms and large firms and between small firms.
- 4) Training in Small Firms.
- 5) The impact of BS5750 and other quality standards.
- 6) The impact of growth in the SME sector on overall economic performance.

As this list reveals, government is interested in targeting those small firms with the potential to grow and believes that the support which is most effective is that which provides access to finance, training and quality standards. Since the publication of the 1992 Report, many government initiatives have focused on the six areas listed. Government has used industry sector as a way of identifying those hi-growth small firms it wishes to target, for example those which compete in hi-tech sectors. Also, initiated through Training and Enterprise Councils (TECs) in England and Wales, and Local Enterprise Companies (LECs) in Scotland, have been a number of training measures, including Business Growth Training. Advances in the information services available to small firms have also been made, particularly at local levels by TECs, LECs and most recently, the Department of Trade and Industry's Business Links

initiative (1994). Finance has always been central to government small firm policy, and here too, many recent measures have been implemented. At national level, the Enterprise Investment Scheme was introduced in 1994 and more locally, steps to formalise the identification of 'Business Angels' to invest in small firms, are just two of the measures which government has encouraged to tackle the finance and equity problems which small firms, particularly those with growth potential, identify as major constraints.

Having reviewed government policy and the criticisms which have been levied at it, together with the ways in which government has more recently responded to these criticisms, when the Birth Rate Strategy currently employed by Scottish Enterprise is considered, the extent to which it has responded to these criticisms is questioned. Currently Scottish Enterprise and the network of thirteen LECs whose activities it directs and co-ordinates is committed to the creation of an additional 25,000 new firms and 50,000 new jobs by the year 2000. These figures equate to a "50% increase in the number of new businesses started every year by the end of the decade" (*Improving the Business Birth Rate : A Strategy for Scotland*, 1993). The criticisms which policies concentrating on the creation of new small firms for the purposes of contributing to Britain's job generation process have received have already been discussed. In addition to these, the Birth Rate Strategy has been criticised ( Whittam and Kirk op.cit) on the grounds that it is built upon the misdirected assumption that an increase in the total stock of Scottish business will follow from increases in the number of small firms established. For the purposes of supporting an increase in the total stock of business, Whittam and Kirk (op. cit.) argue that policy requires to be informed by a proper understanding of the reasons how and why firms die as well as how and why they are created. Particular to Scotland then, if policies aiming at maximising the rejuvenating effects of the small firm sector are to be effective, they must be informed by research which can identify those factors which impact upon small firms not only at their inception but across all stages in their lifecycle.



### 2.3.3.2 Small Firms as Creators of Employment

Subsequent to the publication of the Birch Report (op. cit), many governments, motivated by the job generating abilities which Birch described American small firms as possessing, have developed policies specifically aimed at increasing the number of new small firms. Also subsequent to the publication of this report, many researchers have been critical of Birch's estimation that over the period, 1969-1976, US small firms of less than twenty employees accounted for approximately two thirds of all new jobs created. Such criticism has concentrated primarily on the accuracy of the Dun and Bradstreet data use by Birch and the argument that by including both 'enterprises' and 'establishments' in his calculations, Birch produced an over-estimation of the contribution which small American firms had made to America's job generation process over the 1969-1976 (Armington and Odle 1982; Brown et al 1990). Based upon data particular to the contribution which small firms in the locations of Scotland and the South East of England make to new employment, Gallagher and Miller (1991) concluded that 4% of this population are responsible for generating 50% of new jobs and that 18% are responsible for creating 92% of net new employment. Using data particular to another region - Northern England, Storey (1985) calculated that the contribution which small firms make to employment creation in Britain is around 36%. Different still, based upon their analysis of Dun and Bradstreet data (see Table 2.8 below) Daly et al (1991) calculated that during the period, 1987-1989, firms of less than 20 employees accounted for 54% of the UK's job generation figures. While then as a consequence of the problems created by a lack of available data on the small firm sector in Britain, there is no commonly accepted figure of the contribution which the sector makes to Britain's job generation process, what these figures make clear is that British studies estimate the contribution which small firms make to the creation of new jobs to be less than that approximated by Birch (op.cit) and consequently, are in support of the criticisms made above. That said, these studies also make clear that British small firms do make a disproportionate contribution to the generation of new jobs.

**Table 2.8 Components of Job Generation by Firm Size in the UK, 1987-1989, ('000s of jobs)**

	Total	Employment size of firm			
	All sizes	<20	29-99	100-499	500+
Net job change	1,127	+614	+161	+123	+231
(%)	(100)	(54)	(14)	(11)	(20)
Employment in base year	14,633	4,741	2,468	1,966	5,468
(1987) (%)	(100)	(32)	(17)	(13)	(37)
Index : growth/share	-	1.69	0.82	0.85	0.54
Employment change because of:					
Births (%)	802 (100)	681 (85)	84 (10)	31 (4)	7 (1)
Expansions(%)	1,831 (100)	751 (41)	338 (18)	283 (15)	459 (25)
Deaths (%)	955 (100)	641 (67)	162 (17)	91 (10)	61 (6)
Contractions (%)	550 (100)	177 (32)	99 (18)	100 (18)	174 (32)
Gross job gains (%)	2,633 (100)	1,432 (54)	422 (16)	314 (12)	466 (18)
Gross job losses (%)	1,506 (100)	818 (54)	261(17)	191 (13)	236 (16)

Source : Daly, Campbell, Robson & Gallagher, (1991)

An accurate picture of where this contribution to employment is concentrated is revealed by analysis of the figures of employment generation by firm size (Appendix 1.5, Tables 1.0; 1.1; 1.2 ), by industry sector (Tables 1.3 and 1.4 ) and by spatial location (Tables 1.5 and 1.6) which make apparent that the sector's contribution is more heterogeneous than it is uniform.

Figures presented in Table 1.1 (Appendix 1.5) challenge the extent to which firms in the smallest size band which have been identified as contributing most to job creation, do generate additional employment. These figures show that for those firms employing no more than 4 people, in one year, 1987, there was a difference of only 1% between the number of firms which expanded (92.8) and the number which died (87.1). This table also shows that the number of firms which contracted was 5 % of the total in the size band (20.6) and throughout the year, 135.2 new firms, or 30% of the total number of firms in the size band were created. What this closer analysis

indicates is that the 29% increase in employment generated by firms in this smallest size band was contributed by two sources : the number of new starts established throughout the year and the 21% of firms which expanded. When these latter figures are considered alongside the high mortality rates which dominate the smallest size bands of the sector (Dunne and Hughes 1989; Gallagher and Stewart, 1985; Storey 1993; Ganguly, 1985;), what can be concluded is that in any one year, employment created by the expansion of existing firms is more likely to result in a *permanent* contribution to employment than that generated by the birth of new firms. When figures for firm death and contraction are considered alongside those for expansion and birth, the volatility of the small firm sector is also highlighted. The bottom two rows in Table 2.8 above show that for the period 1987-1989 the gross job gains made by firms employing less than twenty equalled, in percentage terms, their gross job losses and that overall, there was no increase in employment for the size band. While a number of meanings can be implied by figures on employment creation and its component parts, what is clear is that by size band, the contribution which small firms make to Britain's job generation process is mixed. Those firms which contribute most by growing quickly and by large amounts account for a small portion, estimated at 4% of the total recorded number of small firms (Bannock and Daly, 1994; Gallagher and Miller op. cit. ) while many cease to trade and the majority of firms experience no change in their number of employees.

Particular to industry sector the concentration of growth of the sector in service industries has already been discussed. Using data particular to 1987, Table 1.3 (Appendix 1.5) shows that in this year, both in absolute and relative terms, small service firms generated more jobs than their manufacturing counterparts. Figures for change in employment by region also reveal the uneven nature of employment growth. Table 1.6 (Appendix 1.5) shows that over the decade 1981-1991 certain parts of the British economy, such as East Anglia, which experienced the highest growth in employment of 15.7%, benefited more from Britain's job generating process, than have others such as, Scotland and London whose employment growth rates are recorded as growing by 0.7 and -8.5 %, respectively.

A closer analysis of the figures for job generation by size, industry sector and spatial location reveals that the contribution which the small firm sector makes is heterogeneous and dependent upon each of these variables. Consequently, this analysis raises questions about the impact which policies focused on encouraging the creation of new and expansion of existing, fast and high-growth firms, to the neglect of the majority of small firms which do not grow or grow at slower and steadier rates and offer the opportunity of stable employment, will have on the overall position of the sector within the economy. Specifically, this analysis suggests that policies which focus on identifying and encouraging the growth of the former type of firms, at the expense of finding solutions to the high death rates experienced often by the youngest and smallest firms (Gallagher and Stewart op. cit.; Daly 1987) or ways of encouraging the development of the majority of small firms which neither expand nor contract, then the future contribution and role which the sector will make to, and hold within Britain's economy becomes questionable. This concern is further prompted by research (Barber et al op. cit.; Burns and Choisine op. cit; Carson op.cit; Gray op. cit.; Stanworth and Curran op. cit.) which argues that many small firm owner-managers do not want to grow beyond a certain level, because of for example the loss of control and threat to independence of decision making which they perceive that such growth would imply. While these concerns are directed towards small firm policy in general, given the Birth Rate Strategy currently being followed by Scottish Enterprise, they are especially pertinent to policy at the Scottish level.

To conclude this discussion of the contribution which the small firm sector makes to Britain's job generation process a number of key points can be made. Firstly, the analysis presented has established that the contribution which the sector makes is heterogeneous and that industry sector and spatial location are two of the contextual factors which impact upon a small firm's ability to generate new jobs. Secondly, this analysis has also established that the contribution made by the small firm sector is volatile with many of the contributions made to employment by the creation of new small firms being simultaneously removed by the number which cease to trade. Consequently, the heterogeneous and volatile nature of the sector suggests that for the

purposes of developing policies which will be effective in developing the small firm sector there is a requirement for them to be informed by research which responds to and considers the implications of these characteristics.

#### **2.4 Research Implications of Britain's Current Small Firm Sector**

The heterogeneity of today's small firm sector implies that in developing effective small firm policies, government must appreciate that the factors which encourage the start-up, development, growth or death of small firms depend upon the characteristics and dynamics of the industry sector. Likewise, small firm research must focus on sector-specific studies and consider the factors which impact upon small firms across their life-cycle. In particular, as a consequence of industrial restructuring, changes in consumer demands and large firm rationalisation policies, researchers must select to study small firms competing in those service industries which have come to dominate Britain's economic base.

Considered alongside the reality that many small firm owner-managers do not want to grow their firms in terms of employment, the volatile nature of Britain's current small firm sector together with the statistic that those firms which do grow at fast and high rates are concentrated in approximately 4% of the population (Gallagher and Miler 1991) also have implications for government policy and the research upon which it should be informed. Forecasts that the conditions which supported the revival of the sector are to weaken and that the sector will face a bleaker environment over the next decade (Curran and Blackburn 1991) combined with the high mortality rates of many new entrants are making it increasingly difficult for government to defend small firm policies which aim to identify and support high and fast growers, while at the same time, failing to reduce the sector's mortality rates or to encourage the development of small firms once they have been established. For the sector to make continuing and stable contributions to Britain's future economic development and prosperity, the absence of these latter types of policies must be addressed. This is not to suggest that government should not target fast and high-growers but rather, that it should remain focused on all of the research areas which the 1992 DTI Report identified as

being of interest to government. Particularly, research which considers the inter-relationships between small firms and small and large firms should be extended to identify and explore the relationships which small firms share with other participants in their environment (Blackburn et al 1990; Curran 1987; Curran and Blackburn 1994; Jennings and Beaver op.cit.). The benefit of such research is that it can identify, explore and learn much about the impact which contextual factors have upon the slow or steady-growth small firms of which the majority of the sector is comprised. Research which is capable of revealing the ways in which small firms remain competitive in their product-markets, not by growing, but by engaging in a continual *process* of change and development within these markets, is necessary and important if the small firm sector is to remain a stable component of Britain's economy. Particularly, when forecasts suggest that on "balance, an assessment must be that at the margin the small business sector will find the going a good deal tougher than it has been in the past" (Curran & Blackburn, op.cit. p 14), it is important for small firm policy makers to be informed of the contexts within which mortality rates can be reduced and surviving firms can be strengthened, developed and possibly encouraged to grow.

## 2.5 Summary

This chapter has argued that in defining the unit of analysis in small firm research a grounded understanding of firm size should be used and that researchers should select the small firm, not the owner-manager as the focus for their studies. A review of the reasons why the small firm sector has become more important to Britain's economy has highlighted the heterogeneous and volatile nature of the current sector. The chapter has argued that these characteristics have implications for the research upon which effective small firm policies should be informed. The following chapter compares these implications with the small firm research literature, identifies the gaps in small firm research and outlines the ways in which this thesis will contribute to current knowledge and understanding of small firms.

## **CHAPTER 3 A CRITICAL REVIEW OF THE SMALL FIRM RESEARCH LITERATURE:**

### **An Identification of Research Gaps and Introduction of the Research Problem**

This chapter presents a critical review of small firm research literature for the purposes of establishing the extent to which this literature has responded to the implications that the heterogeneous and volatile nature of the UK small firm sector pose for research and policy. This review establishes that a number of gaps exist in the topics, approaches, methods and samples selected for the scientific study of small firms. Specifically, this review concludes that as a body of research, small firm literature has yet to take account of the heterogeneity and volatility with which the UK small firm sector is currently characterised. Consequently, it is argued that there is a need for research to consider the impact which the environment has upon the development processes of small firms competing in different industry sectors and spatial locations. Having identified the gaps which currently exist in the small firm research literature, the chapter introduces the problem selected for scientific study by this thesis and discusses the contributions which it intends to make to current knowledge and understanding about small firms. Specifically, the chapter concludes by identifying small graphic design agencies as a valid form of small professional business service which is of relevance and importance to the Scottish, specifically Glaswegian economy and explaining that for the purposes of developing an understanding of the processes involved in the development of such small firms, an open systems perspective and network concepts developed by more mature branches of the social sciences will be adopted.

### **3.1 Small Firm Research**

Chapter Two argued that the heterogeneity and volatility of Britain's small firm sector have a number of implications for small firm research. Specifically, it was argued that by using grounded definitions of firm size and engaging in sector specific studies, research will be able to develop an understanding of the heterogeneous small

firm sector. Further, it was suggested that to be effective, policy requires to be informed by research which selects the small firm as the unit of analysis and considers the impact which the context in which small firms exist has upon their development. This section reviews small firm research under the headings of research topics, research samples and research approach and methodology and considers whether this research has responded to the implications identified in Chapter Two.

### 3.1.1 Research Topics

Small enterprises are a relatively new area of social science research (Brockhaus 1987; Bygrave 1989; Chell and Hawthorne 1988; Churchill and Lewis 1986). Their study has been described as "one of the youngest paradigms in the management sciences" (Bygrave op. cit.). Since the publication of Schumpeter's (1934) classic work which introduced entrepreneurship as an area of academic study almost sixty years ago, there has been a scarcity of "systematic empirical research" (Bygrave op. cit.) until the publication of McClelland's *The Achieving Society* in 1961. In the United Kingdom particularly since the publication of the Bolton Report (1971) the small firm sector has received an increasing amount of research attention.

Particular to the topics on which this attention has focused, while reviews of both American (for example, Hornaday 1987; Wortman 1986) and British (for example, Atherton and Hannon 1995; Carter et al 1988; Rosa et al 1989) literature have found small firm research to be disparate and fragmented, they have identified 'trait' research as the most heavily researched topic. Before discussing the disparate nature of small firm research, literature particular to the 'entrepreneurial personality' together with other more heavily researched small firm topics will be considered. The difficulties involved in research which seeks to define entrepreneurial personality types and identify those factors which motivate individuals to create and manage their own small establishments (Brockhaus 1982; Brockhaus and Horwitz 1986; Carland et al 1988; Chell, 1985; 1986; Chell et al 1991; Dunkelberg and Cooper 1982; Kilby 1971) have been discussed in Chapter Two. Specifically, the argument has been made that current understanding of entrepreneurship and small business will benefit from



research which considers the behaviour and actions of those individuals currently owning and managing small firms rather than seeking to profile their personalities.

A review of recent small firm research established that while many diverse topics have been selected for study, of the stages involved across the small firm lifecycle, their establishment and particularly their growth have received most research attention. Specifically, much of this research has sought to identify and examine those factors which support and constrain the establishment (Cross 1981; Gartner 1985; 1989 a and b; Gartner et al 1989; Gibb and Ritchie 1982; Vesper 1990) and growth of small firms (Aston Business School 1991; Barber et al 1989; Evans 1987; Gibb and Scott 1983; Hakim 1989; Raffa et al 1996;) and to develop models conceptualising the process of small firm growth (for example, see Churchill & Lewis 1983; Greiner 1972; Scott & Bruce 1987). As discussed in Chapter Two, while a concentration on the creation and growth of small firms is understandable given government interests in the job generating abilities of small firms, considered alongside the high death rates experienced by the youngest and smallest firms (Dunne and Hughes 1989; Gallagher and Stewart 1985; Storey 1993; ), the extent to which such research is effective in informing policy which is supportive of the development of a strong and stable small firm sector is questioned. Also, while research concerned with the growth of small firms has been encouraged by the interests of government, when considered alongside the literature on entrepreneurial motivations, the contradictory nature of small firm research is highlighted. Motivation theory suggests that the growth literature mistakenly assumes that small firms want to grow. Based upon the analysis of much empirical data this literature argues that many small firm owner-managers view growth in terms of employment as a threat to their independence and autonomy of decision taking (Barber et al; Reese and Shah 1992; Scase & Goffee 1980; 1982; Stanworth and Curran 1973; 1976;) Added to this, the finding that many entrepreneurs fear that the growth of their firms, in terms of employment, will reveal their managerial incompetencies (Curran, Stanworth & Watkins 1986) and the no-growth stance adopted by the majority of small business owner-managers becomes understandable.

Despite this contradiction and the empirical reality that the “numerically dominant group of small businesses are those which are small today, and even if they survive, are always likely to remain small-scale operations” (Storey 1994), there is a branch of small firm research which has focused on modelling the growth of small firms (Churchill & Lewis op. cit.; Greiner op. cit.; Scott & Bruce op.cit.). Typical of this research are models which represent small firms as progressing through a number of stages as they grow in size and suggest that each stage is associated with a set of predictable environmental and internal conditions. Proponents of stage models of small firm growth argue that their value lies in their prescriptive abilities. Stage theories of small firm growth reason that if an owner-manager is able to identify the particular stage which their firm is at in the cycle of small firm growth, then they are better able to understand the prevailing environmental and internal firm conditions and anticipate the actions required to achieve future growth.

Stage models of small firm growth can be criticised in many ways, primarily because they are based upon theoretical reasoning and lack a strong empirical underpinning. Gibb and Davies (1990) describe stage models of small firm growth as “speculatively theoretical and normative and as a consequence, not based upon empirical testing”. Others agree (Scase & Goffee op.cit.; Stanworth and Curran 1976) that the usefulness of research which theorises about small firm growth when empirical research shows that the majority of small firms adopt a no-growth stance is questionable. These researchers further argue that the heterogeneity of the small firm sector prohibits the applicability of universal models of growth to the minority of small firms which do grow. Stanworth and Curran (op.cit) argue that as no two small firms are the same, researchers should not assume that the patterns followed by those small firms which do grow will be the similar. The prescriptive abilities of stage models of small firm growth can also be criticised. While such models detail the stages through which small firms progress across their lifecycle and describe the conditions typically associated with each of these stages, they do not explain the *processes* involved as small firms progress between stages. Stanworth and Curran (op.cit) argue that because they fail to explain the transitional issues which underpin and explain why a small firm has arrived at a particular stage in its development,

stage models of small firm growth offer descriptions of an idealised version of small firm growth rather than prescriptive advice. Gibb and Davies (op.cit) agree that as a basis for informing policy makers, stage models of small firm growth “fail to provide convincing evidence of the determinants of small firm growth”.

For research to be of value to policy makers it has been suggested that small firm researchers should avoid adopting the mechanistic view of small firms (Gartner and Starr 1993) implied by stage models of small firm growth. By viewing small firms as a set of components, such as structures and resources which are always organised in the manner which most efficiently achieves organisational goals and objectives, a mechanistic perspective of small firms wrongly makes two assumptions. The first is that small firm components will always be used in the most efficient manner and the second is that components will always be arranged to achieve the goals of the organisation. There are two reasons why the components of small firms are not always used in the most efficient manner. The first is that a process of on-going interactions is required for components to be combined in a way which allows small firms to operate. The second is that the managerial capabilities of many small firm owner-managers are such that they do not always make the most efficient use of the limited and often, where labour is concerned, inexperienced components of which their small enterprises are comprised. The assumption that components will be organised to achieve the aims and objectives of the small firm fails to take account of empirical evidence which shows that these are often intertwined with the personal goals of the small firm owner manager (Mintzberg 1982; Minkes 1987; Miner 1990). To understand small firm growth, in particular those factors which support and constrain growth, it is helpful to view small firms as open systems (Aldrich 1979) whose participants interact internally as well as externally with the environment. This is supported by the argument that a realistic understanding of small firm growth can be acquired by exploring the social processes involved as small firms grow in size (Scase and Goffee op. cit.; Stanworth and Curran op.cit.). These authors also argue that by adopting an action perspective which involves the collection of primary data from those individuals identified by participants ‘in the field’ as having an influence on small firm growth, the problems of theoretically driven models of small firm

growth can be overcome and an understanding of the processes of internal and external interaction involved in small firm growth can be understood.

Related to stage models of small firm growth, a third branch of small firm growth literature concerned with identifying the actions which owner-managers are required to undertake if their small firms are to grow can be identified. Barkham (1992) and Kinsella et al (1993) recommend for example, that for the purposes of growth, owner-managers should share the ownership of their small business and the need for growth-orientated small firms to acquire external finance has also been identified (Cambridge Small Business Research Centre 1992; Hall 1989; Reid 1993). Much of this research can be criticised as offering vague general statements about the specific actions required for small firm growth and, as it does not explore the process of interactions in which owner-managers and other small firm employees necessarily must be involved if they are to carry out the actions required for small firm growth, like stage models are lacking prescriptive advice. Of this research, the work of Smallbone et al (1992; 1993) is more helpful. These authors suggest that 'growth' firms are those which are more likely to have survived crisis situations relating to changes in their environment. Based upon the analysis of data collected from a sample of 293 mature manufacturing firms across two different time periods, 1979-1981 and 1989-1991, Smallbone et al (op. cit.) argue that "high-growth firms"<sup>1</sup> were those which had survived environmental changes by making adjustments to their product and customer bases. While this research does not explain or offer advice about the processes of interactions involved as small surviving firms adapt to changes in their environments and is therefore also open to the criticism of being descriptive rather than prescriptive, it is helpful for two reasons. It does not identify growth as the only progression towards which small firms are involved but stresses the importance of the small firms' progression towards survival. Also, by connecting small firms' responsiveness to and flexibility in the market with small firm survival, Smallbone et al (op. cit.) highlight the importance of the processes of interaction which occur between small firms and their environments.

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<sup>1</sup> These authors define a "high growth firm" as a firm which more than doubled its turn over in real terms over the period 1979-1990

While the entrepreneurial personality and the creation and growth of small firms have received much research attention this is not to suggest that these are the only topics which have been considered by the small firm research literature. Rather, as mentioned above many topics have been selected for research and as a cursory review of proceedings of recent Institute for Small Business Affairs (IBSA) and Small Business and Enterprise Development conferences reveals, the list of topics is both long and varied. To date small firms have been researched from a variety of perspectives and have received the research interests of most branches of the social sciences. The variety of small firm topics is such that reviews of small firm research (Carter et al op. cit.; Rosa et al op.cit.; Sexton 1986; Wortman op.cit.) are uniform in their agreement that as a body of literature, small firm research both in Britain and the United States is disparate. Specifically these reviews argue that small firm research lacks a general framework or paradigm within which to position itself and consolidate its findings (Atherton and Hannon op.cit; Carsurd et al op.cit; Chell and Hawthorne op.cit.; Kelmar and Wingham 1995) and has yet to focus on those topics which are of fundamental importance to understanding the heterogeneous and volatile nature of the small sector.

The findings of Rosa et al's (op.cit.) Economic and Social Research Council (ESRC) commissioned research which requested that they "conduct an empirical investigation into the quality and utility of small business research in the United Kingdom" (Storey 1994) to assist the ESRC in assessing the value of investing in a number of small business research centres and projects, described British small firm research as "disparate". Rosa et al concluded that while there was a general awareness amongst small firm researchers of the need for "quality and methodological rigour", policy makers regarded such research as "a disparate research field, prone to 'faddiness' which has yet to address the fundamental issues surrounding the small firm sector". More recently, Atherton and Hannon's comment that :

“it is our conceptual approach to small business research that all too often breaks down the small business and its behaviour to bite-sized compacts that are easy to digest and then does not think about re-constituting the components back into the whole.”

suggests that the field remains fragmented and disparate.

One reason proposed for the fragmented nature of small firm research is that it lacks the guidance of a paradigm or at best, comprehensive research framework (Bygrave op.cit.; Carter et al op.cit.; Chell and Hawthorne op.cit.; Sexton op.cit.). In his review of American small firm research Sexton (op. cit.) is critical of this research on the grounds that individual topics are not related to a broader, contextual framework. The conclusions of Wortman's (op.cit.) review concur that “there is the overwhelming feeling of confusion - as if these studies belonged to a field but had not yet found a framework within which to fit”. There are a number of reasons why a “a well defined framework for small business research has not yet been proposed and widely accepted” (Wortman op.cit). Entrepreneurship<sup>2</sup> is an emergent process which adapts according to internal changes within the small firm and to changes in the environment. Bygrave (op.cit.) describes entrepreneurship as “a state of becoming rather than a state of being” and suggests that it has been difficult to develop and agree upon a paradigm for what essentially “is not a steady state phenomenon”. Also, the processes involved as small firms interact with and respond to their environments are unique to individual small firms. The contexts within which individual small firms exist are determined by the unique set of multiple influences which they experience (Morris and Stenberg 1991) and this has implications for their research. The unique context of individual small firms is a second reason why it has been difficult to develop a paradigm capable of advising on the best way to carryout all small firm research. A third reason is that as a field, studies of entrepreneurship and small business are a relatively new area of social science research which have yet

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<sup>2</sup> In light of the failure to agree upon a universal definition for the term ‘entrepreneur’ and the suggestion that those individuals currently owning and managing small firms may be more appropriately described as ‘owner-managers’, where the terms ‘entrepreneurship’ and ‘entrepreneurial research’ are referred to throughout this chapter, these terms are loosely used to refer to the process of the creation, development and growth of small firms.

to develop. This means that not enough is yet known about what Hofer and Bygrave (op. cit.) describe as the “ holistic, dynamic, unique and potentially discontinuous” practice of entrepreneurship and the process of creating, developing and growing small firms for beliefs about the reality of this process; guidelines about how to conduct small business research or recommendations on the specific methods of data collection and analysis which represent the three levels of a paradigm ( Burrell and Morgan 1979), to have been developed.

Small firm research has also been criticised by policy makers and researchers alike for its failure to address those issues which are fundamental to understanding the sector and to developing effective policies. It has been argued ( Gartner & Starr op.cit.; Gibb & Scott op.cit.; Goss 1991; Stanworth & Curran op.cit.) that small firm research has concentrated on the establishment and growth of small firms and the personality, background and experiences of the owner-manager to the exclusion of exploring and developing an understanding of the processes involved in the interactions between small firms and their environment which are necessary for the development of small firms. It can be argued that Wortman’s conclusion to his 1986 review of American small firm research that studies “are still primarily orientated to the characteristics of entrepreneurs and owner-managers and not to the environment in which they operate” remains relevant to current British small firm research. The same can be said of Teece’s 1987 comments that :

“At a time when so much attention is given to innovation and entrepreneurship, it is rather pathetic that a deep understanding of the process is lacking. It is no wonder that firms and governments have difficulty trying to stimulate entrepreneurship and innovation when the factors which propel it are so poorly understood”.

Many British small firm researchers (Blackburn et al 1990; Curran 1987; Goss op.cit.; Jennings and Beaver 1997; Robertson, 1994; ) concur that currently not enough is known about the ways in which British small firms interact with their environments or the actions and processes involved in the interactions between small

firms and their environment which necessarily occur during small firms' transitional period of development.

To conclude this review of small firm research topics it has been shown that while as a body of research, small firm literature is disparate, those topics which have received most attention are the 'entrepreneurial personality' and the establishment and growth of small firms. It has also been shown that while small firm research is able to identify the types of activities which owner-managers necessarily have to carry out if their small enterprises are to grow, research is currently unable to advise on the processes of interaction necessary for these actions to be carried out. Missing from the literature on British small firms are studies which place the small firm as the unit of analysis and seek to understand the processes in which small firms of all types, not only fast and high-growers, are involved as they interact with and respond to changes in their environments. It may be that topics which are able to develop an understanding of these processes and interactions have not received the attention they deserve because the research approach and methods of data collection and analysis best suited to their study are qualitative and longitudinal in nature. To understand properly the processes involved in small firms' interactions with their environment it is necessary to collect rich, detailed primary data from the owner-managers as well other actors, within the firm and external to it identified as having an impact upon these processes and interactions. Also, data has to be collected over a period of time long enough to understand the emergent nature of these processes. Both of these are time consuming and for this reason are not regularly selected for use in small firm research. A more detailed and critical discussion of small firm research approaches and methods of data collection are discussed in section 3.1.3 below.

### **3.1.2 Research Samples**

Britain's current small firm sector is described as heterogeneous (Curran and Blackburn 1991; Goss *op.cit.*; Stanworth & Curran *op.cit.*; Westhead and Birley



1995.) : the factors impacting upon small firms in one industry and location are not necessarily those which impact upon small firms competing in different industry sectors and spatial locations. The heterogeneity of Britain's small firm sector has implications for the samples which should be used in small firm research. It was suggested in Chapter Two that small firm researchers should focus on sector-specific samples and use grounded definitions, including micro, of firm size. It has also been suggested that researchers should focus on location-specific studies. Cooper and Dunkelberg (1987) support both of these propositions and add to them by suggesting that small rather than large sample sizes are more helpful :

“ Entrepreneurs and the processes they use in starting their firms may vary by industry, by time period, by geographic area and .....  
Smaller and focused studies clearly can be useful. In fact, they are more useful than diversified samples in understanding particular groups.”

This section considers the samples used in small firm research in each of these three ways: the sectors, spatial locations and sizes of firms selected. It also considers the respondents who are typically contacted for the collection of primary data.

Amongst the reasons to believe that a review of the samples selected for recent small firm research would show that small service firms are well represented is the fact that small firms hold a majority share in the 85% of the total stock of British businesses which are concentrated in the service sector (Curran & Burrows 1988). A second reason to expect recent researchers to have included small service firms in their studies of the small firm sector is the recent support which has been displayed for small service firms. For example, Curran and Blackburn (1992) have recommended that it is “crucial in any analysis of the small firm in the 1990s” to focus on the service sector and in 1988 the ESRC provided evidence of its commitment to small service firms by funding a small firm research centre focused specifically on “Small Enterprises in the Service Sector” (see Appendix 2.1).

A review of the firms sampled in recent small firm research established however that the number of small service firms included is not representative of the position which they currently hold in Britain's economy. Blackburn et al (1991) explain that "(t)o date, most small business research has concentrated on small businesses in manufacturing, despite the fact that such businesses comprise only about one in ten of all small enterprises". Keeble et al (1991) agree that the study of small service firms has largely been neglected by the small firm research literature. If a review of the samples used in the 16 small firm research projects which the ESRC also set up in 1988 (see Appendix 2.2) can be taken as representative of British research interests in the small firm sector, this confirms that British small firm researchers do not adequately represent small service firms in the samples selected for their research. Only one of the sixteen projects selected to sample small service sector firms. Of the remaining 15, two projects sampled only small manufacturing firms and 13 used cross sectional samples of small firms.

One of the reasons suggested for the under representation of small service firms in small firm research and the assumption that there are no differences between small firms competing in different industry sectors is that services are not easily defined (Curran and Burrows 1989; Curran and Stanworth op. cit.). Allen (1988) argues that services have largely been treated by academics as a residual category, often too vague to be part of any useful analytical purpose. A second possible reason is that official government statistics have a similarly vague approach to their definition of services. The majority of small firms which compete in business services for example, are grouped together as "other business services" and classified under Standard Industry Code 8395. The lack of statistics on specific service industries has added to the existing problems which incomplete small firm statistics pose for small firm research.

Lloyd-Smith et al (1993) have argued that small service firms are different from small manufacturing firms not only in terms of the essential differences which exist in the production processes which they use and the nature of the final products which they offer but also in more subtle ways. They suggest that subtle differences between service and manufacturing sectors "have to do with the contrasting levels of trust,

reciprocity and individualised competitiveness" exhibited by each sector. For example, they discovered that the high amount of trust shared between small garage owners was not displayed by the owners of advertising agencies. The work by Curran et al (1991) ( see Appendix 1.2) which argues that grounded definitions of small service firms are dependent upon specific industry sectors is a good example of research which supports the suggestion that differences also exist between small firms in different service sectors and that industry- specific studies should be selected for the purposes of acquiring a more detailed understanding of the dynamics and influences impacting particularly on those service industries in which small firm growth has been concentrated.

While there is general agreement that sector-specific studies can develop a better understanding of the impact which the industry context in which small firms compete has upon their outcomes (Curran and Stanworth op.cit.; Storey 1994; Westhead and Birley op. cit.) the issue of whether the spatial location in which firms exist is a factor which impacts upon small firms has recently been debated by Curran and Blackburn (1994). With respect to the suggestion that small firms are likely to service the needs of local markets they suggest that "given the heterogeneity of small scale enterprises generalisations about small businesses and their markets are difficult to substantiate except for on a superficial level". Placed within the context that different locations have been shown to exhibit different rates of new firm formation and death (see Appendix 2.3), the same conclusions can be drawn about the impact which spatial location has upon small firms' chances of survival. Research has shown there are location-specific factors which increase small firms' survival rates. Westhead and Birley (op.cit.) and Keeble et al (1993a) for example, demonstrate that death rates for small firms are higher in major urban areas than in rural locations and also in areas which experience high rates of new firm formation. These researchers also found that small firm death rates are reduced in areas which experience the presence and support of a Local Enterprise Company or Training and Enterprise Council.

While some of the reasons arguments made by Curran and Blackburn (op.cit.) to suggest that the spatial location in which small firms exist is not as important as

industry sector ( Curran & Blackburn op.cit.) may be valid, when the latter of the points made by Westhead and Birley (op.cit.) and Keeble et al (op.cit.) are expanded to consider the impact of the support and infrastructure provided by government for small firms, it becomes important to consider whether the Scottish small firm sector is surrounded by an economic environment and policy context different from that of their English and Welsh counterparts and to establish the impact which this has upon the Scottish small firm sector. As discussed in Chapter Two, Scottish Enterprise are currently committed to a Birth Rate Strategy which aims to create an additional 25,000 new firms and 50,000 new jobs by the year 2000. Considered alongside the findings of Westhead and Birley and Keeble et al, the figure that while 21,417 new firms were established in 1995 while 15, 335 went out of business in the same year (*The Birth Rate Strategy -Update; March 1996*) supports their argument that locations experiencing high rates of new firm formation will also experience high death rates. Further, it can be argued that the focus which Scottish small firm policy has placed on the establishment of new small firms has created an environment which differs to that in England and that consequently Scottish small firms are surrounded by a different policy context.

The different economic environment and policy context which exists in Scotland supports arguments that to understand the impact of the context within which Scottish small firms exist, it is important for small firm research to sample small Scottish firms. Evidence from recent small firm research confirms this. Of the 16 ESRC projects, which have been taken as representative of current research interests in the small firm sector, 3 involved small Scottish firms in their samples and a review of the 1995 Small Firms' Policy and Research Conference proceedings demonstrates that Scottish small firms are well represented in small firm research; although these latter results might be biased as the conference was held in Paisley, Scotland.

Another factor to consider when reviewing the samples used in recent small firm research is the size or number of firms used in research studies. The number of firms selected for participation in small firm research has implications for the methods of data collection and analysis employed; for the 'richness' of the data collected and for

the level and type of understanding which can be generated. Cooper and Dunkelberg (op.cit.) recommend that smaller sample sizes are useful when little is known about a phenomena and it has been argued above that entrepreneurship and small firms are a relatively new area of social science research. A review of the number of firms sampled in the sixteen ESRC-funded projects (see Appendix 2.2) shows however that predominantly large sample sizes are favoured over small sample sizes. The smallest number sampled in these studies was 102 (Davies et al in Storey 1994); the highest was 3,309 (Atkinson and Meaver 1986) and the average sample size of the sixteen research projects was 666. This suggests that theory testing and generalisability of results are the dominant aims of small firm research. Considered within the context of policy formulation the need for research results to be generalisable is an important prerequisite for useful research. It has been argued above however that the area of entrepreneurship and small business is relatively new, has no paradigm to its guide research and is short of empirically tested, theoretically sound models. For these reasons it is important for small firm researchers to collect 'rich' in-depth data, capable of generating a detailed understanding of the factors which impact upon the 'unique' processes involved in the interactions between small firms and their environments as they develop and possibly grow.

It was argued in Chapter Two that there has been an over-concentration on the owner manager in small firm research. Entrepreneurship is a process involving interactions between a number of different actors, internal and external to small enterprises. For this reason it is important to collect data, in addition to that provided by the owner-manager, from other individuals identified as being involved in these interactions. Evidence from small firm research shows however that for the majority of studies, the owner-manager is the main source of data collection. Data collected by the ESRC's 3 research centres and 16 research projects aggregated a total of 10,000 small businesses which is "the largest sample of small firms ever taken" (Storey op. cit.). For every small firm involved in these studies, data was collected exclusively from the owner-manager. One reason for limiting the collection of small firm data to the owner-managers of small firms is the central position which they hold and the extent to which they restrict the delegation of decision-making and management of small

firm activities. Another is that the majority of topics selected for small firm research do not include an exploration of the processes involved in the interactions between small firms and their environments and therefore make it necessary to collect data only from owner-managers. A third reason is that to collect data from more than the owner-managers of small firms is time consuming and given the resources available to researchers is only possible by reducing sample sizes and hence reducing the generalisability of research results. A more detailed review and discussion of the research approaches and methods of data collection and analysis used in small firm research is presented in the next section.

### 3.1.3 Research Approach and Methodology

The research approach adopted and used to plan and guide the collection and analysis of primary data should be suited to the topic selected for study. Zink and Hirscheim (1992) propose that “(s)cience uses whatever tools, techniques, and approaches are considered appropriate for the particular subject matter under study.” In considering the research approach to be adopted and the methods of data collection and analysis to be used in scientific research it is necessary to take the philosophical stance which is best suited to the nature of the topic selected for study and to consider how much is already known about the topic.

As shown in Appendix 2.4, philosophical views of the purpose of science exist on a continuum from Positivist at one extreme to Phenomenological at the other. Applied to the social sciences, these extreme philosophical stances have opposing views about reality and the ways in which human behaviour can be studied and explained. A Positivist philosophy views reality as external and objective and believes that human action arises from direct responses to external stimuli. For these reasons it is argued (Easterby-Smith et al 1994; Gill and Johnson 1991) that a positivist philosophy should be used to guide research which searches for external causes and fundamental laws which are able to explain human action and behaviour. A Phenomenological philosophy believes that people attach different meanings to their experiences and

because of this views reality as being socially constructed. This philosophy also believes that human actions arise from the sense which people make of situations and therefore is suited to research which aims to understand and explain why people have different experiences (Schutz 1967).

When hypotheses and theories about the subject selected for study currently exist, it is suggested (Easterby-Smith et al op. cit.; Patton 1987) that an approach which collects data in order to confirm or disconfirm these hypotheses and theories should be adopted. If little is known about the topic selected for study and hypothesis and theories do not exist, an approach which aims to develop an understanding of the phenomenon and generate hypotheses should be chosen (Glaser & Strauss 1967; Strauss & Corbin 1990). Each of these approaches guides the methods of data collection and analysis used. If the aim of research is to test hypotheses and theories, quantitative methods work best and if the generation of hypotheses, theories and understanding is the aim of research, qualitative methods are appropriate.

When these criteria are used to decide which research approach and methods of data collection and analysis should be selected for small firm research, Bygrave's (op. cit.) description that entrepreneurship and small business are "one of the youngest management sciences (which) has yet to develop distinctive methods and theories of its own" suggests that a phenomenological approach which uses qualitative data in an attempt to generate hypotheses and theory is appropriate for developing an understanding of small firms. There is much support within the small firm literature for Bygrave's arguments ( Borch and Arthur 1995; Brockhaus 1987; Brown and Butler 1995; Sexton op. cit.). Sexton for example, agrees that "the field is still in its infancy" and is not yet "sophisticated enough to produce complex or complete models". The small firm models which do exist have been discussed in two ways. Models of small firm growth; one area of small firm research which has attracted much attention, as was explained above, lack predictive abilities and are based on theoretical reasoning rather than empirical evidence. Models which detail the entrepreneurship process such as Moore's (1986), presented in Figure 3.0 below, also lack predictive power but as Bygrave (op. cit.) points out are useful as they

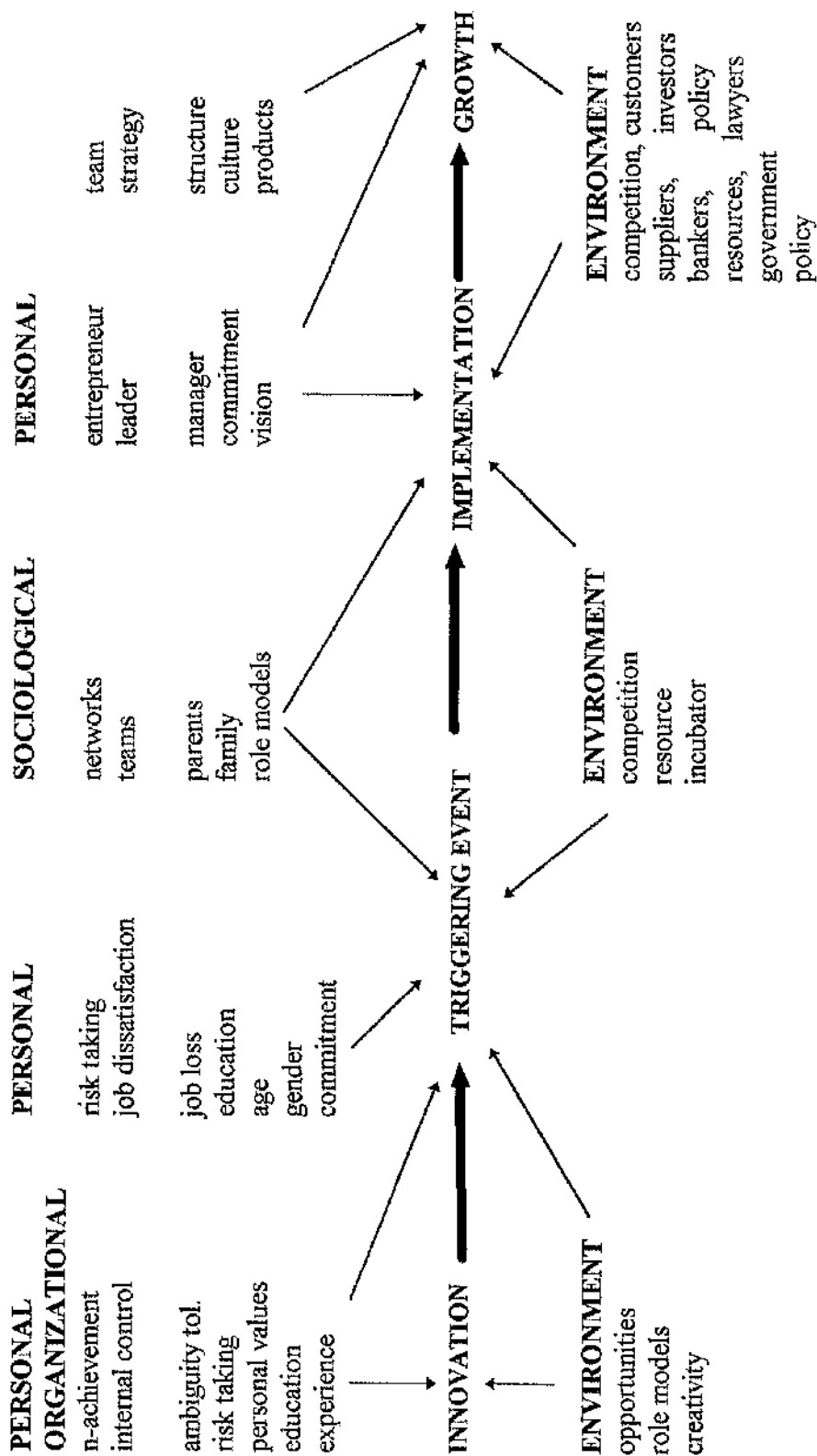
encompass the main small firm research theories within a process framework rather than listing the actions necessary for the creation, development and growth of small firms.

Bygrave (op. cit.) compares the small firm paradigm to a “jigsaw puzzle with a framework but with most of the pieces missing”. He recommends that small firm research must “first find the pieces before we see how they are connected to one another” and proposes that this can be achieved by research which adopts a phenomenological stance and aims to discover (Glaser & Strauss op. cit.), describe and understand “the missing pieces” by using qualitative methods of data collection and analysis. His recommendations are supported by the characteristics and nature of the entrepreneurial process. There are three key reasons why entrepreneurship and small firms are not suited to research which approaches them from a Positivist viewpoint. Firstly entrepreneurship involves a *process* of interactions as small firms change and adapt in response to changing conditions in their environments. These processes of interaction cannot be understood by an approach which, in the search for cause and effect relationships and fundamental laws which can explain human behaviour, involves identifying, isolating and testing variables (Borch and Arthurs op. cit.). As small firm owner-managers cannot be separated from their activities “to neat constituent parts that can be examined in isolation” (Bygrave op.cit) they are not suited to study by a Positivist approach which divides phenomena into readily identifiable parts. To understand the processes of interaction involved in the creation, development and possible growth of small firms it is necessary to adopt a research approach which allows researchers to explore these processes in their entirety rather than in small discrete parts (Brown and Butler op. cit.).



Figure 3.0 Moore's Model of The Entrepreneurship Process (1986)

Source : Bygrave 1989



A second reason why small firms are not suited to Positivist enquiry is that entrepreneurship is a process of interactions which *occur over time* as changes emerge in small firms' environments . This process cannot be understood by an approach which collects data at one particular period in time. To understand the relationships shared between small firms and their environments it is important to adopt a research approach capable of guiding the collection and analysis of data over a period of time long enough to develop an understanding of the emergent nature of the process. A third reason is that this process is *unique*; it is contingent upon many influencing factors only one of which is the owner-manager. The unique nature of the process of entrepreneurship means that it cannot be understood by a research approach which views human action as objective and stimulated in response to understood and clearly identifiable stimuli in the environment. Bygrave and Hofer (op.cit.) argue that "(t)he unique characteristics of the entrepreneurship process - that it is initiative by human action...have substantial implications notably for theory building in the area."

Reviews of the research approaches and methods of data collection and analysis used in small firm research show that formalistic, deductive approaches are more widely used than inductive, heuristic approaches (Aldrich 1992; Borch and Arthurs op. cit.; Churchill and Lewis 1986; Gibb & Davies op.cit.; Hornaday op. cit.). Aldrich (op. cit.) stated in his review of small firm research methods that "entrepreneurship research is still very much a mono-field, in spite of repeated calls for the field to free itself of dependence on mailed surveys and related questionnaire-based methods" and argued that more diverse methods of data collection, particularly qualitative and ethnographic would add valuable and unique insights into understanding the process of creating, developing and growing small firms. His conclusion is supported by that of Bygrave's (op. cit) paper on the same topic which argued that the "entrepreneurship paradigm is simply at too early a stage of development to justify the use of so many mathematics". Specifically, Bygrave (op. cit.) warned that "one of the biggest dangers in entrepreneurship research is being seduced by the queen of science (physics) when we measure, analyze, and theorize". Likewise, Gibb and Davies (op. cit.) argue that there has been an over-reductionism in small firm research in order to get generalisable results. Bygrave agrees that "(w)e should avoid,

whenever possible reductionism in entrepreneurship research”, and argues that this can be achieved by avoiding ‘physics envy’. He argues that it is unhelpful to adopt an approach which assumes “that business processes can be described by smoothly analyzing linear, deterministic models that can be analyzed with regression equations” as this philosophy is “unable to handle entrepreneurs disjointed events that disrupt stability” and consequently “relegates the acts of the entrepreneur to a dummy variable”.

The approach recommended for small firm research has implications for the methods of data collection and analysis which should be used. Many ( Aldrich op. cit.; Churchill 1992; Hills & La Forge 1992; Gibb & Davies op.cit.; Van de Ven 1992) are in support of Hofer’s and Bygrave’s (op.cit.) comment that “ all aspects of the research process...are affected by the unique characteristics of the entrepreneurship process ” and their suggestion that it is important that new methodologies are incorporated into small firm research if the area is to “ progress as far and as efficiently and effectively as possible”. Qualitative methods of data collection and analysis have been recommended ( Aldrich op.cit.; Borch and Arthur op. cit.; Churchill op. cit.; Gartner & Starr op.cit.; Van de Ven op. cit. ) for use in small firm research for a number of reasons. Qualitative methods are able to penetrate the realities of the people involved in the process of creating, developing and growing small firms and are therefore suited to research which adopts a phenomenological view of human behaviour. Qualitative methods produce rich descriptive data rather than precise quantitative facts and for this reason, are suited to developing an understanding of the process of entrepreneurship which is holistic and unique to individual small firms. Bygrave and Hofer (op.cit.) support the use of qualitative data in research which aims to generate hypotheses rather than test existing theories and argue that “it is easier to gather accurate, precise qualitative data that is rich in descriptive characterizations of the situation/ phenomena involved, and then address the categorization and resultant issues at a later time”.

Case study (Chetty 1996; Romano 1989) and longitudinal (Van de Ven op. cit.) research have also been recommended for the study of small firms. Case study research involves the collection of data from a variety of different people and the

development of an overview or holistic picture of the case selected for study, its surrounding environment and the impact which this environment has upon the case-firm. For this reason case study research is particularly suited to developing an understanding of the holistic processes involved in small firm creation, development and growth (Bygrave op.cit.; Sexton op. cit.). When combined with longitudinal research, a case study approach to small firm research is able to develop an understanding of the ways in which the case-firm and its surrounding environment have changed over time and to analyse the processes of interactions involved as small firms have responded to these changes. Bygrave (op.cit) believes that longitudinal research is particularly suited to the nature of the entrepreneurial process and argues "if we only do cross sectional studies we lose much of the richness that comes from longitudinal studies as unlike physics, in entrepreneurship, parameters change over time".

It has also been suggested that small firm research can learn from the more established branches of social science research by applying theories traditionally viewed as unconnected to small firm research. Sexton (1987) argues, "(i)t is imperative that researchers stop attempting to 'reinvent the wheel' and utilise ...applicable research that has been developed in other areas". He recommends that small firm research should involve the "transfer of up-to-date research and findings from other areas which in turn (will) contribute to the development" of an understanding of small firms. Carsrud et al (op.cit) concur that "entrepreneurial research needs to become interdisciplinary in nature" and similarly, Hofer and Bygrave (op. cit.) have stated that the major challenge facing small firm researchers in the 1990s is "to develop models and theories on solid foundations of the social sciences".

This section has reviewed and discussed the research approaches and methods of data collection used in small firm research. It has been argued that the research approaches and methodologies used in most small firm research are not suited to the study of a subject which is at an early stage of development, about which few empirically grounded theories with predictive abilities exist. It has been suggested that

phenomenologically-influenced views about human behaviour are suited to the study of small firms and that in-depth qualitative methods and longitudinal and case study research are appropriate for collecting rich descriptions and generating hypotheses and understanding about this particular phenomena. This section has also concluded that small firm research can benefit from using theories developed for use in traditional social science research and section 3.3.4 below explains the benefits of applying network theories when exploring the ways in which small service firms exist within and are related to the wider economic and social environment.

### **3.2 Research Gaps**

The review of small firm research topics, samples, approaches and methodologies which has been presented identifies that there are a number of gaps in current small firm research. Table 3.0 below summarises this review and identifies the gaps which it has been established currently exist in small firm research literature. To summarise, the review has established that small firm research has historically concentrated on the characteristics and motivations of the owner-managers of predominantly small manufacturing enterprises and on issues relating to the creation and growth of small firms. Further, in aiming to develop an understanding of the small firm sector, research has collected data from the owner-managers of small firms and searched for cause and effect relationships between well defined parts of the environment and measurable small firm outcomes. The review has also established that the study of small firms has been approached from a mechanistic perspective. The analogy of the small firm as a 'black box' is a useful way of describing small firm research which has searched to identify relationships between small firm inputs and outputs for the purpose of developing theories about the most appropriate mix of owner-manager characteristics required to successfully establish and grow a small enterprise. By isolating and testing the relationships between small firm 'variables', this approach to studying small firms has created a body of research which, for reasons outlined above, is currently described as disparate and lacking in its prescriptive abilities.

Table 3.0 - A Review of Small Firm Research &amp; Identified Gaps

	<i>Existing Research</i>	<i>Research Gaps</i>
<i>Topics</i>	Growth; Start-up; Entrepreneurial Personalities & Motivations; Identification of 'To-Do' actions; SFs' economic contribution; Government & SFs; Mechanistic view of SFs. Discrete & Fragmented.	Development; Consolidation; Processes & Interactions involved in actions; Impact of & relationships with the Environment; SFs as open systems. Holistic & Unique.
<i>Samples</i>	Manufacturing; Large Cross-sectional samples; Assumes SFs are homogeneous; Data collected from owner-managers.	Services; Grounded Definitions of size; Micro Sized firms; Industry-specific studies; Small sample sizes; Appreciation of a Heterogeneous SF sector; Data collected from all involved in the process.
<i>Research Approaches</i>	Positivist; Deductive; Theory Testing	Phenomenological; Inductive; Theory generation.
<i>Methods of Data Collection &amp; Analysis</i>	Quantitative; Precise; Responses pre-determined; Responses pre-coded; Statistical Analysis	Qualitative; In-depth; Descriptive; Rich; Participants' Perspectives & Language; Constant Collection & Analysis simultaneously; Constant Comparison of Results; Coding at a later time.

Considered alongside the implications which it was argued in Chapter Two that the heterogeneous and volatile nature of Britain's small firm sector have for research, a number of clear gaps have been identified in the small firm research literature. Specifically, the small firm sector has largely been regarded as homogeneous and small service firms have been under-represented in the samples selected for study. Few studies have explored the development of small firms (Gibb and Davies op. cit.)

and an understanding of the ways in which small firms exist within and link to the wider social and economic environment in which they exist (Johannisson 1986; Birley 1985; Curran 1987; Curran et al 1993a; Jennings and Beaver op. cit.) and the impact which this environment has upon small firms has received scant research attention (Robertson op. cit.). The processes of interaction involved as small firms adapt and respond to their environments and are necessary if owner-managers are to carry out the activities which research (for example, Smallbone et al op. cit.) has identified as having a positive impact upon small firm survival and growth, as was explained above, are also under-represented in the small firm research literature.

There are a number of reasons why research which samples small service firms and explores the processes of interaction between such small firms and their environments involved in their development is important. As small service firms which employ less than 24 people account for 80% of the total number of British business within this size band (Curran & Burrows op. cit.), it is important to understand the impact which the particular context in which they exist has upon their outcomes. An understanding of the holistic and unique nature of the process of creating, developing and growing small firms (Bygrave op. cit.; Bygrave & Hofer op. cit.; Stanworth & Curran op. cit.; Sexton op. cit.) cannot be developed by research which breaks this process into small discrete parts and seeks to identify laws which govern the relationships between these parts. Instead research should explore all of the components involved in this process and develop an understanding of the ways in which these parts fit together. The no-growth stance adopted by the majority of small firms, the volatile nature of Britain's current small firm sector and predictions that the conditions which have supported the revival and growth of Britain's small firm sector are to weaken (for a discussion see, Curran and Blackburn 1991) are reasons why it is important that small firm research is able to inform policy-makers about the ways in which the development of small firms can be encouraged and supported.

### 3.3 Introducing the Research Problem

This thesis is interested in developing an understanding of the impact which the micro environment has upon the development of small professional business service firms. For the purposes of acquiring this understanding, small graphic design agencies are selected as the unit of analysis, such firms are viewed as open systems (Aldrich 1979) and network concepts developed by research in traditional branches of the social sciences ( for example, Bott 1957; Mitchell 1969;) are used as sensitizing concepts to guide the researcher towards the collection of data relevant to the substantive area under investigation.

#### 3.3.1 Small Graphic Design Agencies

The concentration of small firms in the service sector, particularly in professional business services has been documented in Chapter Two. The review above has shown that “(d)espite the increase in research devoted to the small enterprise in recent years, the small firm in services remains relatively neglected” (Curran et al 1991). For these reasons, this thesis concerns small professional business service firms, in particular small graphic design agencies. The heterogeneity of the service sector is well documented in the services marketing (Berry 1980; Lovelock 1991) and small firm (Curran et al op. cit.; Curran et al 1993b;) literatures and it has been identified above that there is a need for small firm research to take account of the heterogeneous nature of Britain’s current small firm sector. For these reasons it was decided that this thesis would concentrate on small firms in one particular industry sector, namely graphic design. The decision to select small graphic design agencies can be explained in a number of ways. The researcher is interested in the role and importance of graphic design and the opportunities which have been created for small firms to compete head on with their larger counterparts in this industry. Design in all its forms is being increasingly recognised as having the capability to add value to products and has been acknowledged as vital to the creation and maintenance of corporate image (Bernstein 1986; Ind 1992; Olins 1989;) which is currently regarded as an important



strategic and competitive tool. As discussed in Chapter Two, large firm rationalisation policies have resulted in the externalisation of peripheral activities and there has been an increase in demand for professional business services and specific expertise such as graphic design. Advances in technology, especially in AppleMac hard and software, Computer Aided Design and Electronic Data Interchange have allowed small firms in this industry to compete effectively with their larger counterparts on quality, creativity and price (Lloyd-Smith et al op.cit).

Official statistics classify graphic design agencies amongst the 'other business services' under Standard Industry Codes 838 and 839. Consequently estimates about the number of graphic design agencies trading within Britain and a classification of these firms by size is less than accurate. Consultation with each of the relevant professional bodies : The Chartered Institute of Designers and the Design Board Association as well as with Scottish Design<sup>2</sup> made apparent that while figures such as those below (Table 3.1 ) show that much of the growth in 'business services' described in Chapter Two is concentrated in small and micro sized firms, official figures profiling the size and composition of the graphic design industry in Britain are not available. The findings of research commissioned by the Glasgow Design Initiative (G.D.I.) which provide a detailed breakdown of the industry within the limits of the City of Glasgow were however made available to the researcher and these are discussed in the section below.

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<sup>2</sup> Scottish Design is a body which has been created to promote all forms of design as a tool to enhance the competitive advantage of organisations by adding value to the goods and services which they produce.

**Table 3.1      Composition of the Small Firm Sector**

Industry	Size (no. of employees)			
	Micro (0-9)	Small (10-99)	Medium Large (100-499)	All Firms (500+)
Agriculture	195,213	4,055	71	5
Mining/ quarrying	3,954	419	88	25
Manufacturing	296,343	40,322	4,998	1,094
Energy & Water	306	58	21	34
Construction	834, 235	12,976	585	115
Wholesale/ retail/ repairs	560,134	42,565	1,856	438
Hotels/ restaurants	119,992	18,115	528	121
Transport/ communication	200,201	8,828	607	207
Financial Intermediaries	67,038	3,496	430	212
<b>Business Services</b>	<b>651,049</b>	<b>28,660</b>	<b>2,183</b>	<b>417</b>
Education	99,043	1,919	137	22
Health/ Social work	171,252	17,955	455	320
Other Services	303,544	8,899	457	83
<b>Total</b>	<b>3,502,304</b>	<b>188,267</b>	<b>12,416</b>	<b>3091</b>

Source : DTI Statistical Bulletin, June 1996

### 3.3.2 The Scottish Graphic Design Industry

There is industry-wide consensus that the Scottish graphic design industry identifies itself as a separate and distinct component of the UK graphic design industry which is largely concentrated in London. The importance of design and the potential which design has for adding value to the products and services produced and provided by Scottish companies has recently been acknowledged by Scottish Enterprise. Following the dismantling of the UK-wide Design Council and the Design Board (Scotland), Scottish Design whose mission is to “(i)mprove the performance of Scottish business through Design” was formed in May 1994, operating under the ambit of Scottish Enterprise. Graphic design is one component of the design which Scottish Design is promoting as a tool which organisations can use to add value and increase their competitiveness. Much of the Scottish graphic design industry is concentrated in the metropolitan belt of Glasgow and Edinburgh and the naming of Glasgow as the 1999 City of Architecture and Design is formal evidence of the growing UK-wide belief that the design industry in Glasgow, in all its forms, is second only to London in terms of quality and expertise. Suggestions that Glasgow is the leading centre of design excellence in the UK after London have been responded to and strengthened by the Glasgow Development Agency (G.D.A.) which has created the Glasgow Design Initiative (G.D.I.). One of the key objectives of the G.D.I. is to create an additional 400 design jobs in Glasgow by 1999, to coincide with Glasgow as City of Architecture and Design. As mentioned above, the G.D.I. has also undertaken research to establish the number of design firms within Glasgow and to build a profile of these firms according to such indicators as their : size in terms of number of employees (Table 3.2) and turnover (Table 3.3); structure (Table 3.4) and age (Table 3.5).

For the purposes of producing a directory of firms within Glasgow with expertise in a broad range of design disciplines, the G.D.I. mailed a questionnaire to the 618 such companies which they identified. Of the 268, equating to a response rate of 43%, which replied, 64% described themselves as ‘Design Consultants’. Of this group, 83

graphic design agencies were identified. Considered alongside the Chartered Institute of Designer's estimate that approximately 95 graphic design agencies are located within the city of Glasgow, this implies that an unusually high number of graphic design agencies responded to the questionnaire or, more likely, that the methods of data collection and the definition of 'graphic design agency' used by the G.D.I. differed from those employed by the Institute of Graphic Designers. As the tables below show, the G.D.I. distinguish graphic design agencies which describe themselves as offering print-only services from those offering print and packaging services. The accuracy of this distinction however must be viewed with caution as like most professional business services, graphic design agencies loosely define the services which they offer (Keeble et al op.cit.), often tailoring their descriptions to their descriptions more to suit the perceptions of whoever they are talking to than to the experience and skills base which they possess.

**Table 3.2 The Number of Glasgow Graphic Design Agencies By Firm Size ( Number of Employees)**

Firm Size by number of employees	Graphic Design (Print)	Graphic Design (Print & Packaging)
1-5	71%	23%
6-10	29%	39%
11-25	-	23%
26-50	-	15%
Total	100%	100%

Adapted from G.D.I. 1996

**Table 3.3 The Number of Glasgow Graphic Design Agencies By Firm Turnover**

Average Turnover	Graphic Design (Print)	Graphic Design (Print & Packaging)
up to £100K	21%	-
£101k-£250k	29%	-
£251k-£500K	38%	31%
£501k-£1m	8%	31%
£1.1m-5m	4%	31%
£5.1-£10m	-	7%
Total	100%	100%

Adapted from G.D.I. 1996

**Table 3.4 The Number of Glasgow Design Firms By Firm Structure<sup>3</sup>**

<i>Company Structure</i>	<i>Percentage</i>
Sole Trader	2%
Partnership	7%
Co-operative	1%
Ltd	26%
PLC	35%
Other	21%
Not specified	8%

Adapted from G.D.I. 1996

<sup>3</sup> Figures for Design Firms by Firm Structure do not distinguish between the architects, interior designers, consultant engineers and graphic designers described as 'Design Consultants'.

**Table 3.5** The Number of Glasgow Graphic Design Agencies By Years Trading

Years Trading	Graphic Design (Print)	Graphic Design (Print & Packaging)
1-5	29%	23%
6-10	38%	31%
11-25	25%	38%
26-50	4%	8%
not declared	4%	-
£5.1-£10m	-	7%
Total	100%	100%

The figures detailed above reveal much about the nature and characteristics of the graphic design industry in Glasgow. Figures for company size by number of employees and by turnover reflect the generally 'small' size of graphic design agencies and support the decision to use grounded definitions of firm size. While not specific to graphic design agencies, when figures for firm structure are considered alongside those for graphic design agencies by 'years trading', the infant nature of the industry and the growth which it has experienced over the past five to ten year are made apparent.

Despite a scarcity of official figures with which to compare the size and structure of the Glasgow graphic design industry with that throughout Britain, the work of Curran et al (op. cit.), Keeble et al, (1991; 1993b) and Lloyd-Smith et al (op. cit.) which describes the industry structure and growth of other professional business services does provide some useful comparisons. In common with the market research, advertising and management consultancies involved in these respective studies the graphic design industry within Glasgow is characterised by large numbers of small firms (see Table 3.2). Also while no figures on the capital required to establish a

small graphic design agency are available, in common with these other professional business services, the graphic design industry in Glasgow has been encouraged by low entry barriers and spin-offs from larger firms. Small graphic design agencies are also similar to these other small professional business service firms in that as they are intangible, their reputation and network of contacts through which this reputation was emanated are important to their creation, development and competitiveness in the market. Keeble et al's (op. cit.) studies of small market research and management consultancy firms reveal that the main requirements for establishing a small professional business service firm are : experience, existing reputation and a network of client contacts. Their research also shows that the flexibility which 24% of the firms in their sample identified as being an important competitive advantage ( see Appendix 2.5) is created "by a network of contacts and associates" which makes it possible for small market research and management consultancy firms "to compete - by expertise and by price- with large firms by being able to offer a wide range of services without employing substantial full-time and professional staff".

The findings of Lloyd-Smith et al's (op. cit.) comparison of the competitive behaviour of small advertising and design agencies with small garage and plant hire companies support Keeble et al's (1991) finding that small professional business services firms achieve their flexibility through a network of subcontractors but suggest that these relationships are not extended to include co-operative agreements between competing advertising and design agencies. Using Simmel's (1992) formal theory of groups to explain the 'low trust' relationships which exist between competing advertising and design agencies, Lloyd-Smith et al (op. cit.) propose that there is little social, informal contact between competing agencies because the relationships which they share are simple and specific rather than multiplex and involving a variety of formal or exchange and informal or friendship contents. While the small graphic design agencies involved in this study display the same lack of co-operation with their competitors as those in Lloyd-Smith et al's study they were found to differ in that they do share informal, social relations with their competitors.

One of the possible explanations for this may relate to the location of the firms involved in this research. While the firms sampled by Keeble et al (op. cit.) and Lloyd-Smith (op. cit) were selected from a number of different locations, none of their samples included Scottish small professional business services firms. This research is distinct in that each of the graphic design agencies involved is located in Glasgow which has an excellent academic infrastructure in the form of the Glasgow School of Art, two independent Schools of Architecture and a School of Building and Printing all of which offer under and post-graduate courses in graphic design. It is likely that this concentration of educational institutes, combined with the geographically small size of Scotland and the number of new graphic design agencies which have been created from the spin-offs from larger organisations have produced an industry environment in which many people are known to one another and while they often compete within small graphic design agencies against one another for work, are bound together by ties of friendship and past employment and education experiences.

A second reason which may account for the differences found in this Scottish sample may be to do with the research approach and methodology used and this is discussed in Chapter 4.

### **3.3.3 Small Firms as Open Systems**

Aldrich's (1979) proposition that when undertaking research in organisations, the environment within which they exist should not be ignored is applicable to the study of small firms. His assertions that the context within which organisations exist impacts upon and has implications for the activities in which they engage and that the boundary marking where the activities belonging to the organisation stop and those of the environment begin is not fixed, are apt ways of conceptualising how the environments in which small firms exist impact upon their activities.

The holistic and unique process of creating, developing and growing small firms is suited to study from an open systems perspective as this view of organisations



suggests that to understand the behaviour and actions of small firms it is necessary to collect data on the environment and on the particular contextual pressures faced by individual small firms. Particular to this study of the impact which the micro environment has upon the development of small graphic design agencies, an open systems perspective is appropriate as it does not attempt to understand the small firm by isolating it from the environment within which it exists. Rather, an open systems perspective advocates that the small firm can only be understood by taking account of its surrounding environment and considering the impact which this environment has upon the small firm's activities.

#### 3.3.4 Small Firm Networks

The review above identified that there is a scarcity of research which has sought to understand small firms by exploring the processes of interactions which they share with the environment which are necessary if the actions which have been identified as positively correlated to small firm survival, flexibility and growth are to be carried out. It has been suggested that one way in which small firm research can progress is by making use of theories and models from other branches of the social sciences. A useful way of exploring the processes of interactions between small firms and their environments and understanding the ways in which these are involved in the development of small service firms is by using network concepts which have been developed and applied in other branches of the social sciences.

Network concepts have traditionally been used in sociology, social anthropology and social psychology to understand the behaviour of communities (Barnes 1969), families (Bott op.cit.) and individuals (McPherson et al 1992). More recently network concepts have been used in industrial economics (for reviews see, Ebers 1994; Grabher 1993); industrial marketing (Axelsson & Easton 1992; Hakansson 1987; 1989; 1992a and b) and organisational studies (Kantor 1989; Jarillo 1988) as an effective way of describing the relationships which economic actors share with one another. In using network concepts to understand the ways for example, in which transactions occur and information is exchanged, different perspectives on networks

have been adopted, network theories and concepts have been adapted accordingly and increasing speculation has surrounded the appropriateness of these concepts for understanding the relationships which exist between organisations. There are a number of reasons for this speculation. One is that in borrowing and adapting network concepts from other subjects within the social sciences, much of this work fails to explain the ways in which networks have been conceptualised and combined with the popularity of labelling a variety of different organisational activities and relationships as 'networks', an increasing amount of ambiguity has come to surround the network concept. Another reason is that in applying network concepts to organisational studies, there has been a tendency to focus on the structural aspects of networks leaving questions about their interactional aspects unanswered. Related to this are the perspectives from which the study of organisations are approached. Much of the recent business and management research which has made use of network theories and concepts views organisations from a mechanistic perspective ( for a review see Grandori & Soda 1995). This view assumes that network concepts can assist in selecting the best mixture of market and hierarchical relationships and consequently, networks have been identified as existing structurally. Where organisations are viewed from a systems perspective, as in industrial sociology, network concepts have been used to explore the interactions which occur within networks of relationships and which are both influenced by the network and influential in creating the emerging structure and contents of the network. These different perspectives on organisations have created different perspectives on 'organisational networks' and have encouraged proponents of each perspective to be critical of other applications and uses of network theory.

Where network concepts have been applied to small firm research, their use has largely been restricted to measuring the size and structure of the owner-manager's personal contact network (for example, Aldrich and Zimmer 1986; Birley et al 1990). This body of research typically views the owner-manager's network as a small firm input and based on theoretical reasoning, develops hypotheses which test, for example, the relationship between the size of an owner-manager's network and their ability to establish a small firm. Like the work on organisational networks, much of

the research on small firm networks suffers from a failure to properly conceptualise what is meant by a 'network' and has neglected the interactional dimensions of networks which are useful for understanding the processes of interactions between small firms and their environments.

The ambiguity and confusion which currently surrounds network theories when applied to the study of organisations of all sizes should not however be equated with the inappropriateness of network concepts for the study of small firms. Rather, when properly applied, network theory offers an effective theoretical framework within which to position this study's exploration of the process of interactions which occurs between small firms and their environments as small firms develop. The concept of a social network, a review of networking literature together with the way in which networks have been conceptualised for this study are outlined in the following Chapter.

### **3.4 Summary**

This chapter has presented a review of small firm research literature under the headings of research topics, research samples and research approach and methodology. This review has shown that small firm research has not taken account of the heterogeneous and volatile nature of Britain's current small firm sector and that the research approaches which have been used and the topics which have been studied have created a body of research which can be described as discrete, fragmented and failing to address those issues pertinent to developing an understanding of small firms. It has been argued that current small firm research can be characterised as viewing the sector as homogeneous; based predominantly on the statistical analysis of data collected from the owner-managers of mainly small manufacturing firms and primarily interested in the start-up and growth of small firms. It has also been argued that for small firm research to advance there is a need to use case study research to explore the processes of entrepreneurship and the interactions between small firms and their environment which are involved as small firms develop. The chapter concluded with

the proposition that this process of interactions can be explored effectively by viewing small firms as open systems and borrowing network concepts which have been developed in other areas of the social sciences. A review of networking literature is presented in the next chapter and the particular perspective which is used in this study is explained and the benefits which it has for understanding the processes of interaction between small firms and their environments as small firms develop are outlined.

## CHAPTER 4 CONCEPTUALISING SOCIAL NETWORKS FOR THE STUDY OF SMALL GRAPHIC DESIGN AGENCIES

The purpose of this chapter is to identify the social network concepts which will be used to guide the collection of data relevant to developing an understanding of the impact which relational influences within the micro environment, conceived of as a social network, have upon the development of small graphic design agencies. The chapter opens with a discussion of the recent popularity of 'borrowing' network concepts developed by social anthropologists to study social action, for the purposes of understanding the behaviour of organisations in relational terms. This discussion concludes that researchers have used network concepts metaphorically rather than analytically and consequently, have developed a body of research which is confusing, disparate and lacking in its practical application. The chapter then moves to define the social network concepts 'borrowed' by organisational researchers as they were conceived by social anthropologists and to describe the morphological and interactional dimensions which they are conceived to possess. Using subject areas as a classification system, the chapter continues with a detailed, critical review of the literature which has applied social network concepts to the study of organisations. This review makes apparent that of the research identified, transaction costs and industrial marketing approaches have concentrated more on sets of dyadic relationships abstracted separately out of the on-going concrete social relationships in which social network theory argues all social action is embedded, than on networks of overlapping relationships. Where studies have positioned themselves at the level of the network, this review identifies these as most apparent within the entrepreneurship/ small business literature. A detailed review of this literature establishes however that as a consequence of selecting owner-managers as the unit of analysis and using quantitative methods for the purposes of exploring the structural dimensions of the social networks in which small firms are embedded, current knowledge and understanding of the impact which these networks have upon the behaviour of small firms across their lifecycle is both incomplete and unrealistic. Having identified gaps in this research, the chapter concludes by refining the research problem tackled by this thesis and detailing the ways in which it is intended this research will contribute to current understanding and knowledge of the impact which the micro environment has upon the development of small firms.

#### 4.1 The Popularity of Network Concepts Within Organisational Literature

The recent popularity of network studies of the organisation can be traced to Aldrich's (1979) proposition that as organisations are essentially open systems which exist within and interact with a wider social environment, their behaviour can be understood by 'borrowing' network concepts developed by social anthropologists for the purposes of understanding the relational factors which impact upon social action. The concept of organisations existing within a network of overlapping relationships has been used within a number of branches of organisational research including transactional economics (Blois 1990; Bradach and Eccles 1989; Powell 1987; 1990; Thorelli 1986; Williamson 1975; 1979; 1985; 1991; 1996), industrial marketing (Axelsson and Easton, 1992; Ford 1980; 1990; Hakansson 1987; 1989; 1992 a & b; Johanson & Mattson 1987; Melcalf et al 1991) and entrepreneurship and small business management (Aldrich & Zimmer 1986; Aldrich et al 1990; Birley et al 1990; Cromie and Birley 1992; Blackburn et al 1990; Curran et al 1993; Fillion, 1990; Johannisson 1986; 1988; 1990; Shaw 1997; Szarka 1990; Worldinger et al 1990). While however the term 'network' is currently "vogue" (Nohria 1992) in describing the structure and activities of contemporary organisations, as a body of research, network studies of the organisation are not without their criticisms. It has been argued that a combination of "confusing academic jargon" (Kantor and Eccles 1992) combined with a failure to apply properly (Blackburn et al op. cit.; Ferlie and Pettigrew 1996; Tichy 1981) the network concepts developed by social anthropologists has restricted the extent to which network studies of the organisation provide an understanding of the impact which the environment or social context in which they exist has upon their behaviour or activities. Organisational network research has been criticised on the grounds that what is meant by the term 'network' is dependent upon the conceptualisations and definitions adopted by different subject areas (Blois op. cit.; Easton 1992). Harland (1995) explains that the recent use of networks "in a variety of social science and science areas such as business, geography, social studies, mathematics, organisational studies, psychology and economics...has given rise to (the) conceptualisation of different types of networks including industrial networks, social networks, manufacturing and supply networks, innovation networks and regional networks, as examples" (p22). Consequently, it is

argued that multiple perspectives have not only created a terminology which is confusing (Blois op. cit.; Ebers 1994; Grandori and Soda 1995; Harland 1995; 1996; Tichy op.cit) but also, a body of research which is inaccessible to a wider audience and limited in its practical application (Donckels and Lambrecht 1995; Kantor and Eccles op.cit).

Organisational network research is also criticised on the grounds that while it 'borrows' concepts and theories which have a strong tradition in the field of social anthropology, its conceptualisation, operationalisation and application of networks and network theory is weak. Nohria (op. cit) for example, argues that while "there is a great deal to learn about organisations (and how to act in them) from a properly applied network perspective" a failure to do so is threatening to relegate the concept "to the status of an evocative metaphor, so loosely applied that it ceases to mean anything" (p3). Where the concept has been used analytically, weak conceptualisations have encouraged analysis to focus on the impact which the structure of the relationships in which organisations are involved has upon their behaviour to the neglect of analysing the impact of the contents of these relationships and the processes of interactions in which organisations engage (Aldrich and Whetten 1981a & b ; Borch and Arther 1995; Brown and Butler 1995; Curran et al op.cit.; Ferlie and Pettigrew op. cit.; Kantor and Eccles op.cit.; Nohria op.cit.; Salancik 1995; Tichy op.cit.). For the purposes then of establishing a strong conceptualisation of the networks in which small graphic design agencies are embedded and developing an understanding of the processes of interactions between these firms and their micro environment, a discussion of the concepts and theories which network studies of the organisation have 'borrowed' are considered in the section below.

#### **4.2 The Concept of a Social Network**

The concept of a network is not new to the study of the social sciences. It is a concept developed by social anthropologists as a legitimate replacement for structural functionalism as a framework for researching and understanding social

behaviour in a 'modern' society. Frustrated by the limitations of structural functionalism which explained social action and behaviour only in terms of the territorial and occupational roles held by individuals, a collective of British researchers, including Barnes (1969), Boissevain (1974), Boissevain and Mitchell (1973) and Bott (1957), coined as the 'Manchester Anthropologists' (Scott 1991), sought to develop a framework which would explain social action and behaviour in terms of the relationships which individuals shared. Building upon the work of earlier researchers<sup>1</sup>, they developed a framework which conceptualised the structure of society as a network of overlapping social relationships which bound individuals, groups and organisations together. They asserted that social action and behaviour could be understood not only in terms of the positions which individuals held within these social networks but also as a consequence of the interactions which they shared with others to whom they were connected by social relationships. Figure 4.0 below provides a visual image of the conceptualisation of the structure of society as a social network of overlapping relationships.

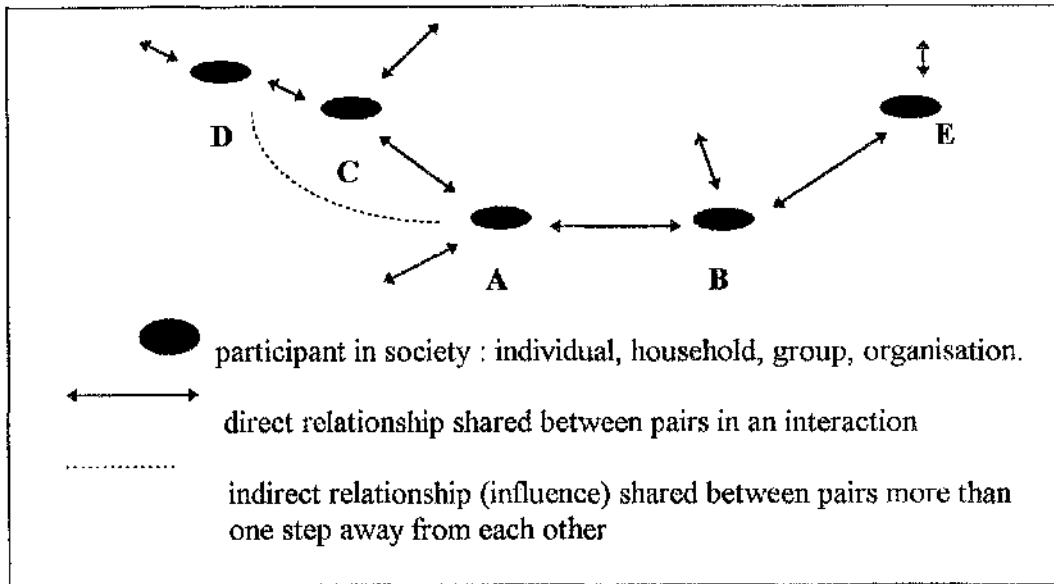
While the image shown below simplifies the complex structure of overlapping social relationships shared by individuals and groups which the social network concept conceptualises as forming the structure of society, it does capture an important feature of the social network approach to analysing social action and behaviour. The diagram shows that the relationship shared between **A** and **B** is potentially influenced by the direct relationships shared with **C** and **E** respectively as well as the relationship which **A** indirectly shares with **D**. By including in its analysis the reality that individuals will use direct relationships which they share with brokers who connect them, for the purposes of satisfying their own ends, to relationships with which they have no direct contact, the social network concept distinguishes itself from alternative approaches to analysing and understanding social action and behaviour ( Mitchell 1969).

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<sup>1</sup> This Group of researchers built upon earlier models and theories of social behaviour including , for example Graph Theory. For a detailed review see Scott (1991).



Figure 4.0 An Example of a Social Network Map



By creating images of the overlapping relationships which bind individuals, groups and organisations together, partial network maps such as the one above serve as visual metaphors of the structure of social networks. However, by simplifying the complex structure of social networks, network maps subsume and obscure the subtleties of social action and consequently are limited in their ability to analyse the structural and interactional influences which impact upon social behaviour and action. To engage in such analysis, Mitchell (op. cit.) building upon the work of previous network studies, conceptualised social networks as possessing morphological and interactional dimensions which could be used to distinguish between conceptually distinct social networks. In describing these dimensions in the section below, the intent is not only to define those concepts which will be used to guide the researcher towards issues relevant to understanding the impact which social networks have upon the development of small graphic design agencies but also, to familiarise the reader with the terminology used in social network analysis.

### 4.2.1 Morphological Characteristics

The morphological dimensions of social networks consider their pattern and structure (Mitchell op.cit.; Tichy et al 1979; Tichy op.cit.) and the impact which these have upon the behaviour of social action. The dimensions which Mitchell conceptualised as germane to the structural analysis of social behaviour in network terms are anchorage, density, reachability and range.

Mitchell used the term *anchorage* to identify the focus of social network inquiries. While social network analysis is positioned at a lower level of abstraction than studies which seek to understand the behaviour of society at large, this does not imply that the anchorage of social network research must necessarily be positioned at the level of the individual. Rather, the social network concept conceives of social relationships as lying along a continuum from personal relationships to inter-organisational relationships between quasi-groups, corporate groups and institutions (Boissevain op. cit.) and regards any differences between the structures formed by social networks and those erected to organise the activities of organisations as being created by the level of abstraction at which the researcher operates rather than by any concrete differences. Consequently, it is a framework suited to analysing the behaviour of all individuals, groups and organisations (Mitchell op. cit.; Tichy et al op.cit.) including small graphic design agencies. Having selected an anchorage, for the purposes of identifying the relational influences impacting upon its behaviour, the researcher must decide how far to trace those relationships to which the anchorage is both directly and indirectly connected. However, as the relationships of which social networks are comprised change over time, this decision is complicated. Unlike group structures which have a more or less stable membership, as a consequence of social actors'<sup>2</sup> freedom to join, leave, re-join and introduce people to a social network, their structure fluctuates over time and their shape can ramify indefinitely in all directions. As a consequence, the decision as to where to draw the boundary around social network inquiries can be difficult.

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<sup>2</sup> The term 'social actor' is used to mean either an individual, group or formal organisation.

The *reachability* which Mitchell conceived social networks as possessing is helpful in making this decision and identifying those relationships which should be included in social network analysis. For the purposes of analysing the action and behaviour of anchorage, their reachability is a measure of how far and how easily they are able to contact other social actors within the same conceptually distinct social network. Their reachability is measured by the number of interactions, represented by the number of lines drawn on a network map, which they have to make in order to reach other social actors. The fewer the number of interactions then the greater their reachability. By giving an indication of the effort required to make contact via direct relationships with those to whom they are not directly connected, reachability assesses the extent to which relationships far removed from anchorage have the potential to influence the behaviour of anchorage and consequently can help decide where the boundary of a social network should be drawn. It was mentioned above that the distinguishing feature of social network analysis is that it includes in the analysis of social behaviour and action both the direct and indirect relationships to which an anchorage is connected. By providing an indication of the extent to which indirect relational influences, can, via direct relationships, impact upon the behaviour of an anchorage, the reachability dimension stresses the importance which social network analysis places on 'brokers'. Tichy et al (op.cit.) define brokers as "special nodes within the network" who link together social actors who do not share a direct relationship. In terms of measuring the reachability of an anchorage and assessing the extent to which indirect relational influences have the potential to impact upon their behaviour, the number of direct relationships which anchorage shares with individuals who are connected, also by direct relationships, to social actors in a conceptually distant part of the same social network or in a conceptually different social network, serves to increase their reachability and also the probability that indirect relationships will, via these brokers, influence their behaviour.

The *density* of social networks, also referred to as 'connectedness', 'complexity' or 'social cohesiveness' is a measure of the extent to which social actors are connected to one another by relationships and is a morphological dimension which has its roots in Graph Theory (Cartwright and Harary 1956). Mitchell advised that the density of

a social network is calculated by the percentage of lines which actually exist in relation to the number which potentially would be created if every person in the social network were connected directly to every other person. He argued that measures of density could be used to distinguish between social networks which are tight and loose-knit and that by establishing the density of networks, the ease, for example with which information spreads around a social network, could be estimated and consequently, insights into the structure of social action could be acquired. To illustrate this latter point, he explained that in close-knit networks the likelihood that more participants will know one another increases and consequently, the more likely it is that they will agree upon, communicate and reinforce the types of behaviour acceptable to the social norms which they create within their network.

The final morphological dimension conceived of by Mitchell is that of *range*. Mitchell used Wheeldon's (1969) definition to explain that a network's range is "the number of actors in direct contact with anchorage and the social heterogeneity of these actors" and can be described as either narrow or diverse. Range is related to reachability as the greater the reachability of a social network, then the larger the number of social actors anchorage is in direct contact with. Building upon Homans' (1951; 1961) work on social interaction within small groups, Mitchell also related range to density arguing that the more dense a social network was, the greater was the likelihood that the social heterogeneity of its participants would be similar and consequently, its range would be narrower than the diversity found within networks comprised of a diverse range participants bound 'loosely' together.

#### 4.2.2 Interactional Characteristics

While it is revealing to examine the morphological dimensions of social networks, their analysis restricts an understanding of social action and behaviour to the ways in which it is influenced by the structure of relationships. As the social network concept was developed for the purposes of also understanding social action as a consequence of the interactions shared between social actors, Mitchell (op. cit.) conceived of the

relationships of which social networks were comprised as possessing interactional or relational dimensions. He suggested that for the purposes of understanding social behaviour vis-à-vis the relationships in which social actors were involved the

“ content, directedness, durability, intensity and frequency ” of interaction involved in these relationships (p12) should be explored. Unlike morphological dimensions then, the interactional dimensions which Mitchell conceived are particular to individual relationships and consequently can only be understood by interpreting the perceptions which individuals have about the relationships in which they interact.

Mitchell (op. cit.) defined *content* as a way of describing the meanings which people attach to relationships and the understandings they have about the implications which their involvement in particular relationships have for their actions and behaviours in respect to those relationships. For example, if a social actor defines a relationship as a ‘friendship’, they will engage in activities and behaviours which they perceive to be appropriate to those of a ‘friend’. As the contents of relationships are not directly observable, Mitchell suggested that the meanings which social actors attach to relationships could be interpreted in terms of their information, communication or normative contents. Identification of these contents is however complicated by what Mitchell referred to as the ‘multiplexity’ of relationships. Multiplex relationships are comprised of more than one content and within any single relationship, as social actors typically engage in a variety of interactions, a number of contents will typically exist. While recent discussion of the content of social networks (for example, see Blackburn et al op. cit.; Szarka op. cit.) has sparked debate over whether, for example, economic networks can be distinguished separately from those comprised of information and normative contents, in discussing this concept, Mitchell (op. cit.) made clear that while he conceived of social networks comprising of each of the contents mentioned, this did not imply that each content represented a conceptually distinct network. Instead, drawing upon the work of Kapferer (1969) and Wheeldon (op. cit.), Mitchell explained that within multiplex relationships, the interactions between social actors are comprised of a variety of contents, for example the same two people may share an employer-employee relationship comprised of an economic content and also a friend-friend relationship containing normative expressions. As a

consequence, the behaviour of the social actors vis-à-vis multiplex relationships cannot be understood unless all of the contents of which they are comprised are identified. Mitchell defended this by explaining that where relationships contain more than one content, each content impacts upon the interactions by which the other contents are created. Using the same example, this suggests that when an employer-employee also engages in a friend-friend relationship, their interactions in the former may condition those in the latter.

Mitchell (op. cit.) conceived of the relationships within social networks as also being identified and analysed in terms of their *intensity*. He defined intensity as the "degree to which individuals are prepared to honour obligations, or feel free to exercise the rights implied in their link to some other person". Consequently, the intensity of a relationship provides an important indication of the influence which relationships have upon social action and behaviour and considered alongside the dimension of multiplexity, intensity provides some indication of how complicated relationships between social actors can be. For example, where a relationship is comprised of economic and normative contents, the interactions involved in its economic content will be influenced by the obligations which actors feel towards one another as a consequence of the friendship relationship which they share with one another and possibly, also with other actors in the social network. Like content, the intensity of a relationship cannot be seen and Mitchell (op. cit.) conceded that it was a difficult dimension to gauge. For the purposes of doing so, he suggested that Kapferer (op.cit.) use of multiplexity was a useful proxy for intensity, arguing that the more a relationship is comprised of multiple contents, the greater will be the obligations which each party feels towards the other.

Similarly Mitchell (op. cit.) suggested that the dimensions of *frequency* and *durability* could provide an indication of the intensity of a relationship. In conceiving of 'frequency', he referred to the number and amount of time social actors spent interacting in relationships and, related to intensity, argued that a high frequency of interaction indicated an intense relationship. Considered however alongside the content of relationships, Mitchell (op. cit.) did caution that frequency was not always an appropriate indicator of the intensity of relationships comprised of normative contents. This he explained was

because often such relationships have a low level of frequency yet share a very strong relationship.

As the membership of social networks is voluntary and participation in them changes over time, Mitchell (op. cit.) conceived of the dimension of durability and argued that the length of time over which a relationship lasted could also be used to provide an indicator of the intensity of a relationship. Again, he related the durability of relationships to their contents and proposed that as durability increases as a consequence of the existence of normative contents, an approximation of the durability of relationships which were not comprised of these contents could be made by measuring the frequency of their interaction. He further suggested that the durability of a relationship was not only dependent on frequency of contact or the presence of normative expressions but also, the extent to which each party perceived the relationship to be mutually satisfying. Mitchell explained that the logic behind this assertion was that if parties to a relationship perceive that they are providing and receiving the type of behaviour which they expect from the relationship then they are more likely to continue to interact than if they perceive that their investment in the relationship is not being reciprocated by the other party.

Mutuality and reciprocity however depend in turn upon the final interactional dimension which Mitchell (op. cit.) conceived the relationships of which social networks are comprised to possess - *direction*. He defined this dimension as the direction from which a relationship is orientated and suggested that it provided an indication of the direction of the power of a relationship. Like frequency however, the extent to which relationships can be described as being orientated in one particular direction, is influenced by their content. For example, where relationships are comprised of normative expressions and are defined by their participants as 'friendship' relationships, their direction is less of an issue than where relationships are defined by their parties as 'economic'.

As has been shown, the dimensions conceived of by Mitchell (op. cit.) for the purposes of distinguishing between conceptually distinct social networks and analysing social behaviour in terms of its structural and interactional influences are inter-related and consequently, changes in one stimulate changes in others, both morphological and

interactional. For example, changes in a social network's connectedness will have implications for the reachability of its anchorage and the range of its participants as well as the intensity of relationships. Mitchell (op. cit.) argued that only by exploring *both* the morphological and interactional dimensions which he conceived the partial social networks which make up the total structure of society and the relationships of which they were comprised as possessing could a highly detailed account of all types of social action be produced.

Having identified and described the concepts used in social network analysis, the section below presents a critical review of the literature which has 'borrowed' these concepts and applied them to the study of the behaviour of organisations in terms of the relationships which they share with the micro environment. In presenting this review, the purpose is to establish the extent to which these concepts have been applied to the study of organisations and to identify any gaps which might exist.

### 4.3 A Critical Review of Network Studies of the Organisation

As a consequence of the different subject areas from which network studies of the organisation have been approached, the presentation of a systematic, critical review of this literature is problematic, not least because each area has, in borrowing network concepts, applied them to the study of organisations in different ways and created a body of research which is confusing (Blois op.cit.) and diffuse (Ebers op. cit.; Ferlie and Pettigrew op.cit; Tichy op.cit.).

Reviews of this literature have classified network studies of the organisation according to different criteria. Harland (1995; 1996) for example, uses level of abstraction<sup>3</sup> to distinguish different branches of organisational network research while both Nohria and Eccles (op.cit) and Grandori and Soda (op.cit) have used a

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<sup>3</sup> Harland 1995 identifies five levels of abstraction at which network studies of the organisation have been positioned and consequently can be classified by. These are, in ascending order of abstraction : dyadic relationships; supply chains; focal firm networks; territorial networks and industry networks.

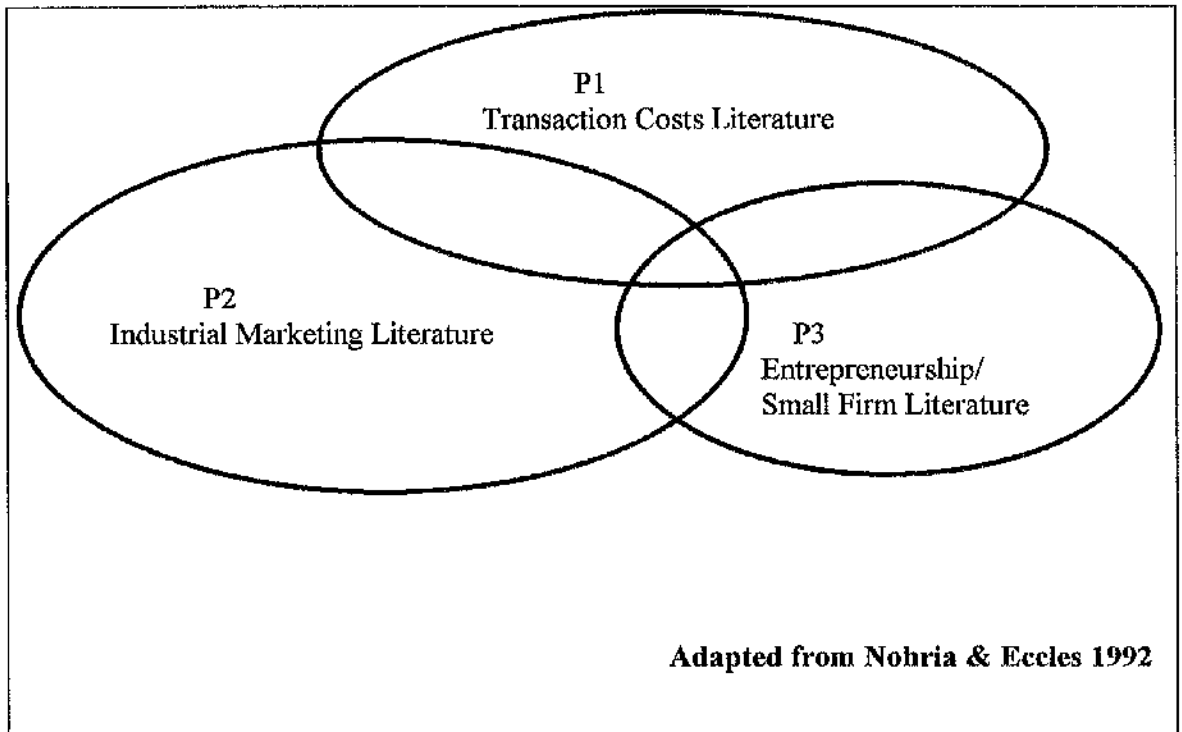


classification system based upon subject area. The review presented in this section has been influenced by the latter of these classification systems. Despite this, the review makes clear that as the level of abstraction at which much of this research is positioned, it is mistakenly described as 'network' research as it is focused more on sets of dyadic relationships than on networks of relationships. The review establishes that where networks of relationships have been selected as the focus for inquiry, such studies are most common to the entrepreneurial/small firm literature which has selected owner-managers as the unit of analysis and used quantitative methods to focus on the morphological dimensions of social networks and consequently, produced an understanding of the impact which social networks have upon small firms which is incomplete.

Harland's (1995) comment that " (d)espite the diversity of the field of study, there is a common link between" perspectives ( p22) is typical of reviews of organisational networking literature ( for examples see, Ebers op.cit.; Grandori and Soda op.cit.; Harland 1996; Nohria and Eccles op.cit.) which have found that while distinctive areas of research can be identified, as a consequence of their far reaching interests, these areas overlap and have much in common. Likewise, while, for the purposes of systematically reviewing this literature it has been loosely grouped into three main subject areas: transaction economics; industrial marketing and entrepreneurship/ small business, as shown in Figure 4.1 below, each of these areas of research is far reaching in its interest and, to some extent, overlaps with the others. Consequently, Harland's (1995) argument that networks studied by different subject areas " are not, in fact, separate or discrete systems which can be analysed in isolation (but) (r)ather (they) are a reflection of the perspective take by different academic groups who choose to focus on particular aspects of the total situation" and that "different perspectives can all legitimately be taken to study the same whole, though each omits to study significant portions of the total network" (p22), is usefully remembered in the review which follows as it reminds us of the overlapping interests held by each of the subject areas considered. In particular, transaction cost and industrial marketing approaches to network studies of the organisation share many overlaps, not least the basis upon which each of these areas of research can be criticised as focusing on

individual, dyadic sets rather than networks of overlapping relationships. For these reasons, research within each of these areas will be reviewed before a critique of the entrepreneurial/small firm network literature is presented.

**Figure 4.1. Perspectives on Organisational Networks**



#### **4.3.1 Transaction Cost Approaches to Network Studies of The Organisation**

Researchers operating within a transaction costs perspective conceive of networks as an alternative organising mechanism to both markets and hierarchies (for examples, see Blois op.cit.; Jarillo 1988; Powell op. cit; Powell et al 1996; Williamson 1975; 1979; 1985; 1991; 1996; Thorelli op. cit.). This perspective on network studies of the organisation argues that by analysing and comparing transaction costs, organisations will select to organise their activities either through market mechanisms, internal hierarchies or collaborative arrangements with other organisations, referred to as 'inter-organisational networks' (Ebers op. cit.; Grandori and Soda op. cit.), depending upon which is most cost effective. While an interest in using transaction costs for the

selection of cost effective organising mechanisms can be traced as far back as Coase (1937), recent interest in networks as viable, organising mechanisms is explained by new 'collaborative' organisational arrangements which have "blurred" (Powell 1990 p265) the established boundaries of where the activities of one organisation stop and those of another begin. Particularly, recent collaborative arrangements within hi-technology industries, for example biotechnology (Francis 1995; Johnson and Lawrence 1988; Powell et al op. cit.; Powell and Brantley 1992; Robertson et al 1996), as well as the 'down-sizing' or de-integration of large organisations and introduction of "dynamic networks of organisations connected through collaborative arrangements" (for example see, Jarillo 1993; Miles and Snow 1986; Powell op. cit.) have encouraged researchers to explore the costs involved in these arrangements and the conditions under which they arise.

It is argued that organisations will select to organise their transactions through market mechanisms when they are straight-forward, non-repetitive and require no transaction-specific investments. Alternatively, when the outcome of an exchange is so uncertain that a contractual arrangement covering all contingencies is not possible and it is estimated that such exchanges will occur frequently and involve specific investments not readily transferable to other exchanges, it is argued that organisations will select to organise such exchanges internally and use their governance structure to handle the outcomes. Transaction cost theory argues that in addition to these conditions, when the information needs of an organisation are such that it requires reliable information about the environment on a regular basis and/or information which is either difficult to cost or code, for example, information about complex and sophisticated technology ( Grabher op.cit; Kaneko and Imai 1987), it will select collaborative arrangements with other organisations as the most cost effective mechanism.

By conceiving of networks as cost effective mechanisms for organising economic activities, considered alongside the concept of a social network and the dimensions which it is conceived to possess, it can be argued that the transaction cost approach to network studies of the organisation have developed a conceptualisation of networks which is different from that described previously. In particular, this body of

'network' research can be criticised on the grounds that by abstracting economic relationships separately from the on-going, concrete social relationships of which social networks are conceptualised to be comprised and conceiving of economic actors as taking decisions about the mechanisms by which organisational activities will be arranged, in isolation from the other social relationships in which they are involved, it suggests that these other relationships do not impact upon decisions about how to cost effectively organise the activities of organisations.

In discussing sociological explanations of economic activities, Granovetter (1985; 1992) argues that such conceptualisations are neither appropriate nor realistic. Specifically, he asserts that social actors do not behave and make decisions like atoms, devoid of a social context, but rather their attempts at purposeful action are embedded in concrete, on-going structures of social relationships. Arguing that all action is socially situated and economic and non-economic goals, such as sociability, are typically pursued by actors at the same time, he explains that, "one (though) not the only reason why people conduct their economic action through networks of known personal acquaintances is that sociability, approval, status and power are central human motives and since economic activity is a large part of the lives of many actors, they could hardly be expected to play that large part in an arena utterly cut off from the chance to achieve these motives as would be the case in impersonal, atomised economic life" (1992, p26). As a consequence of what he describes as the "*embeddedness of social action*", Granovetter proposes that if the actions and decisions taken by organisations are to be understood, then the extent to which these are influenced by these concrete personal relationships and the obligations inherent within and between them have to be considered.

Responding to these criticisms, recent transaction costs research (for reviews see Ebers op.cit.; Grabher op. cit.; Nohria and Eccles op.cit.) has expanded the conceptualisation of inter-organisational networks to suggest that such arrangements are distinguished from markets and hierarchies as organising mechanisms on the grounds that, in addition to flows of resources and information, networks are also comprised of mutual expectations. This it is argued is a consequence of the resource-

dependency nature by which network forms of organising organisational activities are conceived to be characterised. Writing on this subject, Ebers (op.cit) explains that for the purposes of acquiring resources which cannot, for reasons of cost or complexity, be acquired through market mechanisms or made available through organisational hierarchies, by entering into collaborative arrangements with other organisations, parties to such relationships become dependent upon the resources of one another. As a consequence of this resource-dependency he argues that access to these resources will only continue when organisations perceive these relationships to be reciprocal and mutually satisfying (Ebers op. cit.).

Grabher (op.cit.) in his review of this research goes further and characterises networks as cost effective mechanisms of organising by their reciprocity, interdependence, loose coupling and power. He argues that "network forms of exchange entail indefinite, sequential transactions within the context of a general pattern of reciprocity" (op.cit, p8) without which there would be no incentive to continue involvement in what he calls the "partnership". Powell (1990) agrees that reciprocity is a necessary condition if resource-dependent partners are to continue to contribute towards joint co-ordination of their activities and asserts that reciprocity and interaction are maintained and motivated by the feelings of indebtedness created when one organisation contributes, in whatever form, towards a relationship, leaving the other looking for an opportunity to "pay back" or reciprocate the investment. Grabher (op. cit.) argues that interdependence is related to reciprocity. Distinct from market mechanisms where the organisation of economic activity is secured by legal contract and hierarchical arrangements where it is administered by administrative fiat, Grabher (op. cit.) argues that as a consequence of the resource-dependency nature of network modes, when disagreements or changes in the environment occur, parties to such arrangements will engage in processes of mutual adaptation to find solutions and make changes. As the relationship evolves, he believes that this adaptation is assisted by a mutual orientation, created by such developments as a common language about technical matters, the standardisation of processes and joint views on business ethics for example, which is reinforced and modified through interaction. As a consequence of this mutual orientation, Grabher (op. cit.) asserts that network modes are "loosely coupled" arrangements (Aldrich 1979). He argues networks must necessarily display

this feature if "some autonomy of the exchange partners" is to be preserved, to prevent "them from being locked into relation-specific exchanges" and to keep parties "open to sources of innovation and flexibility which lie outside of their shared relationship" (p10). However, despite their mutual orientation, Grabher (op. cit.) also identifies network modes as being characterised by their power. He explains that unlike the power created by imperfect competition in the marketplace, within networks power is seen as a necessary ingredient in exploiting interdependencies which is most prevalent in relationships where one party is much larger than the other.

While it can be argued that by responding to Granovetter's arguments (op.cit) and considering in more detail the relational dimensions of networks as cost effective organising mechanisms, transaction costs research has developed a conceptualisation of networks which is more realistic, considered alongside the social network concepts described above, it is a conceptualisation which remains focused on dyadic sets of relationships. Consequently, despite introducing a 'social' element into their discussion of networks as cost effective organising mechanisms, transaction cost research remains focused on dyadic sets of individual relationships abstracted separately from the other arrangements and relationships in which organisations are necessarily involved. In reviewing the literature on inter-organisational networks Ebers (op. cit.) agrees that much of its focus has been on such dyadic relationships as strategic alliances. Likewise, Grabher (op. cit.) identified that joint ventures, research pacts and licensing agreements were commonly selected as the focus of inter-organisational 'network' inquiries. Whilst it may be accepted that as a consequence of the dyadic level at which this perspective operates, joint ventures, strategic alliances and partnerships, are all examples of relationships which facilitate co-operation and co-ordination of activities within networks rather than examples of inter-organisational networks, conceptually, each of these forms of collaborative arrangement exist within larger social networks of relationships the impact of which is not considered in this approach to understanding organisational action and behaviour.

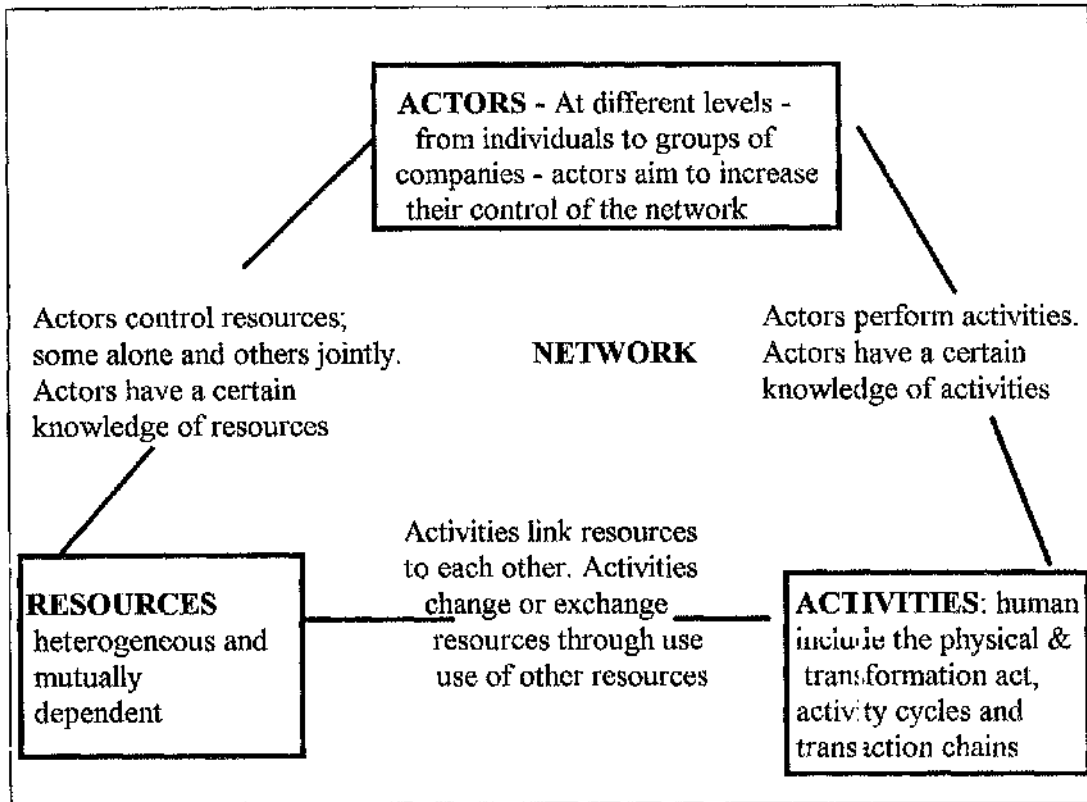
This literature can also be criticised on the grounds that by introducing the notions of reciprocity, interdependence, mutual adaptation and power, it actually questions the

extent to which network forms of organisational arrangements can still be described as cost efficient. Rather, by arguing that parties to a network arrangement will adapt and often respond to the demands of their sometimes more powerful partner, contributions to the conceptualisation of networks as organising mechanisms suggest that as a consequence of being dependent upon the resources of other organisations, organisations will compromise their activities and become tied into relationships which are not always cost effective.

#### **4.3.2 Industrial Marketing Approaches to Network Studies of the Organisation**

This branch of research, like that of transaction costs is interested in exploring the arrangements by which organisations organise their transactions. Unlike transaction costs however, this body of research (Ford 1980; 1990; Hakansson 1987; 1989; Hakansson and Johnson 1992; Hakansson and Snehota 1989; 1995;) is specifically interested in understanding the arrangements by which industrial buyers and suppliers organise their transactions and is motivated by an interest in being able to understand and explain these arrangements rather than to calculate the extent to which they are cost effective. Also, while the transaction costs literature is characterised more by the attention it has focused on developing clear conceptualisations of alternative organising mechanisms than it is by its collection and use of empirical data to substantiate these constructs (Salanick op. cit.; Tichy op.cit), industrial marketing approaches to network studies of the organisation are characterised by the large amounts of time which they have spent "listening to managers" (Ford 1990) before building conceptualisations of organisational arrangements based upon this empirical data. This approach to network studies of the organisation conceives of "business networks" (Harland 1996) which are comprised of the components detailed in Figure 4.2 below.

Figure 4.2 Network Model Developed by the IMP Group<sup>4</sup>  
(Source : Hakansson 1987)



In common with transaction costs literature, this approach to network studies of the organisation conceives of networks as comprising of actors who engage in activities with other actors for instrumental reasons. Namely, to gain access to resources, exploit one another's competencies, link with third parties and transmit expensive or difficult to code knowledge and information (Ford op. cit.). While, like transaction costs literature, this approach to network studies of the organisation also conceives of organisations or 'actors' which engage in collaborative arrangements or 'activities' as developing a mutual orientation, in contrast it conceives of this collaboration as occurring within the context of a relationship. This approach argues ( for a detailed discussion see, Hakansson 1987; Axelsson and Easton op. cit) that within industrial markets buyers and suppliers do not behave atomistically for the purposes of selecting

<sup>4</sup> The Industrial Marketing and Purchasing Group is a collective of European researchers interested in relationships between industrial buyers and suppliers.



those organising mechanisms which most effectively handle transaction costs. Rather, based upon the analysis of much empirical data<sup>5</sup>, this literature argues that within industrial markets, it is common practice for buyers and suppliers to engage in collaborative arrangements which do not offer the most cost effective means of acquiring resources.

This literature argues that over time as collaborating industrial buyers and suppliers engage in recurrent and active interactions, the individuals involved in the negotiation of these collaborative arrangements increasingly engage in 'social' as well as 'business' exchanges and subsequently, when evaluating the cost-effectiveness of such collaboration consider the benefits which accrue to themselves personally as well as to their organisation (Hamfelt and Lindberg 1987). Johanson and Mattson (op. cit.) argue that as these 'social' and 'business' exchanges are "not independent of one another", the cost efficiency of collaborative arrangements between industrial buyer and suppliers can be challenged. Building upon this, Axelsson and Easton (op. cit.) explain that often, in evaluating collaborative arrangements, the parties involved will weigh the social exchanges comprised within these arrangements more heavily than the instrumental exchanges and that as a consequence it is "possible that social bonds will transcend and even replace economic bonds as the *raison d'être* for the relationship to continue" (p12).

In contrast then to transaction costs research, this literature argues that the presence of social exchanges within collaborative arrangements between industrial buyers and suppliers serves to increase their switching costs and consequently, engender such collaborative arrangements as not always cost effective. In doing so, this literature aligns itself more closely to Granovetter's (1985; 1992) argument that economic action, like action is socially situated and embedded within on-going, concrete, social relationships. However, while this approach conceives of industrial organisations as "embedded in a range of relationships with buyers, suppliers, etc.", (Ford, op.cit. p13), a review of recent literature established that much of the empirical work within

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<sup>5</sup> The first IMP study involved the collection of data about 1300 industrial buyer-supplier relationships.

this area ( for examples see, Dion et al 1995; Joseph et al 1995; Gardner et al 1993; ) has, like transaction costs research, abstracted separately from industrial and business networks, individual sets of dyadic relationships of which such networks are comprised. Harland's reviews of this literature (1995; 1996) concur that empirical studies of industrial networks have concentrated on the lower level of abstraction of buyer-supplier relationships and argue that existing work in this area " ...does not adequately recognize the significance of the network" level of analysis (1996; p78). While Harland argues that this may be explained by the difficulties and time involved in collecting data from all relevant actors when studies are positioned at the level of the network, by focusing on separate sets of dyadic relationships, the behaviour of organisations is understood only in terms of the individual relationships in which they are involved. Consequently, any impact which a third party to which they are indirectly connected might have upon such relationships is removed from analysis of their behaviour. Lowndes et al's (1997) summary (see Table 4.0 below) of the differences between research positioned at the level of networks and research positioned at the level of sets of dyadic relationships usefully summarises the criticisms which can be made of the dyadic reductionism displayed by both transaction cost and industrial marketing research.

This table makes clear that in addition to abstracting sets of dyadic relationships out of the social context in which they exist, research positioned at the level of dyadic relationships is characterised by its interest in relationships between organisations rather than the individuals of which they are formed. While such an interest is more common in transaction costs than industrial marketing literature, common to both is the focus which they place on 'business' relationships which are formally rather than informally agreed.

**Table 4.0      Networks versus Sets of Dyadic Relationships**  
 (Source : Lowndes et al 1997)

	<b>Networks</b>	<b>Partnerships</b>
<b>Focus</b>	individual relationships	organisational relationships
<b>Motivation</b>	voluntary	voluntary or imposed
<b>Boundary</b>	indistinct	clear
<b>Composition</b>	fluid	stable
<b>Membership</b>	determined by self/others	determined by formal a agreement
<b>Formalisation</b>	low	high

Where industrial or business networks have been selected by industrial marketing research as the level of analysis, Harland (op. cit.) argues that rather than exploring the interactional dimensions of these networks, such research is characterised by its concentration on their “hard”, structural dimensions which contribute little to an understanding of the impact which such networks have upon the behaviours and activities of those actors and collaborative relationships of which they are comprised.

To conclude, while this area of research conceives of industrial organisations as being connected to one another by means of a network of collaborative arrangements and relationships and concurs with both Granovetter (op.cit.) and social network theory (Mitchell op. cit.) that organisational arrangements can be influenced by social relationships, as a consequence of the level of abstraction at which much of its empirical work is positioned, it can be criticised as exhibiting ‘dyadic reductionism’. This means that while industrial marketing ‘borrows’ some of the concepts conceived of by Mitchell (op.cit) and his colleagues, it cannot be described as applying fully the concept of a social network.

### 4.3.3 Entrepreneurship/ Small Business Approaches to Network Studies of the Small Organisation

Interest in using network concepts to understand the behaviour of owner-managers and small firms can be identified to be concentrated in three main topic areas : industrial districts of small firms (Piore and Sabel 1984; Pyke et al 1990); network organisations (Chaston and Mangles 1997) and the personal contact networks of small firm owner-managers (Aldrich and Zimmer op. cit.; Birley et al 1989; Blackburn et al op. cit; Curran et al op. cit; Fillion op. cit.; Johannisson op. cit; Hand and Tomblin 1992). The first of these areas has explored networks of small firms in such industrial districts as Emilia-Romagna in Northern Italy (Piore and Sabel op. cit; Pyke et al op. cit.) and Silicon Valley, California (Saxenian 1985; 1990 ) with a view to using an understanding of the collaborative arrangements present in these networks to inform policy of the impact which these networks can have upon the competitiveness of the small firms of which they are comprised. Research interested in network organisations is motivated by similar interests. Encouraged by recent government enthusiasm for 'small firm networks', this second branch of small firm network research has sought to inform policy of the ways and extent to which umbrella organisations, for example, local chambers of commerce and business clubs serve as a catalyst for small firm networking activities and by doing so, indirectly assist in the establishment and subsequent development and growth of small firms ( Chaston 1995; 1996; Chaston and Mangles op. cit.). In common with both transaction costs and industrial marketing approaches to network studies of organisations, each of these areas of research are interested in exploring the organising modes by which small firms effectively arrange their activities for the purposes of maximising their creation, development and competitiveness. Also in common then with each of the research areas reviewed above, these branches of small firm network research abstract the relationships which small firms share with one another and other organisations and individuals out of the on-going, concrete social relationships within which social network theory (Mitchell op. cit.) and Granovetter (1985; 1992) argue all human action is positioned.

In contrast to these areas of research, that considered within the third stream identified is motivated by an interest in understanding the impact which the social networks of relationships in which owner-managers are embedded have upon their ability to create develop and grow small firms ( Aldrich and Zimmer op. cit.; Aldrich et al 1986; Aldrich 1987; Aldrich 1989; Aldrich et al 1989; Aldrich and Reese 1993; Birley 1985; Carsrud et al 1986; 1987; Cromie and Birley op. cit.; Dubini and Aldrich 1991; Zimmer and Aldrich 1987). Evidently, of that reviewed, this is the area of research which is most closely aligned to the social network concept and its related dimensions as described earlier.

While similar to transaction cost and industrial marketing approaches in that this perspective conceives of the social networks in which owner-managers are embedded as 'opportunity structures' comprised of resources which facilitate and constrain their establishment and subsequent development and growth of small firms (Aldrich and Zimmer op.cit.), this perspective differs from these approaches in two important ways. Research which positions itself at the level of the social networks in which owner-managers are embedded, avoids the dyadic reductionism of transaction cost and industrial marketing approaches to network studies of the organisation. Relatedly, as such studies do not abstract the activities involved in establishing , developing and growing small firms from the other activities and social context in which owner-managers are involved and embedded, in common with social network analysis, they introduce to the analysis of the behaviour of owner-managers and small firms the possibility that the other, 'non-business' relationships in which they are involved might have an influence on their economic or business behaviour. Clearly then, unlike the literature reviewed above, this branch of small firm research can be identified as adopting the concept of the social network for the purposes of analysing and understanding the behaviour of owner-managers and small firms. Given the difficulties and time involved collecting relevant data when research is positioned at the level of the network (Harland 1995; 1996), it has been argued (Donckels and Lambrecht op. cit.; Perry 1996; Borch and Arthurs op. cit.) that for the purposes of understanding the behaviour of organisations, the social network concept is appropriate for the study of small firms which are characterised by the informality of

relationships in which they engage and, as a consequence of their size, embedded within social networks which are smaller and more readily identified than those of their larger counterparts. A review of the literature established however that much of the research on this topic has selected the owner-manager rather than the small firm as the anchorage point of their social network inquiries ( for examples, see Aldrich and Zimmer op.cit; Blackburn et al op.cit; Birley et al op.cit.; Curran et al op.cit. ). This review together with the gaps which it identified in this literature is summarised in Table 4.1 below.

**Table 4.1 A Review of Small Firm Networking Research & The Gaps Identified**

	<i>Existing Research</i>	<i>Research Gaps</i>
<i>Focus on :</i>		
• anchorage	Owner-Manager	Small Firm
• stage in lifecycle	Creation	Development
• network dimensions	Structural	Interactional
<i>Methodology:</i>		
• research approach	Positivist	Phenomenological
• research purpose	Hypotheses Testing & generalisation.	Generation of Understanding which fits & works.
• research samples	Cross Sectional	Purposive samples
• research methods	Postal questionnaires; telephone interviews; temporally restricted.	In-depth interviews; observation over time.
• analysis	Deductive	Inductive

While, for the purposes of understanding the relational influences which impact upon the creation of small firms, research specific to the social networks in which owner-managers are embedded might be appropriate, as small firms develop and additional staff are employed, this focus encourages a restricted view of the relational influences in which small firms are embedded and consequently, of the relationships which have the potential to impact upon their behaviour. It can be argued then that while network

research in this area avoids the dyadic reductionism inherent in the approaches reviewed above, a tendency to focus on the owner-manager rather than the small firm as the anchorage of social network inquiries of small firms has created an understanding of the relational influences which impact upon their behaviour which is both inaccurate and incomplete.

This tendency is somewhat explained by the interest which network approaches to the study of small firms have had in the impact which social networks have on the establishment and growth of small firms (Aldrich and Zimmer *op.cit*; Aldrich et al 1986; Aldrich and Reese *op.cit* ). These interests in turn can be explained by the attention which support agencies, particularly currently within Scotland, pay to encouraging the establishment of new and the growth of existing small firms as a means of contributing to the generation of new jobs. In common then with the review presented in Chapter Three, it can be argued that in using social network concepts to analyse and understand the behaviour of small firms across their lifecycle, aside of the work of a small number of researchers (for example, Butler and Hansen 1991; Brown and Butler *op. cit.*; Ramachadran et al 1993), research has concentrated on the impact which social networks have upon their creation and growth to the neglect of the impact which they have upon their development.

In exploring relationships between the social networks in which owner-managers are embedded and the establishment and subsequent growth of small firms, there is agreement that much of this literature has specifically concentrated on relationships between the size and structure of these networks and the establishment and growth of small firms. Much of Aldrich's earlier research (for example, Aldrich et al 1986; 1989; Aldrich and Zimmer *op. cit.*;) which has shaped current understanding about small firm networks concentrated on exploring the impact which the size, range and density of the owner-manager's social network had upon the establishment and growth of small firms.



Building upon Granovetter's "Strength of Weak Ties" argument<sup>6</sup> (1973; 1982) Aldrich was interested in the impact which network density, reachability and diversity had upon the creation and growth of small firms. Central to much of his work has been the collection of empirical data to test the hypotheses that, "(e)ntrepreneurs are more likely to be found in positions whose centrality is high and which are connected to lots of diverse information sources" (Aldrich et al 1986; Aldrich 1987; Aldrich et al 1989). Based upon the analysis of data collected from a questionnaire mailed to the owner-managers of a cross section of small firms, Aldrich concluded that when owner-managers were centrally positioned within large social networks comprised of diverse ranges of people, their potential to successfully establish and grow a small firm was increased. Aside of the 'no-growth' orientation adopted by many small firm owner-managers which questions Aldrich's concentration on the growth of small firms, to the neglect of their development (Scase and Goffee 1980; 1982; Stanworth and Curran 1976), Aldrich's findings revealed little about the processes within these social networks or the impact which their evolution and emergent nature had upon the actions of the owner-managers involved in his research.

Considered then alongside the dimensions which Mitchell (op.cit.) conceived of social networks as possessing, Aldrich's research can be criticised as concentrating on their morphological dimensions to the neglect of their interactional dimensions. Despite a realisation within the literature (Aldrich and Whetten op. cit.; Aldrich and Reese op.cit.; Brown and Butler op. cit.; Borch and Arthur op. cit; Kantor and Eccles op.cit; Salanick op.cit.; Tichy op.cit.) of the need to apply both the morphological and interactional dimensions conceived of by Mitchell (op. cit.) if a comprehensive understanding of the behaviour of small firms in relational terms is to be acquired, aside of a handful of papers (Butler and Hansen op.cit.; Ramachadran et al op.cit.), there are few empirical studies which have sought to understand the impact which the interactional dimensions of social networks have upon the behaviour of small firms

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<sup>6</sup> Granovetter asserts that for the purposes of acquiring information about jobs, individuals centrally positioned within a social network comprised of many 'weak' or uniplex relationships which connect them to information contained within conceptually distant parts of the social network in which they are embedded will have access to a greater amount and variety of information than those centrally positioned within a social network comprised of many 'strong' or multiplex relationships which are bound tightly together.

across their lifecycle. In particular, recent papers have drawn attention to the need to explore the contents (Blackburn et al op.cit.; Curran et al op.cit.; Curran and Blackburn 1994) of the social networks in which small firms are embedded and also the impact (Carsrud op. cit.; Gibb 1993; Joyce et al 1995;) which these and other dimensions have upon the behaviour of small firms across their lifecycle (Ramachadran et al op.cit.). By identifying the contents of the relationships in which small firms are embedded, it is argued that an insight into those factors which motivate small firms to engage in relationships can be acquired and used to inform policy. While this branch of research conceives of social networks as opportunity structures which can impact upon the behaviour of small firms by constraining and/or facilitating their establishment, development and growth, a concentration on their structural dimensions has provided an understanding of their impact which is restricted to numerical indicators, such as their profit (Aldrich et al 1986). As a consequence, it is argued (for a discussion see Joyce et al op. cit.) that there is a need for research to be specific about the variety of ways in which the social networks in which they are embedded impact upon the behaviour of small firms across their lifecycle.

A concentration on the morphological dimensions of the social networks in which small firms are embedded is related to the methodologies which researchers have employed for the purposes of understanding the behaviour of small firms in terms of the relationships in which they are embedded. In their review of this literature, Curran et al (op.cit) are particularly critical of the methodologies which have been employed arguing that they are "overly reliant upon quantitative research approaches" and in need of a "more qualitative approach". Typical<sup>7</sup> of the methods which have been employed is the questionnaire which Aldrich et al (op. cit.) mailed to a cross section of owner-managers asking them to provide numerical, easily analysed information about, for example, the number of people whom they spoke to about their small firms and the regularity with which they did so. While such methods are suited for the collection of data about the morphological dimensions of social networks which are

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<sup>7</sup> Aldrich's questionnaire is described as 'typical' as for reasons of cultural and spatial comparison, it has been adapted and used by a number of other researchers ( Birley 1985; Johannisson 1986).

more readily described in numerical terms, there is agreement (Borch and Arthurs op.cit.; Brown and Butler op.cit.; Curran et al op.cit.) that they are inappropriate for collecting data about their interactional dimensions. Dubini and Aldrich's (op. cit.) comment that, "differences (in networks) may be too subtle to measure well with questionnaires" and that as "all (of our) claims about the importance of networking rests upon inferences made from cross-sectional data, obtained from potential and actual entrepreneurs at only one point in time" it has "become crucial to investigate how an extended network is created, developed and strengthened", provide support for this argument and the suggestion that in undertaking network studies of the small firm there is a need to collect data from owner-managers as well as the staff they employ.

While then the use of Positivist approaches and quantitative methods of collecting and analysing data about the morphological dimensions of the social networks in which small firms are embedded have permitted generalisations about the relationships between these dimensions and the creation and growth of small firms, as they are not suited to the collection of data about the interactional dimensions of these networks, they have been unable to generate an understanding of the ways in which these dimensions impact upon the behaviour of small firms which "fits and works" (Glaser and Strauss 1967) with the perspectives of participants. More specifically, it is argued that the use of quantitative methods for studying the impact which social networks have upon small firms have, by reducing the complex processes involved in these networks to single, measurable variables stripped this understanding from the social context in which it is positioned (Borch and Arthur op.cit) and that consequently, there is a requirement for the application of qualitative methods capable of capturing these complex processes (Brown and Butler op.cit.) to be used in future studies. Further, it can be argued that a concentration on quantitative methods for the study of the morphological dimensions of the social networks in which small firms are embedded has, as a consequence of the fluctuating nature of social networks (Mitchell op.cit.), also produced an understanding of their structural dimensions which is incomplete.

To conclude this review it can be argued that while research has concentrated on exploring relationships between the morphological dimensions of the owner-manager's social network and their ability to establish and grow a small firm, as a consequence of not selecting small firms as the anchorage of such social network inquiries and using quantitative methods of data collection and analysis, little is currently known or understood about the impact which both the interactional and morphological dimensions of social networks have upon small firms across all stages of their lifecycle. Having identified these gaps in this branch of small firm network research, the ways in which this thesis will contribute towards an understanding of the impact which the social networks in which they are embedded have upon the development of small firms is detailed in the section below.

#### **4.4 Refining the Research Problem : Using Social Network Concepts to Understand the Impact which the Micro Environment has had upon the Development of Small Graphic Design Agencies**

It was argued in Chapter Three that for the purposes of developing an understanding of the impact which the micro environment has upon the development of small service firms, an open systems (Aldrich 1979) perspective of small graphic design agencies would be adopted and social network concepts developed by social anthropologists would be used as sensitising concepts to guide the researcher towards issues of relevance to understanding the substantive area. The review presented above has identified gaps in research which has used social networks concepts for the purposes of understanding the behaviour of small firms (see Table 4.1). The identification of these research gaps assists in refining more specifically the purpose of this research and the contribution which it is intended to make to current theory and understanding about the impact which the micro environment has upon the development of small professional business service firms. Informed by the review above, this thesis distinguishes itself from previous research in four main ways.

#### 4.4.1 The Selection of the Small Firm as The Unit of Analysis

It was argued in Chapters Two and Three that while the creation, development and growth of small firms is a complex process involving interactions between a number of different social actors, including but not restricted to the owner-manager of such firms, small firm research has predominantly restricted the collection of data about this process to the owner-managers of such firms. The review presented above established that in common with this literature, studies concerned with the social networks in which small firms are embedded have typically selected the owner-manager rather than the small firm as the focus of their inquiries (Kilduff 1992). In contrast, for the purposes of developing a detailed understanding of the relational influences in which small firms are embedded and the impact which these have upon the development of small graphic design agencies, the agencies NOT their owner-managers will be selected as the unit of analysis or anchorage point on which this research will focus.

As a consequence, this research defines small firm networks as :

*“ the composite of the social networks in which their owner-managers and staff are embedded.”*

#### 4.4.2 A Focus on the Development of Small Firms Rather than Creation or Growth

It was concluded in Chapter Two that as a consequence of high death rates experienced by the youngest and smallest firms and the no-growth stance adopted by the many small firm owner-managers, there is a need for policy to be informed by research about those factors which impact upon the survival and development of small firms competing in different industry sectors and spatial locations. In common however with the literature reviewed in Chapter Three, the small firm networking literature discussed above has not responded to these implications. Rather, studies of the social networks in which small firms are embedded have concentrated on cross sectional studies which explore relationships, particularly statistical, between the owner-manager's social network and the creation and growth stages of the lifecycles of the small firms which they own and manage.

Alternatively, as this research is interested in the processes and interactions involved in the development of small firms, its intention is to explore the impact which the social networks, as defined above, in which small graphic design agencies are embedded have had upon their development. For this reason, all agencies involved in this study will have been trading for a minimum of three years<sup>8</sup>. By using this criterion, it can be assumed that the agencies involved in this research will have encountered the turbulent period of survival and entered into a period of development.

#### **4.4.3 Both Interactional and Morphological Dimensions of Social Networks**

The review presented in Chapter Three established that in describing and explaining the creation, development and growth of small firms, researchers have tended to present a mechanistic, 'black-box' perspective of these stages in the small firm lifecycle which do not explain the processes involved and, consequently presents an artificial understanding (Goss 1991; Scase and Goffee op.cit; Stanworth and Curran op. cit. ). Likewise, the literature reviewed above established that social network studies of the small firm have, by concentrating on the impact which the morphological dimensions of these network have upon the creation and growth of small firms, ignored the processes of interaction inherent in these networks (Mitchell op.cit) and presented an unrealistic understanding of the impact which they have upon small firms.

For the purposes then of developing an understanding of the impact which the micro environment has had upon the development of small graphic design agencies, this thesis will use both the morphological and interactional social network concepts

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<sup>8</sup> This assumes that the survival period of small firms is from 18 months to three years and that consequently, the criteria that before their involvement in this research, design agencies should have been trading for a minimum of three years for the purposes of ensuring that they have 'survived', is reasonable.

conceived of by Mitchell (op.cit) for the purposes of sensitising the researcher towards those issues of relevance to understanding the substantive area.

#### **4.4.4 The Use of a Qualitative Research Approach and Methods of Data Collection and Analysis**

For the purposes of engaging in such a study and developing an understanding of the impact which the social networks in which they are embedded have upon the development of small graphic design agencies which 'fits and works' with the realities of the substantive area, it is necessary to use a research approach which allows the researcher to get 'close' to participants to penetrate their realities and interpret the perceptions they have about the interactions in which they engage and the impact which these have had upon the development of small graphic design agencies. In contrast then to much of the research which has been reviewed above, this research will select a qualitative approach and employ the use of qualitative methods of data collection and analysis, all of which are fully described and defended in the chapter which follows.

#### **4.5 Summary**

This chapter opened with a discussion of the recent popularity of 'borrowing' network concepts, developed by social anthropologists to study social action, for the purposes of understanding the behaviour of organisations in relational terms. This discussion concluded that researchers have used network concepts metaphorically rather than analytically and consequently, have developed a body of research which is confusing, disparate and lacking in its practical application. The chapter moved to define social networks as they were conceived of by social anthropologists and to describe the morphological and interactional dimensions which they possess. Using subject areas as a classification system, the chapter then presented a detailed, critical review of the literature which has applied social network concepts to the study of organisations. This review established that of the areas which have engaged in such studies, transaction costs and industrial marketing studies have concentrated more on sets of dyadic relationships,

abstracted separately out of the on-going concrete social relationships in which social network theory argues they are embedded, than on networks of overlapping relationships. It was established that where studies have positioned themselves at the level of the network, these are most common in the entrepreneurship/ small business literature. A detailed review of this literature established however that much of this research, as a consequence of selecting owner-managers as the unit of analysis and using quantitative methods for the purposes of exploring the structural dimensions of the social networks in which small firms are embedded, have produced an understanding of the impact which these networks have upon the behaviour of small firms across their lifecycle which is both incomplete and unrealistic. Having identified the gaps in this literature, the chapter concluded by refining the research problem tackled by this thesis and detailing the ways in which it is intended this research will contribute to current understanding and knowledge of the impact which the micro environment has upon the development of small firms.



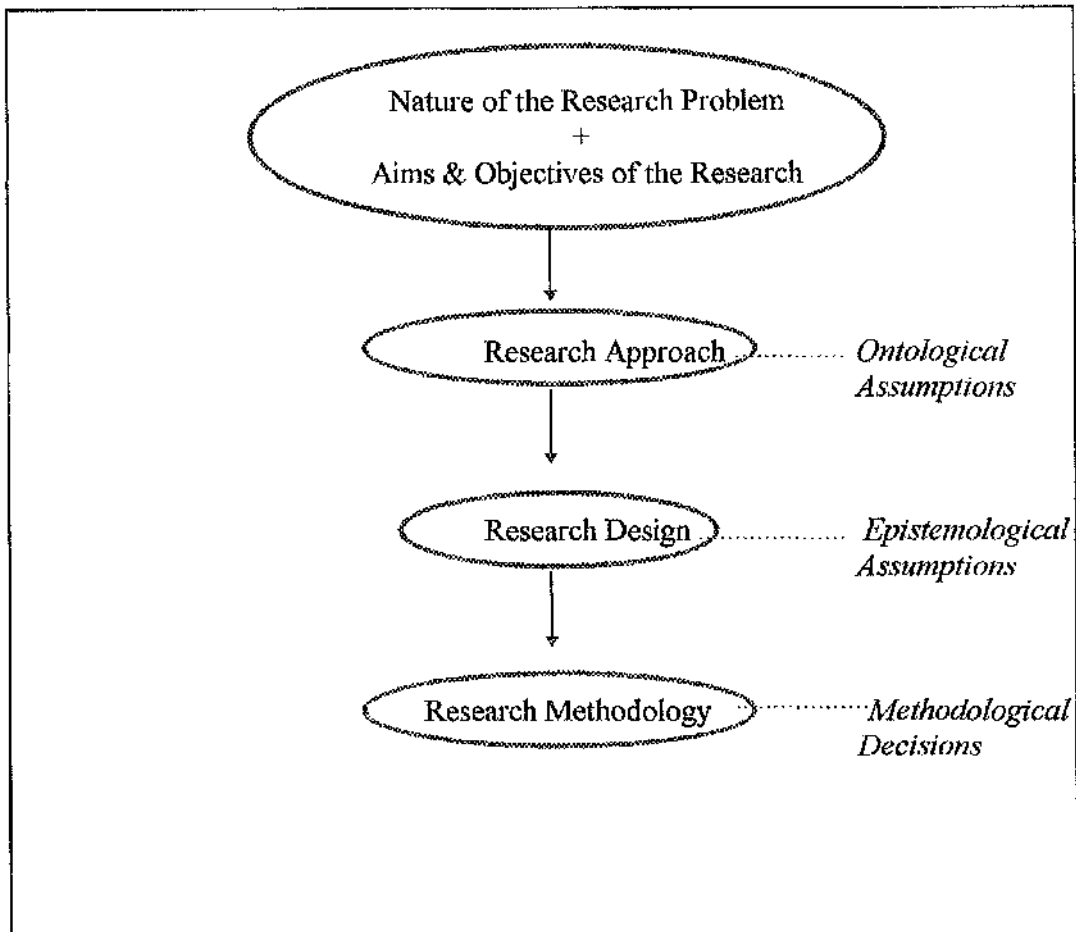
## CHAPTER FIVE - RESEARCH METHODOLOGY

This chapter describes the research approach, design and methodology adopted for the scientific study of the impact which the social networks in which they are embedded have upon the development of small graphic design agencies. Building upon the arguments developed in Chapter Three, this chapter opens with a discussion of the nature of the substantive topic selected for study and the aims and objectives of the research. This discussion reveals that a qualitative approach is appropriate. Having justified the qualitative approach used in this research the chapter goes on to describe the research design; in particular the role of the researcher and issues of access and ethics are discussed. The methods of data collection and analysis suggested by the research design are then described. The over-lapping, emergent nature of the research process is explained by the Research Spiral which is suggested by the researcher as a helpful way of describing the collection, analysis and interpretation of qualitative data. The chapter concludes with a discussion of the limitations of the research methodology used.

### 5.1 Research Approach

In designing the research methodology to be employed in scientific inquiry it is recommended that the researcher be aware of the ontological and epistemological assumptions of the research approach which they adopt (Easterby-Smith et al 1991; Gummesson 1991). As shown in Figure 5.0 below, the research approach adopted must be appropriate both to the nature of the problem under investigation and to the aims and objectives of the research (Bryman 1988; Gill & Johnson 1991). Consequently, this section discusses the nature of the substantive topic selected for investigation and the aims and objectives of the research to conclude that the assumptions underpinning a qualitative paradigm are suited to the design of research capable of developing an understanding of the impact which the social networks in which they are embedded have upon the development of small graphic design agencies.

**Figure 5.0 Influences on the Design of an Effective Research Methodology**



## 5.2 Nature of the Research Problem

The study of the impact which the social networks in which they are embedded have upon the development of small professional business service firms involves the study of the behaviour and activities of human beings. As such, this research is essentially concerned with the nature of reality in the social world. For the purposes of identifying the nature of this reality and considering the implications which this has for the research approach to be adopted, it is useful to compare the social, with the natural world. By highlighting the differences between these worlds (Table 5.0 above) it becomes apparent that the Positivist approach commonly adopted for the scientific study of the natural world while having, as discussed in Chapter Three, a strong

tradition within small firm research, is in fact not easily transferred to scientific studies of the social world.

**Table 5.0 Differences Between the Natural & Social Worlds**

	<b>Natural World</b>	<b>Social World</b>
<i>Comprised of :</i>	It-beings	Human beings
<i>Characterised by :</i>	Unconsciousness Behave, do not experience	Consciousness Subjectivity Experience of the social world Internal logic

Differences between the natural and the social worlds are rooted in the fact that they are comprised of different types of 'subjects' (Bryman op. cit.; Gill & Johnson op. cit.; Laing 1967; Schutz 1967). While the natural sciences are concerned with 'it-beings' which have no conscious ability, the social sciences are concerned with human beings who behave in manners according to their understanding of the environment within which they exist. This difference between the two worlds is explained by Schutz (op. cit.) who asserted that :

*"The world of nature as explored by the natural scientist does not 'mean' anything to molecules, atoms and electrodes. But the observational field of the social scientist - social reality- has a specific meaning and relevance structure for the beings living, acting and thinking within it." (p59)*

The 'subjects' of the social world - human beings - possess the ability to think for themselves, comprehend their own behaviour and have an opinion about the social world of which they are a part. This has implications for the research approach best suited to understanding the impact which social networks, comprised of human

beings, have upon the development of small firms, also comprised of human beings. Laing (op. cit.) explains that because “persons experience the world” and “things behave in the world” ontological assumptions about reality in the natural world are not suited to the nature of reality in the social world. Bryman (op. cit.) concurs that a natural science approach is not appropriate for the study of people as it fails to take account of the differences which exist between people and objects. Particularly when the ontological assumptions upon which the Positivist paradigm rests (see Table 5.1 below) are considered alongside the nature of reality in the social world (Table 5.0 above), it becomes apparent that such an approach is not suited to guiding research interested in ‘subjects’ of the social world.

Specific to the nature of the reality of the substantive topic selected by this thesis, there are three key reasons why the ontological beliefs of the Positivist paradigm which has dominated small firm research in general and small firm network research in particular is not suited to guiding the scientific study of the impact which the social networks in which they are embedded impact upon the development of small service firms. Firstly, while ‘it-beings’ are without subjective comprehension, lack an internal logic and do not have a conscious awareness of the natural world of which they are a part, the human participants involved in this research possess each of these characteristics. Consequently, the impact which social networks have upon the development of small professional business service firms cannot be approached from the exterior standpoint demanded by the Positivist approach (Gill and Johnson op. cit.). Rather, if this impact is to be understood, it is necessary that the researcher adopt a research approach which allows her to ‘get close’ to participants, to penetrate their internal logic and interpret their subjective understanding of reality; specifically, the impact which they perceive social networks to have had upon the development of small professional business service firms.

**Table 5.1**      **Contrasting Beliefs About the Nature of Reality and How to approach its Study**

	<b>Positivism</b>	<b>Phenomenology</b>
<i>Ontological beliefs about reality :</i>	exterior objective single reality	subjective interpretative changing realities a product of human activity created through consciousness
<i>Epistemological beliefs about knowledge:</i>	value freedom	neutrality
<i>Reality can be understood by :</i>	Remaining objective & exterior to the subject	Getting close to the subject
	Reduction of the natural world.	Adopting a holistic view of social phenomena.
	Manipulation & control of isolated variables for the measurement of their relationships with others.	View social phenomenon in their natural environments.
	Nomethetic generalisations	Ideographic generalisations
<i>Suited to the study of :</i>	it-beings	human beings

Related to this, while the natural world can be reduced to isolated variables, for example space and mass, which can be operationalized in quantitative terms and manipulated for the purposes of controlled experiments and the search for immutable laws, the social world is not so readily broken apart and is more problematic to operationalise in quantifiable, measurable terms. In contrast to the natural world, if the social world is to be understood, it must be observed in its totality. Writing on this

subject, Patton (1987) explains that because the social world is complex, changing and full of diversity it cannot be understood by a reductionist approach which searches for causal relationships between isolated variables. While the research findings of a Positivist approach are advantageous in that they can be generalised to a wider population that studied and used to either confirm or refute *a priori* hypotheses, applied to the social sciences, the reduction encouraged by a Positivist approach has a number of disadvantages not experienced when used in the study of the natural world. The development of the rigid research design required if research findings are to be regarded as objective and free of the values and subjective opinions of both the researcher and participants, prevents the former from uncovering fresh insights into social problems and generating new and different types of understanding and knowledge. Also, the reduction of phenomena to measurable parts and the manipulation of variables for controlled experiments creates not only an artificial environment within which to observe human behaviour and action but also, removes the opportunity to understand the change processes inherently involved in human action and behaviour (Easterby-Smith op. cit.; Patton op. cit.).

Specific to the substantive area selected by this thesis, Churchill and Lewis (1986) argue that the reduction of the process of creating, developing and growing small firms to individually measurable variables, "unfortunately ignore(s) real problems in order to fit neat packages" (p384). Concurring with Churchill and Lewis (op. cit.) other researchers (for example, Aldrich 1992; Borch and Arthur 1995; Brown and Butler 1995) go further and argue that by stripping small firm problems of the context within which they naturally occur, the findings produced by Positivist approaches are generalisable only to the extent that the conditions under which the data was collected occur naturally in the social world where the actions and behaviours which are the focus of small firm research take place. Bygrave (1989) concurs that applied to small firm research, the natural science approach is unable to produce the immutable generalisations typical of the natural world because the "social sciences, in contrast to the natural sciences, lack fundamental principles such as the conservation laws of physics from which robust, mathematical models can be deduced" (p8). He argues that despite the complexities involved in the holistic and

unique process of small firm creation, development and growth, Positivist approaches have dominated the scientific study of small firms as a consequence of researchers' "physics envy". This envy he argues, is mistakenly rooted in the assumption "that business progress can be described by smoothly changing, linear, deterministic models which can be analyzed with regression equations". Going further, he argues that as a consequence of this assumption, the Positivist paradigm "is unable to handle the entrepreneur's disjointed events that disrupt stability" as it "either relegates the acts of the entrepreneur to a dummy variable or, worse yet, leaves them lurking in the ubiquitous error term". Particularly then, as discussed in Chapters Three and Four respectively, the complexities involved in the process of small firm development together with the fluctuating and emergent nature of social networks demand that their study is approached from a perspective which allows them to be considered in their totality is appropriate.

The third reason supporting the argument that a Positivist approach is not suited to the nature of the reality of the substantive topic selected by this thesis relates to the 'uniqueness' of the process of small firm development. While a Positivist approach assumes that there is only one reality, there are two reasons to support the argument that the process of developing a small professional business service firm is unique and as "there exists no consistent set of statements (reduced to their most basic underlying axioms) that can ever hope to deal with all propositions" (Lincoln and Guba 1986, p 188), cannot be explained by the immutable laws characteristic of the natural world. While the natural world is comprised of 'it beings' lacking in conscious ability, the participants involved in the complex process of small firm development are human beings in possession of their own internal logic. Consequently, it can be argued that their experiences of this process will be unique to their subjective interpretation and understanding of the process. Secondly, as discussed in Chapters Two and Three, the process of creating a small professional business service firm is dependent upon a variety of factors, most of which are specific not only to the industry sector and spatial location of individual firms but also are unique to the individuals involved in this process. Necessary then for an understanding which reflects the realities of the research problem under investigation is an approach which permits the perspectives of

participants to be considered and an understanding which 'fits and works' (Glaser and Strauss 1967) with these perspectives to emerge.

Consideration then of the nature of the reality of the substantive topic selected by this thesis for scientific inquiry suggests a Positivist approach which views reality as external and objective and believes that for the purposes of rigorous, scientific research, social phenomena should be broken down into individually identifiable and quantitatively measurable parts is not appropriate. Rather, this consideration suggests that an approach which allows the researcher to view social phenomenon in their entirety, get close to participants, penetrate their realities and interpret their perceptions is appropriate for guiding research interested in the scientific study of the impact which the social networks in which small graphic design agencies are embedded have upon their development. As mentioned previously however, the approach selected to guide the development of an appropriate research methodology is also dependent upon the aims and objectives of the research. For this reason, the aims and objectives of this research and the implications which these have for the research approach adopted are considered in the section below.

### **5.3 Aim and Objectives of the Research.**

Before stating explicitly the aims and objectives of the research and considering the implications which these have for the research approach to be adopted, it is pertinent to establish the extent to which current knowledge and understanding about small firm networks can be used to hypothesise about the impact which the social networks in which they are embedded have upon the development of small service firms (Easterby-Smith et al op. cit.). By doing so, not only is a more comprehensive explanation for the research approach adopted provided but also the extent to which this research builds upon and contributes to current knowledge and understanding about small firm networks is made clear.

As discussed in Chapter Three, it is only relatively recently that small firms have become an area of academic interest. Particularly when considered alongside the



'queen' of science (Bygrave op. cit.) - physics - the infant nature of small firm research is made apparent ( see Table 5.2 below).

**Table 5.2 History of Two Paradigms**

	<b>Physics</b>	<b>Entrepreneurship</b>
<b>Origins</b>	5th Century B.C. <i>Democritus, Plato</i>	18th Century A.D. <i>Smith, Say</i>
<b>Modern</b>	17th Century A.D. <i>Newton</i>	20th Century A.D. <i>Schumpeter, Weber</i>
<b>Empirical Research</b>	>2,000 years	30 years
<b>Theory</b>	17th Century A.D.	-----
<b>Teaching</b>	>2,000 years	20 years
		Source : Bygrave 1989

Churchill and Lewis (op. cit.) agree that the “field is young, complex” and argue that as a consequence of the Positivist approach which has traditionally been adopted, is characterised by a plethora of facts but little theory. Specifically, they argue that as small firm research “is a field in which the underlying concepts have not been adequately defined” (p335), the primary concern for the interested researcher should be theory development, not theory testing. Arguing that “(t)oo narrow a view of what is “science” can restrict the choice of problems to those that are amenable to the “scientific” method” (p337), Churchill and Lewis (op. cit.) assert that small firm researchers’ concern for the scientific rigour on which the findings of natural science research are judged, has limited the advance of small firms as an area of academic study. Likewise, Brockhaus (1987) believes that small firm research has been impeded by a concern for doing the correct *type of research* rather than researching the *correct types of questions* with whichever approach is appropriate. With specific reference to the value of small firm research and the extent to which it is of interest to relevant stakeholders, Brockhaus (op. cit.) asks why do “ we insist upon playing “our” game

even when the spectators would like us to conduct research of more interest and value to them?" (p43/4). Responding to this and similar questions, Bygrave (op. cit.) argues that the infant and emerging nature of small firm research demand that a qualitative approach which encourages the development of practical and theoretical understanding and the generation of new and alternative theories and concepts is appropriate. Specifically, he argues that "at the beginnings of a paradigm, inspired induction (or more likely enlightened speculations) applied to exploratory, empirical research may be more useful than deductive reasoning from them" and recommends that the "emphasis in an emerging paradigm should be on empirical observations with exploratory, or preferably grounded research, rather than testing hypotheses deduced from flimsy terms" (p23). Going further, Churchill and Lewis (op.cit) warn that without existing theories, grounded in empirical observations, the continued dominance of Positivism's hypo-deductive approach to understanding small firms will restrict the generation of knowledge about small firms and ultimately, will limit the development of the subject as an area of scientific inquiry.

When the needs of the entrepreneurship paradigm ( Table 5.3 below ) suggested by Bygrave (op. cit.) are considered alongside the fact that the study of small firms in general and small firm networks in particular, are essentially concerned with the study of human action and behaviour, the suitability of using a qualitative paradigm to guide their study is strengthened. Bygrave (op. cit.) recommends that by suffering from less 'physics envy', small firm researchers will be able to replace the reductionist perspective which the Positivist approach insists is necessary for 'scientific' study, with a holistic perspective of the problems they are investigating. By doing so he argues that they will be able to build upon research findings which have been produced by Positivist approaches to the study of small firms and generate new insights and understandings of the process of small firm creation, development and growth.

**Table 5.3 Needs of an Infant Paradigm in an Applied Social Science**

- Less physics envy
- More empirical models; less theoretical models
  - Less concern with sophisticated statistics
    - More field research
  - More Longitudinal Research
  - Dedicated researchers
- Original field-derived data banks
- Less obsession with revolutionary science

Source : Bygrave 1989

Particular to small firm networks, the review presented in Chapter Four identified that while much is known about the structural dimensions of such networks, which lend themselves to study from a Positivist approach, there is little understanding of, or knowledge and theories which explain those interactional dimensions which Mitchell (1969) conceptualised social networks as possessing. One of the reasons suggested (Aldrich et al 1989; Blackburn et al 1990; Curran et al 1993a; Curran and Blackburn 1992; Dubini and Aldrich 1991; Joyce et al 1995; Ramachandran et al 1993) for this paucity of knowledge about, for example the content of network relationships, the motivations for being involved in relationships and the outcomes and processes involved in the network of relationships within which small firms are embedded (Granovetter 1985; 1992), is that the study of these dimensions involves a research approach different from that which has been traditionally used in the study of small firm networks. Aldrich et al (op. cit.) recommend that if an understanding of the

processes and dynamics involved in small firm networks is to be generated, a research approach which guides the use of qualitative methods of data collection and analysis be adopted. After several years of using a Positivist approach to guide his study of small firm networks, Aldrich concluded in his 1989 paper on the subject that small firm networks may be "too subtle" to be researched from a Positivist paradigm and that "observational studies would be a welcome supplement".

Supporting this argument, Curran et al (op. cit.) assert that "to date, studies of small business networks and networking have employed relatively simple conceptualisations of 'network' and correspondingly simple research designs" (p1). They recommend that "different research strategies to the mainly variable centred, 'counting' approaches employed in most network research involving small firms" should be designed within the guidance of a qualitative paradigm. Particularly, they are critical of Positivist approaches to small firm network research reasoning that while the Positivist approach commonly used in small firm network research can "provide useful information on some of the connections owner-mangers have with others outside the enterprise, (such findings) are conceptually limited and based on somewhat insensitive research studies" which, "by their very character, are unable to go very far in furthering the understanding of what is meant by a network and the way it functions" (p2). Curran et al (op. cit.) advise that if a deeper understanding of small firm networks and all of the dimensions which they are conceived to possess (Mitchell op. cit.) is to be generated, "a more qualitative approach will be required than that which has previously been utilised" (p2). In particular they argue that if the interactional dimensions of small firm networks are to be understood, they necessarily must be approached from a qualitative paradigm. This they argue is because the contents and outcomes of small firms' involvement in social networks can only be understood in terms of what participants in these networks identify them as containing and as being the motivation for investing their resources in them. It was on this reasoning that Filion (1990) designed his study of small firm relationships. Believing that "what is relevant is not what is actually real in the world, but what the (respondents) think is there", Filion adopted a qualitative paradigm to guide his study

of successful entrepreneurs' perspectives of why their firms had achieved commercial success.

The Positivist approach which has been adopted for use in the majority of small firm networking studies provides data on such structural network dimensions as size and shape. The approach however by encouraging a reductionist perspective of the problem, has neglected the study of and restricted understanding about the interactional dimensions of small firm networks. Specifically, the reductionist perspective demanded by the Positivist approach has limited the understanding of small firm networks in three ways. Firstly, the quantitative data collected about small firm networks is fixed for a specific period in time. As such it provides a "snapshot" or static picture of the size and shape of small firm networks, particular to the period in time at which the data was collected. Related to this, the findings produced by a research approach which reduces small firm networks to their structural dimensions, do not provide an understanding of the processes and dynamics involved in small firm networks. Lastly, by stripping small firm networks of the context in which they naturally occur, a Positivist approach is unable to generate an understanding of the holistic processes involved and the impact which interpretative realities have upon the actions and the behaviours of those who participate in small firm networks.

Dubini and Aldrich (op. cit.) address these criticisms. On the temporally-limited nature of previous small firm networking research findings they explain that "claims about the importance of networking rest on inferences made from cross-sectional data, obtained from active and potential entrepreneurs at one point in time" and concede that while "some provocative arguments concerning network strategies have been drawn from such analyses...they are no substitute for actual longitudinal studies of entrepreneurs in action". Referring to the processes and dynamics involved in small firm networks, they suggest that it is "crucial to investigate how an extended network is created, developed and strengthened over time and how an entrepreneur manages to embed the concept of a personal network in the company's "culture" so that the company itself becomes "network orientated" "( p312). Finally, on the

criticisms which his and similar small firm network research have received about their context-stripping of the phenomena of small firm networks, they recommend that :

*“Perhaps we need to take a micro-level view of networking, exploring an entrepreneur's use of specific network ties to people who control particular resources needed in the business. The immediate context for highly focused actions may well be influenced by an entrepreneur's personal network, and so we will turn to that level of analysis in future papers”.*

Consideration then of what is currently known and understood about small firm networks suggests that not only has a Positivist approach encouraged a concentration on the structural dimensions of such networks, to the neglect of their interactional dimensions but also, in common with small firm research in general, a concentration on Positivist approaches to the study of small firm networks has produced an incomplete and artificial understanding of the relationship between small firms and the social networks in which they are embedded. Specific to the interests of this thesis, consideration of previous research reveals that currently, knowledge and understanding about small firm networks, particularly the interactional dimensions of such networks, is too scant to permit hypothetical statements about the impact which the social networks in which they are embedded have upon the development of small service firms to be suggested. In light of the research gaps identified in Chapter Four, the discussion presented above suggests that the scientific study of the problem selected by this thesis be guided by the aim of :

*‘Exploring the impact which the social networks in which small professional business service firms are embedded have upon their development’.*

Unlike Positivist approaches to research which specify in advance of the collection and analysis of data, the precise objectives of the research, not enough is currently known about the contents and the outcomes of small firms' involvement in social

networks to justify the specification of such precise research objectives in advance of the researcher's entry to the field. Not until the researcher had familiarised herself with the substantive area and identified issues which participants regarded as important to understanding the impact which the social networks in which they were embedded had had upon the development of small graphic design agencies did the following more focused series of objectives emerge :

- 1 *Identify the relationships in which participants perceived case-firms to be embedded.*
- 2 *Develop an understanding of the reasons why the social networks in which case-firms were embedded fluctuated over time.*
- 3 *Identify the contents of the relationships in which case-firms engaged.*
- 4 *Discover the impact which case-firms' involvement in relationships comprised of particular contents had had upon the development of case-firms.*
- 5 *Understand the benefits of case-firms' involvement in multiplex relationships, particularly those which they shared with individuals holding 'broker' positions within the social networks in which they were embedded.*
- 6 *Identify the types of networking activities in which owner-managers and staff engaged and understand how and why these activities were managed and controlled by owner-managers.*
- 7 *Develop an understanding of the ways in which those factors found to influence the contents, outcomes and/or networking activities exercised this influence.*

Consideration then of both the nature of the reality of the substantive topic selected by this thesis for scientific inquiry and the exploratory nature of the research suggest that a Positivist approach which views reality as external and objective and believes that for the purposes of rigorous, scientific research, social phenomena should be broken down into individually identifiable and quantitatively measurable parts is not appropriate. Rather, the discussions presented above suggest that for the purpose of developing an understanding of the impact which the social networks in which small

service firms are embedded have upon their development, an approach which allows the researcher to view social phenomenon in their entirety, get close to participants, penetrate their realities and interpret their perceptions is necessary. Specifically, the nature of the research problem suggests that a qualitative research approach is appropriate for a number of reasons.

It has already been argued that the process of small firm development is complex, involving many individuals, not just the owner-manager (Chapter Two) and that by their very nature, social networks fluctuate over time, their structure and composition emerging as a consequence of processes of interactions between those individuals of which they are comprised (Chapter Four). As a consequence, if the impact which social networks have upon the development of small service firms is to be understood, the 'problem' selected by this thesis for scientific investigation cannot be broken into isolated and measurable parts. Rather, for the purposes of developing such an understanding the adoption of a qualitative research paradigm which considers social phenomena in their entirety is appropriate if the often "subtle" and context specific processes (Dubini and Aldrich *op. cit.*) inherent in the social networks in which small firms are embedded are to be understood. Related to this, a second strength of the qualitative research paradigm which makes it appropriate to guiding the research problem selected is that it is suited to research which aims to develop an understanding of social phenomena which are little understood and about which there are few existing theories (Patton *op. cit.*). As a qualitative research paradigm encourages the development of a flexible research design which in turn, encourages the researcher to look at issues of relevance to understanding the substantive area rather than testing preconceived theories (Glaser and Strauss *op. cit.*) based more on theoretical reasoning than empirical data, it is suited to the little understood phenomenon of the impact which the social networks in which they are embedded impact upon the development of small service firms. A final strength of the qualitative research paradigm which makes it suited to guiding the scientific inquiry of the topic selected is that it is an approach which recommends that to get close to respondents they should be observed in their natural environment rather than the artificial environment typical when Positivist research is applied to the social sciences. As a



qualitative paradigm offers the researcher the opportunity of observing human behaviour and action as it occurs in “mundane” (Schutz op. cit.) everyday life, the findings generated by such an approach can be described to “fit and work” (Glaser and Strauss op. cit.) with the natural environment to which they are particular.

As with any research approach, particular problems can be encountered when a qualitative research paradigm is adopted. Specifically, these relate to the type and amount of data collected. Not only are a large amount of time, effort and resources required in order to collect enough data to understand the complexities of the social phenomena under investigation but, once collected, the analysis and interpretation of data can be difficult (Easterby-Smith et al op. cit.). While this is appreciated, as illustrated by the Research Spiral presented later in the chapter, the procedures employed by the researcher throughout the research process ensured the systematic and rigorous collection and analysis of data. Before however considering the methods employed, the research process experienced and presenting in more detail the limitations of the methodology, the flexible research design recommended by the qualitative paradigm is described in the section below.

#### **5.4 Research Design**

A research design is the plan of the activities which are to be carried out if the aims of a research study are to be achieved and as such is concerned with the subjects to be selected for study, the type of data to be collected and the methods of data collection and analysis which are to be used (Paulin et al op.cit). In designing qualitative research, there is less literature to advise the researcher than is currently available to guide the design of quantitative research. While the paucity of literature on qualitative research design is partly due to the emergent and iterative nature of the qualitative research process (Bechhoffer 1974), it is important that the qualitative researcher makes explicit decisions taken prior to their entry into the field about the type of data to be collected and the techniques of data analysis to be employed and is able to explain the ways in which the research subsequently developed. In planning this study and providing a justification for the research design, the researcher has

been guided by the advice offered by Lincoln and Guba (op. cit.), Marshall and Rossman (1995) and Yin (1994) on qualitative and case study research respectively, and by Aldrich (1992); Bygrave (op. cit.); Hofer and Bygrave (1992); Curran et al (op. cit.); Chetty (1996) and Romano (1989) on small firm and networking research, each of which she found to be particularly relevant.

To complement the author's ontological beliefs and the exploratory nature of the research, the advice of Lincoln and Guba (op.cit) was taken and an open flexible research design which would allow findings to "unfold, cascade and emerge" (p210) was selected. Characteristic of exploratory research conducted within a qualitative paradigm, this research was designed to allow the researcher to get close to participants and their perspectives of the small firm networks of which they were a part; to build rich descriptions of the context within which these networks are developed, created and maintained and to allow an understanding of the impact which they had upon the development of small service firms which "fits and works" with participants' perspectives (Glaser and Strauss op. cit.) to emerge from inductive analysis of the data collected. As such, the design used to guide the collection and analysis of data about small firm networks had to be open and flexible if the researcher was to be able to uncover and explore issues which emerged as interesting and potentially capable of understanding the impact which the social networks in which they were embedded had had upon the development of case-firms.

Advice however on the problems which can arise when a researcher enters the field without having taken decisions about, for example the types of participants to be involved in the study and the general focus of inquiry was also taken. In particular, Wolcott's (1994) warning that it is "impossible to embark upon research without some idea of what one is looking for and foolish not to make the question explicit" (p157) was considered when deciding upon the design of this qualitative study of small firm networks. Before entering the field, initial decisions regarding the types of small firms to be involved in the study, the type of data to be collected, from whom it was to be collected and the ways in which it was to be analysed, were taken. The section below details decisions regarding the design of the research taken before

entering the field under the headings of : unit of analysis; case study research; firms selected; role of the researcher and access and ethics.

#### 5.4.1 Unit of Analysis

Patton (op. cit.) asserts that the key factor in selecting and making decisions about the appropriate unit of analysis is to decide what unit it is that you want to be able to say something about" (p51). As this research is interested in the impact which social networks have upon the development of small firms, the small firm is selected as the unit of analysis. The argument for the need to undertake small firm research which selects the small firm rather than the owner-manager as the unit of analysis has already been made in Chapter 2. Also, the conceptualisation of the small firm as an open system (Aldrich 1979) presented in Chapter 3 implies that to understand small firms, researchers must study the interactions which small firms, that is, owner-managers *and* employees, share with the environment in which they exist. Particular to small firm networking research, one of the conclusions drawn by the review of the literature presented in the preceding chapter is that to understand small firm networks, researchers should not restrict their study to the network of the owner-manager but should widen their focus of inquiry to study " the networking activity of all those people involved in making and maintaining a business's contacts" (Aldrich and Reese 1993).

Having selected the small firm as the unit of analysis, decisions about the types of small firms to be involved in this study were taken prior to entry into the field. It was decided to select small graphic design agencies and to use a grounded definition of 'smallness'. These decisions are defended by the heterogeneous nature of Britain's small firm sector. As was discussed in Chapter 2, despite the fact that the small firm sector is comprised of firms which compete in a variety of sectors and which can be defined as 'small' according to different criteria, many small firm policies and initiatives are developed and implemented on the assumption that Britain's small firm sector is homogeneous. It was concluded in Chapter 2 that if the assistance offered to

small firms is to be effective, it must be informed by industry-specific research which adopts a grounded definition of firm size.

This study of small firm networks selects small graphic design agencies as the unit of analysis. There are two main reasons why small firms competing within this sector were selected. Firstly, as was detailed in Chapter 2, much of the growth of Britain's small firm sector has been concentrated in services and in particular business services. Secondly, the researcher has an interest in Marketing Communications and has been involved in researching and teaching this topic for a number of years, during which time she has developed knowledge of and contacts in the local Marketing Communications industry. In selecting small graphic design agencies to be included in this study, while Bolton's qualitative definition of firm size was used, his figure of small firms being comprised of no more than two hundred employees was rejected in favour of using a grounded definition of firm size. As Curran et al (1991) recommend that grounded definitions of firm size are established "by investigating the ways in which those involved - owner-managers and other industry representatives, relevant trade associations etc. - conceptualised "size" in relation to the economic activities in which they are involved," the researcher had discussions with relevant stakeholders<sup>1</sup> in the graphic design industry to ascertain what could be regarded as a 'small' graphic design agency.

The consensus which emerged from these discussions was that a small graphic design agency would employ no more than 10 staff including owners and would be owned and managed independently of any larger organisation. This definition of a small graphic design agency was one criterion used to identify potential small firms for involvement in the research. To confirm that this definition 'fitted and worked' with the conceptualisations which participating firms had about firm size, in negotiations prior to confirmation of their involvement of the research, owner-managers were asked to describe the features which would characterise a 'small' graphic design

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<sup>1</sup> For the purposes of establishing a 'grounded' definition of the firm size within the graphic design industry, as well as asking the opinions of research participants, those of the Chartered Institute of Designers, together with statistics made available from Scottish Design were compared.

agency and to comment on whether 'small' was an appropriate way to define the size of their organisation.

#### 5.4.2 Case Studies

Yin (op. cit.) asserts that when a researcher is asking 'how' and 'why' questions; has little control over the focus of their study and is interested in understanding "contemporary phenomena within some real-life context" (p1), the selection of the case study as a strategy for adopting a holistic perspective of the focus of the inquiry and collecting rich, detailed, context-specific data is appropriate. As a strategy for collecting detailed data about complex, little understood social phenomena, case study research has a strong tradition in the social sciences (Bott 1957; Whyte 1955), is widely used throughout the medical sciences and is becoming increasingly popular in small firm research (Chetty op. cit.; Romano op. cit.). The approach's popularity is attributed to the opportunities it offers researchers for studying social phenomena in their entirety, in the surroundings in which they naturally occur and for exploring and closely examining participants' perspectives of these phenomena (Marshall & Rossman op. cit.; Maykut & Morehouse 1994). Particular to this exploratory study of small firm networks, the characteristics of case study research make it an appropriate strategy for studying the unique, context-specific processes involved in interactions between small firms and their environment (Morris & Stenberg 1991) and for achieving the aim and objectives of this research. Writing on the use of case studies in small firm research Romano (op. cit.) argues that the approach's examination of social phenomena in the context within which they naturally exist is particularly suited to the heterogeneous nature of small firms. The case study's ability to examine the unique contexts within which individual small firms exist and to overcome "the restrictions of response imposed by a questionnaire" when "investigating the heterogeneity of procedures (involved in small firms) and their relationship(s) with the context in which they are" positioned (Romano op. cit.) is one strength of the approach which is particularly suited to this exploratory study of

the impact which the social networks in which they are embedded have upon the development of small graphic design agencies.

Relating to this, a second strength of the case-study approach is its ability to explore social phenomena in their entirety and to develop an understanding of the complex processes and interactions characteristic of the social world (Chetty op. cit.; Marshall & Rossman op. cit.). Case study research is appropriate when the social phenomenon under study is not fully understood and for which empirically generated concepts and categories do not exist. In these circumstances, rather than dividing the problem at the centre of the inquiry into isolated factors which may not 'fit and work' with the social realities of the participants involved, case study research adopts a holistic perspective of the problem under inquiry. For these reasons case study research is an appropriate way of exploring and developing an understanding of the impact which the social networks in which they were embedded had had upon case-firms.

A final strength of the case study approach which allows the "investigator to retain the holistic and meaningful characteristics of real-life events" (Yin op. cit.; p3), is its compatibility with the ontological beliefs of the qualitative paradigm within which this study is conducted. The case study approach used in this study complements the qualitative paradigm within which it is positioned as it preserves the natural surroundings within which small firm networks exist and is able to convey the viewpoints of participants within these networks (Diesing 1972). Case study research involves the collection of data about social phenomena in their natural settings and as such is able to maintain the naturalism demanded by the qualitative approach. Related to this, the study of social phenomena in their natural settings involves the researcher 'getting close' to participants. By building trusting relationships with participants in small firm networks and becoming involved in their worlds, the researcher is able to penetrate and closely examine the socially constructed realities which characterise the social world and to generate an understanding of small firm networks which 'fits and works' with participants' perspectives.

### 5.4.3 The Selection of Case Firms

Having decided to select small graphic design agencies as the unit of analysis and to use case studies as a way of collecting rich and detailed data which provide a description of the content, processes and outcomes of small firm networks and the context within which these occur, decisions about the ways in which case-firms should be selected were taken. In considering those firms to be involved, two decisions were taken prior to entry into the field. It was decided that purposeful rather than random sampling was an effective way of selecting small graphic design agencies whose qualitative and exploratory study would be capable of uncovering new and unfamiliar findings which had the potential to contribute to current understanding about small firm networks. It was also decided that homogeneous and criterion sampling tactics (Patton *op. cit.*) would be helpful in the purposeful selection of such case studies.

While the logic of probabilistic sampling lies in "selecting a truly random and representative sample which will permit confident generalisations from the sample to a larger population" (Patton *op.cit.*, p 51), the logic of purposive sampling is suited to research with different aims. The power of purposive sampling lies in the selection of cases which are rich in information about the central issues in which a research study is concerned (Marshall & Rossman *op. cit.*) and as such, purposive sampling is suited to research which aims to develop a rich and detailed understanding of social phenomena in the context in which they naturally occur (Patton *op.cit.*). The detailed study of information-rich cases included in a purposive sample, such as that used by Filion (*op. cit.*) in his study of successful entrepreneurs, has implications for the number of cases which should be included in a purposive sample and for the criteria against which the findings to emerge from inductive analysis of the data collected are judged.

The in-depth study for which purposive sampling is suited demands that if the researcher is to develop a detailed understanding of the particular themes and issues in which their research is interested, the number of cases included in the sample must be

significantly less than the number involved in a probabilistic sample (Easterby-Smith et al op. cit.). Also, when using purposive sampling, the composition of the sample is not determined in advance of the researcher's entry into the field (Maykut & Morehouse op. cit.). Instead, as the research progresses, inductive analysis of data identifies common themes and patterns with the potential of providing an understanding of the phenomenon under investigation. Decisions about the number of firms to include in a purposive sample are determined, once in the field, by the extent to which the collection of data from another case-firm will contribute to, identify as invalid, or pull together, the themes and patterns which have emerged. Glaser and Strauss (op. cit.) recommend that particular to the themes and issues in which the researcher is interested, when these become 'saturated', that is, "no additional data are being found" from the sampling of additional case-firms, no further firms should be sampled and the process of data collection should come to an end.

The small size of a purposive sample offers the researcher the opportunity to study the social networks in which small graphic design agencies were embedded in their totality and to develop a grounded understanding of the impact which they had upon the development of case-firms. Additionally, the ability of the researcher to decide upon those small firms to be selected for in-depth study once in the field, is suited to the flexible research design used to guide the collection and analysis of data about small firm networks. Particular to this study, saturation of the common themes and patterns which emerged from inductive analysis of the data and guided the collection of data from additional case-studies, occurred at the point when four small graphic design agencies had become involved in the study.

The findings which emerge from the inductive analysis of data collected by the in-depth study of a purposive sample of small firms cannot be measured against the same criteria used to assess the findings produced by analysis of the data collected from such probabilistic samples (Lincoln & Guba op. cit.; Patton op. cit; Yin op. cit.) as those used in many previous small firm network studies of (for example, Aldrich and Zimmer 1986; Aldrich et al 1986; 1987; Birley 1985; Birley et al 1989, 1990; Hand and Tomblin 1992). While the value of the latter are judged by the degree to which they can be generalised to the wider population, the value of the understanding which



emerges from the detailed study of a purposive sample of small firms is properly determined by the degree to which it "fits and works" (Glaser and Strauss op. cit.) with the perspectives of the participants involved in the sample.

Having selected purposive sampling as appropriate, the tactics which Patton (op.cit) identifies as being of assistance in the selection of cases for the purposes of collecting detailed data on the main themes about which a research study is interested (see Table 5.4 below), were debated prior to the researcher's entry into the field.

**Table 5.4 Suggested Tactics for Selecting Information-Rich Case-Studies (Patton 1987)**

<i>Case Sampling Strategy</i>	<i>Description</i>
<i>Extreme/Deviant</i>	Cases which are rich in information because they are unusual or special in some way; Logic of 'lessons learnt'.
<i>Maximum Variation</i>	Cases are heterogeneous; search for common patterns across cases.
<i>Homogeneous Sample</i>	Cases are homogeneous; small samples used for detailed understanding to emerge from their in-depth study.
<i>Typical Case</i>	Cases which describe what is the 'norm', the 'average' or 'typical' case-study; provide a description of what is normal.
<i>Critical</i>	Cases which make a particular point quite dramatically; Logic of 'if it happens there, it will happen anywhere'.
<i>Snowball</i>	Initial cases suggest which additional information-rich cases should be included in the sample.
<i>Criterion Sampling</i>	Cases selected on the basis of meeting a pre-determined criterion of importance.
<i>Confirmatory/Disconfirmatory</i>	Cases either confirm or refute the findings which emerge from analysis of data collected from the first cases studied.
<i>Politically Important</i>	Cases which are politically sensitive.
<i>Convenience</i>	Whichever cases are available; least favoured strategy; most often used.

After comparing descriptions and uses of each of the above tactics with the aims and objectives of this study, it was decided that homogeneous and criterion sampling tactics would be helpful in identifying those small graphic design agencies which would be rich in data about the social networks in which they are embedded and in which the research was interested. Patton (op.cit) describes homogeneous sampling as the selection of a small homogenous sample for the purpose of describing "some particular subgroup in-depth"(p54). As this study is interested in small service firms in general, and in small graphic design agencies as a sub-group of such firms, homogeneous sampling was selected as an appropriate sampling tactic.

The decision to use criterion, in addition to homogeneous, sampling was based on two reasons. Firstly, it was decided that a set of pre-determined criteria would assist the researcher in making objective decisions about the firms which she sampled and that once in the field a purposive sample of homogeneous small graphic design agencies would emerge. Secondly, to ensure that cases were purposively selected, that is, that they would be rich in information about issues relevant to understanding the substantive area in which the research was interested, it was decided that criterion sampling should be used. Table 5.5 below details the three criteria used to assess the suitability of potential case-firms' involvement in the study.

As this research is interested in *small* graphic design agencies, for the reasons outlined in Chapter 2 and mentioned in the section above (see 'Unit of Analysis'), a grounded definition of the size of such firms was used. The criterion that case-firms should have been established for no less than three years was used for two reasons. As this research is particularly interested in the processes and outcomes involved in small firm networks, it was decided that historical as well as current data would allow a more detailed understanding of the interactional characteristics of small firm networks to emerge from analysis of the data collected. A second reason for wishing to select small firms which could no longer be described as 'start-ups' relates to the paucity of research on established small firms which was highlighted in Chapters Two and Three. Considered alongside the current volatility of the small firm sector and predictions that the growth which it has experienced will not continue into the next century, the

researcher was interested in using this study to contribute to current understanding about the development of small firms.

**Table 5.5 Criteria for Small Firm Inclusion in a Purposive Sample**

<b>Research Interests :</b>	<b>Criteria :</b>
Small Graphic Design Agencies	Grounded definition of size = no more than 10 employees; independently owned & managed.
Network processes & outcomes	Has been in business for no less than 3 years
Consolidation & Development of Small Firms	
In-depth, detailed study involving 6-9 months contact time	Business address is in the G1 -G12 postal area

As the in-depth and detailed study of small graphic design agencies was required if the aim of the research was to be achieved and a detailed, grounded understanding of the impact which the social networks in which they were embedded had upon their development was to emerge from analysis of the data collected, it was necessary that the researcher gain access to firms which she would be able to meet with on a regular basis. This, combined with the researcher's limited resources of time and cost of travel made it necessary to include as a third criteria, the restriction that those firms involved in the research were within convenient travelling distance. This was determined by their business address being within the postal codes detailed above.

In addition to decisions about the types of small graphic design agencies to be involved in the research made in advance of the researcher's entry into the field, once

involved in the collection and analysis of data, another tactic was employed . Contacts which the researcher had with the local marketing communications industry were helpful in the purposeful selection of information-rich case studies. These contacts were useful as they provided the researcher with introductions to firms which met the above criteria. Writing on the design of research which requires the collection of detailed, often confidential data, Marshall and Rossman (op.cit) stress the importance of selecting case-studies which offer the researcher the opportunity of building a trusting relationship with participants which will encourage the exchange of rich and detailed data. Introductions to small firms made by trusted third parties, reduced any threats which participants perceived from their involvement in the research, increased the researcher's credibility and provided the context within which a mutually satisfying and trusting relationship could develop.

#### **5.4.4 Role of the Researcher**

Marshall and Rossman (op.cit) assert that decisions about the role of the researcher relate to decisions about the extent to which the researcher will be involved in the collection of data, how case-firms will be accessed and the ways in which ethical issues will be handled. Patton (op.cit) agrees that decisions about the role of the researcher should be taken prior to entry into the field and describes the involvement which the researcher can have in data collection as stretching along a continuum from full participation at one pole to complete observation at the other.

The researcher's decision to use herself as the 'instrument' for collecting data about small firm networks was influenced by the qualitative research approach adopted and the exploratory nature of the research. The subjective epistemology of the qualitative research paradigm views social reality as constructed by human beings and maintains that if it is to be understood, the researcher cannot remain distant from and uninvolved in the social phenomenon in which they are interested. Instead, they must adopt a role, such as 'researcher as instrument for data collection', which allows them to get close enough to social subjects to be able to discover, interpret and

understand participants' perspectives of social reality. For this same reason, the researcher decided that by collecting the data herself, she would be able to meet the aims and objectives of the research and develop a grounded understanding of small firm networks.

In situations where the researcher selects themselves as the instrument for collecting data, the "conduct of the study often depends exclusively on the relationship the researcher builds with participants" (Marshall and Rossman *op. cit.*, P65) as they "enter into a number of strategic, ethical and personal issues which do not attend quantitative approaches" (Locke et al 1993). The ways in which the researcher developed relationships with participants and managed these ethical considerations are discussed in the section below and the methods which she employed to assist in her collection of data are detailed in section 5.5.

#### **5.4.5 Access and Ethics**

Related to the selection of case-firms and considered alongside decisions about the role of the researcher, when undertaking qualitative research, the issue of how to access case-firms has to be deliberated before initial contact is made (Buchanan et al 1988; Easterby-Smith et al. *op. cit.*; Gill and Johnson *op. cit.*). Particular to small firms, Curran and Stanworth (1986) write that "small organisations are notoriously difficult to research" because "their owners are often busy people with little time for and often, also little sympathy with, academic research" (p3). This description, together with fellow researchers' shared experiences of the difficulties presented when organising access to small firms encouraged the researcher to anticipate particular challenges when approaching potential firms and discussing the likelihood of their involvement in the research for a period of time of between six and nine months.

While the sampling procedures detailed above were helpful in organising access to the extent that the researcher was introduced to potential case-firms by a third party

already known to the firms, decisions about what should be offered to secure their involvement and on-going support of the research were considered before initial contact with the first case-firm was made. Holliday's (1992) advice that the negotiation of access for qualitative research "involves a bargain" (p 167) was useful in deciding what the researcher should offer to case firms in exchange for their time and participation in the study. It was decided that when making contact with small firms, the researcher's strengths as a Lecturer in Marketing with a particular interest in and knowledge about Marketing Communications and as someone who had experience of working with small firms should be highlighted and offered to each of the small firms as some form of compensation or reciprocal offering for their involvement in the research.

In reality, once in the field, the researcher did have to offer information and advice on many of the topics which she had highlighted as having some experience of but additionally, she found herself having to become acquainted with subject matters she knew little about, in order to assist case-firms in areas which they identified as expecting, or presuming, the researcher to have some knowledge, or access to knowledge, about. For example, on one occasion the researcher was asked if she could offer some time management training and on another, if she could create an effective, computerised means of managing the 'traffic' passing through a small design studio. Lacking the knowledge or experience to carry out these requests, on each of these specific occasions and on other similar ones, the researcher felt obliged to access the expertise of colleagues and friends, undertake a 'crash-course', in these examples on time and database management respectively, and return to the case-firm, supplied with, and able to offer the information and advice they had requested.

These types of activities were important for three main reasons. Firstly, they were essential in maintaining the companies' involvement in the research project. As in any relationship, each party must believe that their investment is being reciprocated. The small firms involved in this study perceived the researcher's provision of advice, information and training on the areas which they identified her as being able to provide herself, or as a result of her access to the particular contacts within her own

network, as a way in which she could reciprocate their involvement in her research project. Related to this, small firms' requests for information or advice on areas which they were aware the researcher was unfamiliar with but could access through her own contacts provided insight into the ways in which particular relationships are used by small firms to gain access to third parties and to the information which they possess. On a number of occasions the researcher was asked to access a particular contact it was known she had or presumed she would have within her personal contact network as a consequence of her position as a Lecturer in Marketing with an interest in small firms. Lastly, the provision of this 'service' offered the researcher the opportunity to access different people within each of the case-firms, to collect data from them and, when providing training, to observe their actions, behaviours and interactions with one another.

Related to the issue of negotiating access to case-firms and maintaining trusting relationships with participants, the researcher found herself presented with the ethical issues of how the findings should be presented and who they should be made available to. When negotiating access to case-firms, given the confidential nature of much of the data to be collected, the researcher felt it necessary to assure owner-managers that the anonymity of their firms would be maintained throughout the duration of the research and in the presentation of findings. Additionally, as data was collected from employees as well as owner-managers, the researcher decided to extend the offer of anonymity to each of the individuals participating in the research. While this offer was necessary if participants were to feel relaxed about the conversations they had with the researcher and encouraged to be open and honest about the relationships which case-firms shared with the environment, by resolving one ethical issue, the researcher found herself presented with a second one. Having built up friendships with each of the owner-managers, when the researcher's discussions with , and observations of, other case-firm employees, revealed to her incidents of which the owner-manager was unaware and the researcher believed would have been angered by, she felt caught between this friendship and the anonymity which she had promised to all participants involved in the research.



In later stages of the research, as the researcher was developing a detailed understanding of the impact which the social networks in which they were embedded had had upon the development of case-firms, she found herself presented with a similar but more pressing ethical issue. It emerged that while a particular individual was known and perceived to be trustworthy by two of the case-firms, only one of their owner-managers was aware of the brokerage position held by this individual. Not only was this owner-manager aware of this brokerage position, but it became apparent to the researcher that this broker was passing confidential information about design 'pitches' from the company that was unaware of their relationship to the owner-manager who was taking deliberate advantage of the broker's vantage position. Awareness of this particular network process, presented the researcher with very difficult choices about whether this information should be included in the presentation of findings which she had promised to each of the small firms involved in the research.

## 5.5 Research Methods

Having outlined the research approach adopted and the flexible research design used to guide the collection of data, this section details the methods of data collection and analysis employed. As is characteristic of the qualitative research process, the collection and analysis of data occurred simultaneously. Unlike the Positivist research process in which data collection and analysis are two separate and distinct stages, with analysis only beginning once all the data has been collected, at no point in the qualitative research process does the researcher collect data without, in the same instant, analysing its meaning. Despite the concurrent nature of these two activities, for the purposes of outlining the methods of data collection employed by the researcher and explaining the inductive analysis which was used, it is helpful to detail these activities in separate sub-sections.

### 5.5.1 Data Collection

This section details the methods which the researcher used to collect data during the six to nine months of contact which she had with each of the agencies involved in the research. The case study approach used ensured that data was collected from owner-managers, other members of staff and individuals external to case-firms and that a detailed, grounded understanding of the impact which the social networks in which they were embedded had upon the development of case-firms emerged from the analysis of this data.

The selection of methods which the 'researcher as instrument' used in her collection of data about small firm networks was influenced by the qualitative approach adopted and exploratory nature of the research. Research conducted within the qualitative paradigm is characterised by its commitment to the collection of data in the context in which social phenomena naturally occur and to generating an understanding of social phenomena which is grounded in the perspectives of research participants (Bryman *op. cit.*; Lofland 1971; Marshall & Rossman *op. cit.*; Miles & Huberman 1994). This means that rather than remove subjects from their natural environment, the methods used in qualitative research must allow the researcher to enter into the social world in which they are interested and to have an empathetic understanding of participant's experiences of the particular social phenomenon under investigation. The collection of social data then, is best conducted in the environment in which social phenomena naturally occur and the methods used must be open and attentive to the internal logic of participants.

Particular to this it was decided that data should be collected from participants in their natural environments. This meant that data was collected at the premises where participants worked and outside of working hours, at neutral places of convenience, suggested by participants. It was also important that the collection of data was not restricted by the researcher imposing her own, external logic on the behaviours which she was investigating. For these reasons, the postal questionnaire which has been the dominant instrument for collecting data about small firm networks (Aldrich *op. cit.*;

Aldrich et al op. cit.; Birley op. cit.; Birley et al op. cit.) was rejected. Instead, methods which allowed data to be collected from participants in the working environments, could capture data rich in detail about interactional network characteristics and offered the researcher the flexibility to explore issues raised by participants were selected.

To compensate for the strengths and weaknesses of different approaches to collecting qualitative data and to strengthen the credibility of the findings which emerge from inductive analysis, this study used two of the triangulation techniques recommended by Denzin (1978). Data triangulation is the collection of data from a variety of sources and the selection of the small graphic design agency as the unit of analysis and the decision to use a case study approach ensured that data was collected from the owner-managers, employees and persons external to, but sharing relationships with, each of the case-firms which, as the research progressed, became involved in the study. Methodological triangulation is the use of more than one method of collecting data and when gathering data about small firm networks, this study followed Hofer and Bygrave's (op. cit.) advice that in small firm research, "multiple data gathering methods should be employed whenever possible to provide triangulation of the entrepreneurial process and phenomenon involved in order to generate more accurate and complete descriptions of what has occurred" (p96). This second type of triangulation was achieved by using interviews, with varying degrees of structure, and observation, during the training which the researcher was asked to offer to employees (see section on 'Access'), to collect data about small firm networks.

### 5.5.2 Depth Interviews

Depth interviews, of varying degrees of structure and openness, were selected as one way in which the researcher could collect rich and detailed data about participants' perspectives on the small firm networks in which they were involved. The aim of depth interviewing is to "understand other persons' constructions of reality" by asking them "in such a way that they can tell us in their terms (rather than those

imposed rigidly and *a priori* by ourselves) and in a depth which addresses the rich context that is the substance of their meanings (rather than through isolated fragments squeezed into a few lines on paper)" (Jones 1985, p46). It is a method which "involves asking open-ended questions, listening to and recording the answers, and then following up with additional relevant questions" (Patton op. cit.; p108) and is suited to exploratory research and to research which aims to develop a rich, grounded understanding of the phenomenon under investigation.

Depth interviews have a number of advantages which make them particularly suited to the aims and objectives of this research. They are a form of interviewing which allows respondents to answer questions posed to them in which ever way they believe most appropriately conveys their opinion and so can provide data representative of participants' perspectives on the network of relationships in which small marketing communication firms are embedded. They also offer the researcher the opportunity of "probing deeply enough to uncover new clues, open up new dimensions of (the) problem and to secure vivid inclusive accounts that are based in personal experience" (Jones op. cit.; p107). As such, depth interviews are a method of collecting data which have the potential of developing an understanding of the interactional characteristics of small firm networks.

The depth interviews which were used to collect data from owner-managers; those customers which the owner-manager had given the researcher permission to contact; trade associations, Scottish Design and contacts which the researcher had within the local marketing communications industry varied in the degree to which they were structured. The structure of depth interviews was guided by warnings about the problems associated with unstructured interviews and, as the research progressed, by the themes and patterns which emerged from inductive analysis of the data. Easterby-Smith et al (op. cit.) warn researchers against creating a situation in which there is "no clear picture in the mind of the interviewer of what questions or issues the interviewer is interested in and, in the mind of the interviewer of what questions the interviewee is answering!". To avoid this scenario, the advice of Jones's (op. cit.) that "(i)n preparing for interviews researchers will have, and should have, some broad

questions in mind and the more interviews they do and the more patterns they see in the data, the more likely they are to use this grounded understanding to want to explore in certain directions rather than others “ (p47) was taken. The option of using completely unstructured interviews was rejected on the grounds that analysis of the data collected would be problematic and that such an approach would not guarantee the collection of data about or associated with the topics which the researcher was interested in exploring. Instead, it was decided that depth interviews would provide “a framework within which respondents (could) express their own understanding” (Patton op.cit p115) of the general network topics and issues on which the research was focused. Depth interviews provided the researcher with the opportunity of engaging in conversation, responding to interesting issues raised by interviewees and uncovering issues capable of providing an understanding of the interactional dimensions of small firm networks. Prior to the beginning of each depth interview, the general areas in which the research was interested in that day were made clear. For example, at the beginning of the first interview with each of the owner-managers the researcher opened the conversation along the lines of :

*“ Thank you for your time and agreeing to become involved in my study, I know how busy you must be. What I'd like to do this morning is get to know a little bit more about your firm. I have a few topics which I'd like to discuss with you but nothing too structured. I'm very flexible and certainly keen to learn of anything which you think might help me understand more about your firm and the business you are in.”*

(Typical Interview 1 with O-M)

By making the researcher's general interests clear to interviewees at the beginning of each interview, the researcher provided a framework within which participants could “respond, comfortably, accurately, and honestly to open-ended questions” about the topics in which the researcher was interested.

The degree to which depth interviews were structured was also influenced by

the stage of the research and the particular objectives which the researcher had for individual interviews. For example, initial interviews with owner-managers served as 'ice-breakers' to confirm the researcher's credibility and trustworthiness and to provide the researcher with an important historical context within which to understand the small firm's current position. These interviews took the form of an informal conversation and were loosely structured around a topic which was used to remind the researcher of the loose collection of themes which they planned to cover within the interview. Given the informal, conversational-style which depth-interviews took, topic guides served to keep the researcher tied to those areas in which she was interested without tying her up in a framework which allowed no room for discovery (Jones op. cit.). On other occasions, for example, when owner-managers requested that meetings with the researcher occurred after working hours in neutral environments, such as a restaurant or wine bar - where they were accustomed to conducting much of their business - while the researcher always had a purpose which she intended to fulfil, for example the follow-up of comments previously made, she was guided by a mental list of the topics she wished to raise. As such, the interviews held during these meetings were more akin to conversations as they tended to be more free-ranging and covered a variety of topics both related to, and separate from, the focus of the study.

When interviewing individuals external to case-firms depth interviews were more structured. While still open-ended, as individuals external to small firms, such as customers, were interviewed only once, it was essential that the researcher collect data on all of the subjects in which she was interested. For this reason, interview schedules (see Appendix 3.1) were used to assist the researcher in asking all of the questions she intended while remaining open to the collection of data on any other interesting issues which respondents raised .

As the research progressed , the researcher developed a grounded understanding of the small firm networks which she was studying and, guided by participant's perspectives and inductive analysis, depth interviews became more focused on the topics which emerged as being potentially important to developing a detailed

understanding of small firm networks. It was decided that one way in which these emerging topics could usefully be explored was by structuring depth interviews around questions about critical incidents. In applying the Critical Incident Technique, the methodology used in this study was guided by that used by Blackburn et al (op. cit.) in their study of small firm networks. The logic behind the technique is to ask respondents about particular incidents which they have experienced and which, because they were critical to them in some way, can be recalled with a greater clarity and detail than everyday, less critical happenings (Flanagan 1954). Particular to this study, the critical incidents in which the researcher was interested were those which involved the respondent having to interact with the network of relationships in which they were embedded. In selecting such critical incidents, the researcher was guided by those topics and issues which respondents repeatedly raised as being of importance to them (see Appendix 3.2). In using the technique, respondents were asked to talk through a critical incident, for example the winning of a major design contract, while the researcher paid particular attention to any networking data which could be collected and, if necessary, probed deeper to encourage respondents to remember as much as possible.

### 5.5.3 Observation and Conversation

Data was obtained from observation in two ways. When meeting with owner-managers at their premises, the researcher had the opportunity to observe interactions between various members of their firms' staff. It was mentioned above that the researcher provided training sessions for small firm employees and during these sessions, data was collected by observation of, and conversation with, the staff involved in these sessions. Holliday (op. cit.) writes that "conversation is something which is seldom mentioned specifically as a data source yet I found it one of the most valuable" (p169). Similarly, the data collected during conversations with staff were useful in providing the researcher with a different perspective on the history, development and current position of case-firms to that held by their owner-managers. Also, in contrast to the data collected from owner-managers by the Critical Incident

Technique, data collected during conversations also provided the researcher with accounts of the everyday, "mundane" (Schutz op. cit.) events of the small firm networks under study.

#### 5.5.4 Recording Collected Data

The different methods of collecting data dictated that they were recorded and stored by different means. Depth interviews were recorded on tape and transcribed by the researcher soon after each interview (for an example see Appendix 3.3). While some notes were also taken during interviews these were mainly for the purpose of noting additional questions to ask and topics to probe more deeply. The recording of interviews allowed the researcher to remain attentive to respondents, engage in conversation with them and create an atmosphere in which respondents felt relaxed and believed that what they were saying was of value and interest to the researcher. Also, as the "purpose of qualitative interviewing is to understand the perspectives and experiences of the people being interviewed" it is essential that the researcher "capture(s) the actual words of the persons being interviewed" (Patton op.cit p 137). The recording of depth interviews ensured that the "raw data of interviews or the actual words spoken by interviewees" (Patton op.cit, p137) remained unchanged and could be used as accurate examples of participants' perspectives on the small firm networks under investigation. Before recording interviews and conversations, the researcher explained that if at any time respondents did not want to be recorded they could pause the recorder. To enable them to do this, tape recorders were positioned within easy reach. Data collected during observations and conversations were not recorded until immediately after training sessions when field notes were written-up by the researcher.

Data for each of the four design firms involved in the research, firm was also recorded by the writing of case-studies. Once the collection of data for individual firms was complete, a detailed case-study was written. As shown in the following chapter, not only did these case-studies detail the background, history, structure,



activities and performance of case-firms, but also, for the purposes of familiarising an outside reader with the substantive context of the research, they also described the rich data in which the findings to emerge are grounded.

## 5.6 Data Analysis

The process of analysing the data collected for this study of small firm networks is characterised by the fact that it began as soon as the researcher started collecting data, it was on-going and it was inductive. Lofland's (op. cit.) explanation that when undertaking qualitative research, "(d)uring the observation or interviewing phase, one is at the same time trying to make some kind of (abstract) sense...of the raw reality one is encountering" (p121) is a fitting description of the overlapping activities of data collection, analysis and interpretation which occurred during this qualitative, exploratory study of small firm networks.

As soon as the researcher began the process of collecting data, she simultaneously engaged in analysing and interpreting the perspectives of those she was talking with and observing. Rather than leaving the analysis of the qualitative data collected until her exit from the field, during interviews and observations, the researcher made written and mental notes about the possible sense which might be made from the data she was collecting. Also, when transcribing interviews and writing up observations, included in transcriptions and field notes, the researcher detailed the analysis which she was undertaking at the time, recommended additional data which she planned to collect and made a note of comparisons between data sources which she was to make (for an example see Appendix 3.3).

This early and on-going analysis was necessary for a number of reasons. By overlapping the phases of data collection and analysis, the researcher was able to "adjust (her) observation strategies, shifting some emphasis towards those experiences which (bore) upon the development of (her) understanding, and generally, to exercise control over (her) emerging ideas by virtually simultaneously "checking" or "testing"

these ideas (Marshall & Rossman op. cit. p 103) with the collection of further data. This concurrency of data collection and analysis was suited to the nature of the social networks under study and to the qualitative research paradigm within which the study was conducted. Given the paucity of research and understanding on the processes, contents and outcomes of small firm networks, while the collection of initial data was guided by sensitising concepts suggested by Mitchell (op. cit.), the collection of subsequent data was guided by the grounded understanding about small firm networks which the researcher developed as she collected and analysed data. On a practical level, the "sheer massive volumes of information" generated by qualitative methods (Patton op. cit. p297), such as depth interviews, demanded that analysis was not delayed until the completion of the collection phase of the research. By engaging in the analysis of data as it was being collected, not only was the researcher able to ensure that data about the small firm networks was being collected, but also, as she was 'memoing' (Glaser and Strauss op. cit.) her thoughts about the ways in which small firm networks could be understood, she was also providing herself with themes and topics which could be used during the final stages of analysis and interpretation.

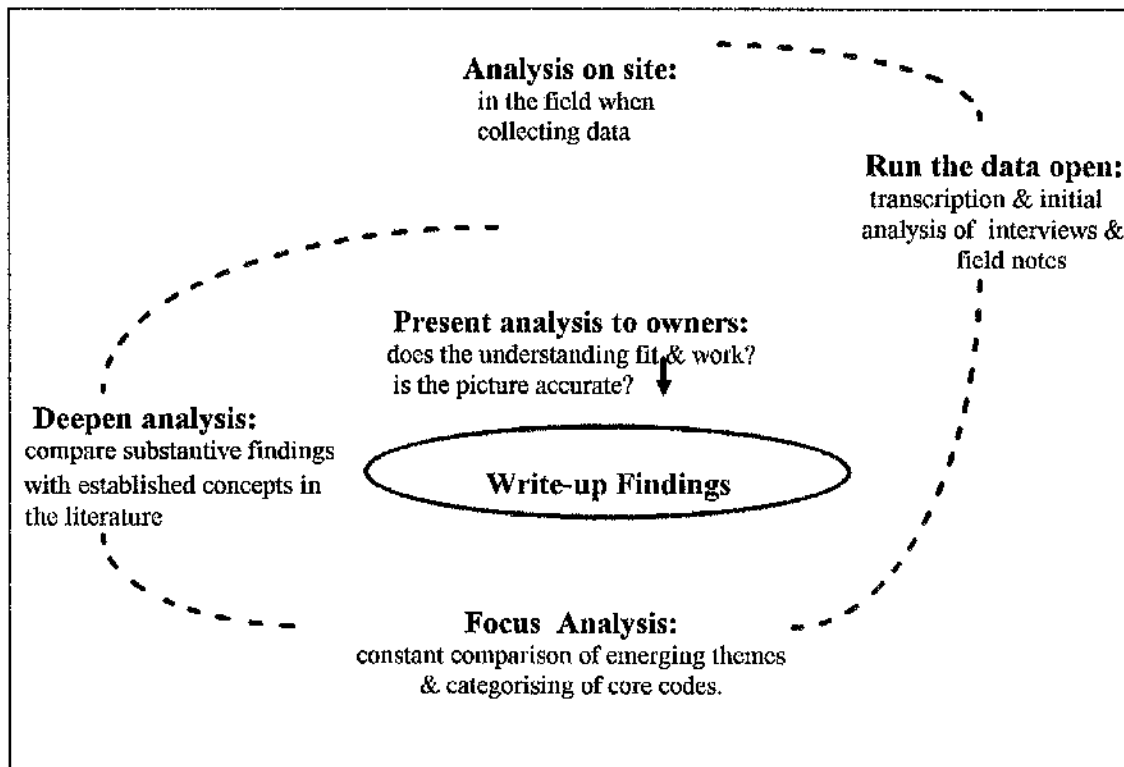
As the aim of this research is to generate rather than validate understanding, "rather than forcing the data within logico-deductively derived assumptions and categories" (Jones op. cit. p25), it was important that data was inductively analysed. By organising and structuring data according to the issues and topics which participants identified as being important to understanding small firm networks, the inductive analysis used was able to "generate (a) grounded theory which "fitted" and "worked" because it is derived from the concepts and categories used by social actors themselves to interpret and understand their worlds" (Jones op.cit.).

Analysis of the data collected was guided by the literature on grounded theory, (Easterby-Smith et al op. cit.; Glaser & Strauss op. cit.; Lofland op. cit.; Marshall & Rossman op. cit.; Miles & Huberman op. cit.; Strauss & Corbin 1990). This literature recommends that the analysis of qualitative data, for the purposes of developing a grounded understanding of social phenomena, involves : the reading and re-reading of transcripts and field notes (Miles & Huberman op.cit); the use of codes to bring order, structure and meaning to raw data (Strauss & Corbin op.cit); the

constant comparison of the codes and categories which emerge, with subsequent data collected and with concepts suggested by the literature (Glaser & Strauss op.cit) and the search for general statements among categories of data ( Marshall & Rossman op.cit). However, in advising on the exact procedures and scheduling of activities involved in this type of analysis, researchers make different recommendations and there are no “formulas or cookbook recipes” (Yin op. cit., p102) to advise the researcher on the ‘correct’ or ‘best’ of inductively analysing qualitative data.

This being so, the Research Spiral (Figure 5.0), and the description which follows, are useful in explaining the systematic process by which the words, which were the raw data of this enquiry, were analysed and interpreted to discover the meanings to which they pointed and a grounded understanding of small firm networks which emerged.

**Figure 5.1 Research Spiral**



*Analysis On-site*

This first phase in analysis occurred in the field. While the early collection of data was guided by the researcher's pre-understanding (Gummesson op. cit. ) of small graphic design agencies and the exploratory aim of, "(e)xploing the impact which the social networks in which small professional business service firms are embedded have upon their development ", as explained above, depth interviews were deliberately open to the collection of interesting responses and perspectives around which further data collection could be focused. The tape recording of interviews allowed the researcher to make written as well as mental notes of any analysis she made during interviews and of particular responses she wished to probe further during that interview or at a later date.

*Running the Data Open*

Immediately after depth interviews and observations made during training sessions, recordings were transcribed, with any analysis made being typed onto the transcript (for an example see Appendix 3.3), and field notes were written up. The second stage in analysis involved reading and re-reading the transcripts and field notes made so far. This served two related purposes. The first was to familiarise the researcher with the data and the second was to start the process of structuring and organising the data into meaningful units. The familiarity (Easterby-Smith et al op.cit) created by reading and re-reading transcripts and field notes, heightened the researcher's awareness of, and focused her attention on (Marshall and Rossman op.cit. p114), the "patterns, themes and categories" (Patton op.cit. p150) of meanings which existed in the data.

The purpose of running the data open was to take the data apart and piece it together again in a number of different ways (Strauss & Corbin op.cit.), each of which, at this stage, were identified as potentially important to developing a grounded understanding of small firm networks. The logic behind this 'opening up' and structuring of the data at this stage was to identify all possible 'leads' which might contribute to developing a grounded understanding of small firm networks. By making several copies of the transcripts and field notes collected so far, the researcher attached 'open' conceptual and empirical codes, to those sections containing data

which, at this stage, appeared to be important for understanding small firm networks (Easterby-Smith et al op.cit.). These sections were then pulled together into meaningful units, around which, the collection of further data was planned for the purpose of determining whether these units were in fact important to developing an understanding of small firm networks. In this way, some chunks of data were coded in a number of different ways, others were discarded on the grounds that they were not relevant to the study and, as a whole, the data collected so far was reduced to a more manageable level.

A second activity carried out at this stage was the writing of memos. These written notes were referred to at later stages of analysis, to remind the researcher of the reasons why certain chunks of data were coded in particular ways and pulled together into organised, meaningful units and also of the early interpretations which she had made.

### *Focusing Inductive Analysis*

Analysis became focused on the issues central to understanding small firm networks by concentrating the collection of additional data around open codes and constantly comparing these data with previously coded sections to identify coded units of data which were central to developing a grounded understanding of the impact which the social networks in which they were embedded had upon the development of case-firms. The method of analysis used during this stage is called the constant comparative method (Glaser and Strauss, op.cit). This method involved the researcher repeating the process of reading and re-reading transcripts and field notes and constantly comparing the data collected during this phase with the sections labelled with open codes during previous analysis. By systematically comparing the similarities and differences between different coded sections of data, some codes were disregarded as irrelevant to the study, others were expanded upon and additional codes emerged. Coded sections were then pulled together into different categories or families of codes (see Appendix 3.4). Included in each category were 'slices of data' (Glaser and Strauss op.cit) exhibiting an "internal homogeneity" which held them together in a meaningful way (Patton op.cit). As the categories used exhibited

“external heterogeneity” , they provided a structure to the sections of coded data which was meaningful to understanding small firm networks.

This process of focused data collection and constant comparison of coded sections of data continued until coded sections became saturated, that is, no new patterns or themes emerged. At this stage, analysis moved from open codes to focus on ‘core’ codes and categories of codes which were central to understanding the substantive topic selected for scientific investigation and around which deeper analysis and interpretation concentrated.

### *Deepening the Analysis*

Having grouped homogeneous slices of insightful data into core categories and by doing so organised coded data into a meaningful structure, the analysis was deepened by interpreting the relationships between core categories and theorising why these relationships existed. By interpreting the structure which had emerged, re-evaluating and conceptualising the ways in which categories of data were related, a cohesive integration of categories which provided an understanding of small firm networks, which ‘fitted’ and ‘worked’ with the data, emerged from this deeper analysis.

In interpreting, re-evaluating and conceptualising the linkages (Easterby-Smith et al op.cit) which had emerged between categories of data, the constant comparative method of analysis was used once again. During this stage of analysis, the researcher engaged in the pro-longed and systematic search for similarities and differences between the slices of data contained within different categories and between core categories and concepts and theories which existed in relevant literature. The purpose of these comparisons was to re-evaluate and interpret the relationships which had emerged between categories of data and to conceptualise the meaning and nature of these relationships. The systematic comparison of empirical categories resulted in some being disregarded on the grounds that, when analysed more closely, they did not fit and work with the understanding which was emerging. The systematic comparison of empirical categories with relevant concepts in the small firm networking literature was important for two reasons. Firstly, comparisons between existing concepts and theories with the relationships which had emerged between categories of empirical

data were useful in re-evaluating the reasons why these relationships existed and in conceptualising and abstracting the meaning of these relationships. Secondly, comparisons with the concepts and theories used in relevant small firm networking literature revealed the extent to which the understanding of small firms which emerged from this in-depth, qualitative study had contributed to current knowledge and understanding of the substantive area.

### *Presenting the Findings*

This final phase in analysis involved presenting the findings which emerged from the process described above to each of the owner-managers who had been involved in the study. These findings were conveyed to the owner-managers of case-firms by presenting them with a copy of the case-study which the researcher had prepared for their firm. As shown in the chapter which follows, these cases not only provided owner-managers with a description of their agency but as they were organised around the themes which emerged, an indication of the findings also.

The purpose of presenting the findings which emerged was three fold. Firstly, the aim of this research was to develop an understanding of the impact which the social networks in which they were embedded had had upon the development of case-firms which fitted and worked with the perspectives of those involved. To ensure therefore, that the understanding which had emerged from the analysis so far was a valid representation of their perspectives, it was necessary to present this understanding to them. In this way, the findings of this research were given 'social validity' (Adam and Schvaneveldt op. cit.), that is, owner-managers confirmed that the understanding of small firm networks presented to them was plausible because it was a reflection of the perceptions which they had about small firm networks.

Related to this, a second reason for presenting the understanding of small firm networks which emerged was to provide the researcher with feedback on her findings and the opportunity to re-evaluate these, in the light of the comments she received. By creating the situation in which research findings could be discussed with each of the owner-managers, the researcher was able to ensure that she had correctly identified

meaningful and insightful themes in the data and that the relationships between categories and the understanding which had emerged were valid. The third reason, was that the researcher had promised each of the owner-managers who had agreed to their and their staff's involvement in the study, a copy of the findings and it was important for the sake of the relationships which the researcher had made with respondents and also for respondents' opinions of academic researchers, that this promise was fulfilled.

From the discussions held at this stage and re-evaluation of research findings the researcher was able to write a thesis which provides a valid understanding of the impact which the social networks in which they are embedded have upon the development of small graphic design agencies.

### **5.7 Research Process**

The analytical processes involved in this research have been conceptualised as following the pattern of a spiral which became focused on those areas identified from the data as important to the development of a grounded understanding of small firm networks. This however, is not to suggest that the research process was comprised of a number of separate and distinct stages. Rather, the process of inductive analysis involved in this research was on-going and iterative and throughout a number of activities common to each of the forms of analysis described above were undertaken. Throughout the inductive analysis of the data collected for this study, written 'memos' of the analytical decisions taken were continually prepared and, as they emerged, new lines inquiry were discussed with participants for verification and illumination. These activities, together with the constant comparison of meaningful sections of data and the organisation of data, initially by open, and later by core, codes which emerged from the data, highlight not only the iterative processes involved but also the systematic manner in which the research process was managed.

The adoption of any research approach however, and the use of all methods of collecting and analysing data involve 'trade-offs' (Patton op.cit) and it is to the



methodological limitations created by these trade-offs to which this chapter now turns.

### **5.8 Methodological Limitations of the Study**

This research is constrained by the method chosen. These constraints can be identified in three main areas. Firstly, the grounded understanding of small firm networks in which this research is interested requires that raw data are the experiences and perceptions of those involved in such networks. In collecting this raw data, it is possible that respondents were not always truthful. While the triangulation and sampling strategies and stance of access and ethics described earlier were used for the purposes of strengthening the validity of data, the fact that some respondents might not have been truthful must be made open.

Secondly, as this research was interested in exploring the processes involved within small firm networks, it was important that postal questionnaires for the collection of 'snapshot' data, were not used. Instead, decisions to spend between six and nine months with each case firm and to use depth interviews supported by the Critical Incident Technique were taken. This study however cannot be described as longitudinal and a deeper understanding of the processes involved would have been achieved had a different methodology been used. Recommendations for the ways in which the findings of this research can be built upon and the processes involved in small firm networks can be better understood are made in the final chapter.

A third constraint of the methodology used relates to the degree to which the findings to emerge from this research can be generalised to the wider population of small firms. A defence of the approach used has already been made in the section detailing the research design, particularly the decision to use purposive rather than random sampling strategies. The findings to emerge from this study cannot be generalised to the wider population of small firms as the aim of this research was to generate a substantive understanding rather than to test the validity and reliability of a hypothesis deduced from previous research.

## 5.9 Summary

The aim of this chapter was to explain and justify the research approach, design and methodology used in this exploratory study of small firm networks. With this aim in view, this chapter opened with a consideration of the nature of the problem under investigation and a discussion of the research approach which was best suited to the exploratory study of small firm networks. Having argued that small firm networks are best approached from a qualitative research paradigm, the chapter went on to describe the flexible research design which was adopted. The methods for systematically collecting and analysing data were then described and the iterative, on-going nature of inductive analysis was discussed. Before presenting and discussing the findings which emerged from this research, data collected from case firm one is presented in the chapter which follows.

**CHAPTER 6 - An Illustrative Case Study**

The case study presented in this chapter serves a number of purposes. Because of the enormity of data generated by the research methods described in Chapter Five, it is not possible to present all of the empirical data collected. It is however important to familiarise the reader with the substantive context within which this data was collected. Consequently, case-study material particular to DA1 is presented with the intention of describing the context of the substantive research area. The case-study presented also provides an example of the type and richness of empirical data in which the findings that emerged are grounded and from which conclusions about the impact which social networks have upon the development of professional business services are drawn. Related to this, a third purpose of the case-study presented is to provide the reader with evidence of the triangulation employed by the researcher to ensure the validity of the findings that emerged. Finally, while the methods of collection used by the researcher have already been described, the fourth purpose of this case study is to convey the richness of the researcher's experiences when in the field.

The presentation of case-study material necessarily involves careful consideration of the structure that should be adopted. Drawing attention to the importance of the structure of case-study material, Yin (1994) identifies six alternative structures<sup>1</sup>. Of these he recommends that linear-analytic; comparative; chronological and theory-building are suitable for exploratory research. Strauss and Corbin (1990) are more fastidious. They recommend that when the purpose of research is to generate new insights and understanding, a structure that allows the researcher to convey this understanding to an audience unfamiliar with the context of the substantive area be adopted. Specifically, they advise that rather than restricting the case-study to a description of the data collected from participants, this data should be organised around those key themes and patterns, identified by core codes found to exist in the data collected. Yin (op. cit.) describes this as a 'theory building' structure by which he

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<sup>1</sup> Yin (op. cit.) identifies the following alternative case-study structures : linear-analytic; comparative; chronological; theory-building; 'suspense' and unsequenced.

means that the presentation of case-study material is organised around those themes that emerged as important to understanding the phenomenon under study.

This thesis is interested in acquiring an understanding of the impact which social networks have upon the development of a purposive sample of small professional business service firms. Consequently, material collected from DA1 is used to highlight those themes pertinent to understanding the impact that the social networks in which they were embedded were perceived to have had upon the development of all case-firms. Specifically, the case-study opens by providing the reader with information about the background, history, activities, structure and performance of DA1, before presenting the remaining case-study material under the theoretical themes that emerged from the process of inductive analysis described in the previous Chapter. Also, the codes used to identify and label the empirical data in which the findings are grounded are indicated in brackets throughout the case-study. A description of the meaning of these codes is provided in Appendix 3.4.

## **6.1 Introducing Design Agency One**

Case firm one (DA1) is representative of the grounded definition of a small graphic design agency discussed in Chapter Five. Established in 1989, DA1 had been trading for approximately four years at the time its owner-manager (OM1) agreed for his agency to become involved in the research. Comprised of eight members of staff including OM1, like all case-firms, DA1 is independently owned and managed. Located within the G11 postal district of Glasgow, DA1 met all the conditions required for it to be accepted as part of a purposive sample.

### **6.1.1 Background and History**

DA1 was established by OM1 approximately six years after his graduation from Art School. In common with each of the owner-managers involved in the research, before

creating his agency OMI gained experience of the graphic design industry while working for a number of larger marketing communications firms. On graduating from Art School he secured employment with the Marketing Department of a national newspaper group where he was employed as a graphic designer working on a number of newspaper titles. After approximately five and a half years, he left this job to take up a position as an account handler with a local advertising agency. He only worked with this agency for approximately six months before taking the decision to establish his graphic design agency. In discussing his decision to set up in business for himself OMI identified a number of influencing factors. He explained that he was becoming frustrated with the routine nature of his work, particularly the nine to five hours which he was required to keep. This, combined with the increasing amount of design work that he was undertaking on a 'cash in hand basis' for clients of the newspaper group he had built relationships with had led him to become very quickly unhappy working for the advertising agency. Aware of this, ex-colleagues at the newspaper group contacted him, inviting him to go back and work with them as head of their in-house design department. His response was :

“ I said I wouldn't go back and work for them but I thought that the role which they were looking to fill could actually be filled by a consultancy....and that's really how ..(company name).. started”

(Transcript : November 1993)

OMI suggested to these ex-colleagues that they would be 'happier' if their design requirements were subcontracted to an agency that could handle all their needs and suggested to them that that the agency could do this. In principle, the newspaper group refused to take him on as their only design agency. In practice however they agreed to contract out a large enough percentage of their work to OMI to convince him that, combined with the cash in hand work he was enjoying, the establishment of his own small design agency was viable. OMI explained that this guarantee of work from his ex-employers together with his sister's then recent graduation from Art School had provided him with the impetus he needed to establish DA1. Originally working from

OM1's home, DAI moved to new premises and doubled its size to four people approximately eight months after its establishment. While it remains located at these premises, it has since expanded to its current composite of eight members of staff including OM1.

### 6.1.2 Activities

Describing itself as a graphic design agency that specialises in corporate communications, DAI's activities involve the creation of corporate identities and the design and supply of all communication materials involving the presence of an organisation's logo and/or trade name. In effect this involves DAI's design and supply of all printed communications which client organisations make with their consumers, including : brochures; printed advertisements; posters; calendars; labels; company reports; packaging; plastic bags; exhibition stands; umbrellas; direct mail and tea shirts, for example. Because of this variety of work, in common with all other case-firms, DAI can be involved at any one time with between thirty and fifty different design projects.

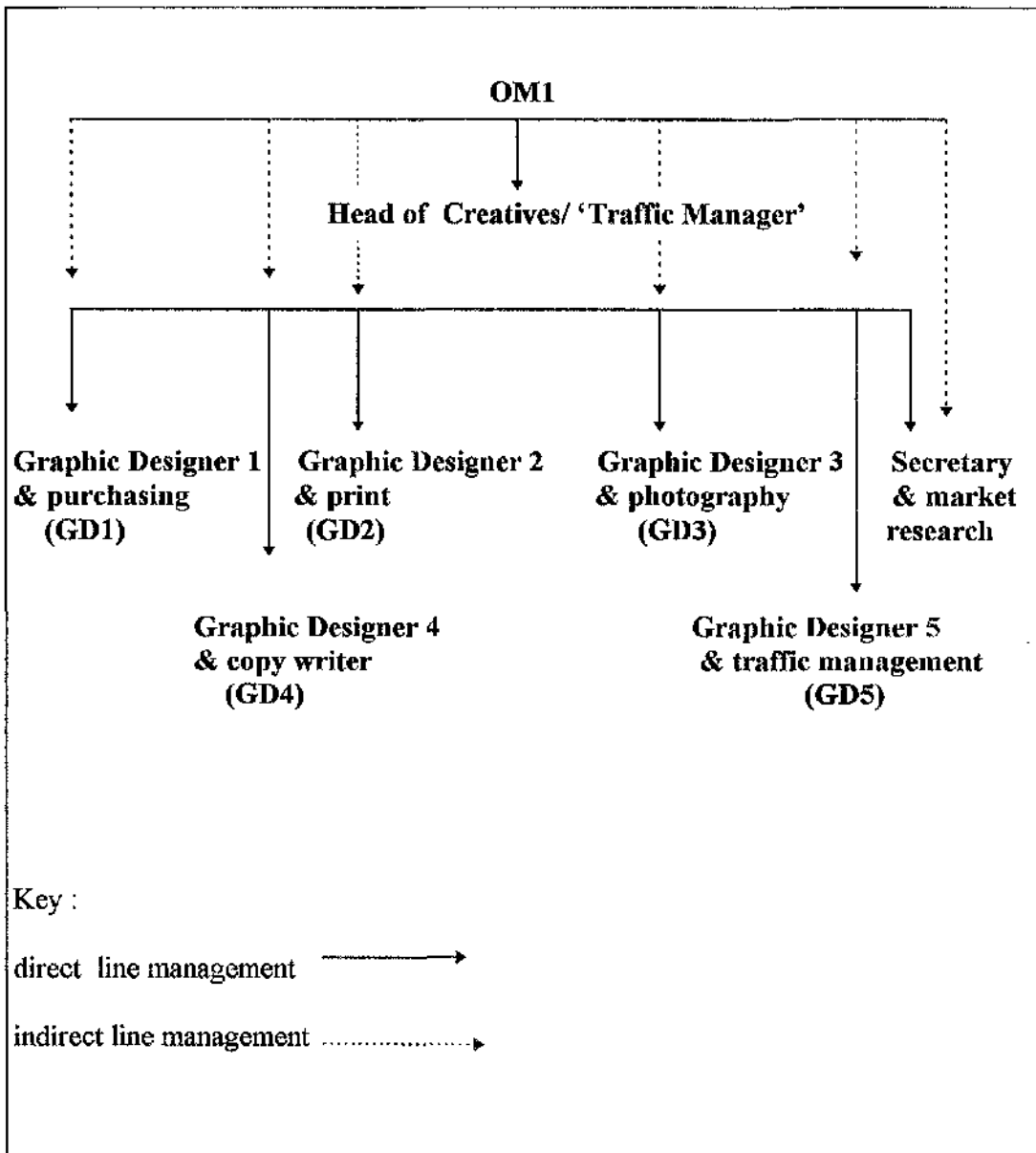
Also in common with all other case firms and with most small graphic design agencies, DAI does not own printing facilities but subcontracts out this part of its service to a number of local printers with whom it has experience of working with. It passes these printing costs onto clients with a mark-up of between fifteen and fifty percent depending on such criteria as the size of the client; their reputation and the likelihood that they will commission repeat business (I.F.: C/T).

### 6.1.3 Company Structure

While the organisational charts of large businesses provide an indication of the formal structure of their operations, the size of small firms and the informality of their operations make the formulation of charts representative of their structure and

operations problematic. DAI is no exception. While the chart below (Figure 6.1) positions OM1 at the head of the design agency, in charge of each of the functional activities detailed, the staff responsible for these activities change over time. Also, it is not uncommon for staff to be involved in a number of functions simultaneously.

Figure 6.0 Structure of Design Agency One



#### 6.1.4 Performance

While OM1 regarded profit “only as a black figure on a white piece of paper” (Field Notes; October 1993), he explained that as a consequence of the ‘cash in hand’ design work he had undertaken since his graduation, DA1 had since its establishment, always secured a “healthy annual profit” (Field Notes; October 1993). When asked what he meant by ‘healthy’, OM1 responded :

“ Well I drive a convertible BMW, my wife an Audi ... my son goes to a nice private school and, if I wanted, I could take us all on holiday to the Bahamas for three weeks every year, only as I don’t like leaving the business for long we normally go to France for a week at a time. On top of that my staff are paid well and as you’ve seen, we work in a nice environment”

(Field Notes : October 1993)

Asked how he did measure the performance of his business, in common with each of the other owner-managers, OM1 identified repeat business as the indicator that he used. At the time of DA1’s involvement in the research OM1 estimated that around 60 percent of DA1’s business was repeat business and described his agency’s development as having been encouraged this repeat business particularly as most of it had been acquired without DA1 having to incur any ‘pitching’ costs.

#### 6.2 Data Sources

The researcher spent approximately nine months of contact time with DA1 during which time she employed the variety of methods described in the previous chapter to collect data from OM1, the staff he employed, clients she was permitted to contact and also other contacts outside of the design agency identified by OM1 as relevant to the development of DA1 his agency. The collection of data from this diverse number of sources by each of the methods previously described, allowed the researcher to



triangulate her comparison of data in terms of both data source and method (Denzin 1978) and consequently to ensure the validity of the findings that emerged.

### **6.3 Social Networks are Abstract Concepts (S.N. = A.C.) the Composition of Which Fluctuate Over Time (S.N. = F/T)**

On entering the field it quickly became apparent that while participants commonly described the relationships in which they were involved for 'business purposes' as 'contacts', 'friendships', 'ex-colleagues' and 'people I worked with or was at college with' (GD2), they did not conceive of these relationships as forming a 'network' structure (S.N. = A.C.). In talking about these relationships participants focused very much on individual relationships and tended not to talk explicitly of the extent to which these relationships overlapped. This was not to suggest however that participants were not aware that many of these relationships did overlap; as the section below on networking activities (N.A.) illustrates, participants recognised the access which their direct relationships could provide them with to information, advice and design business, for example, to which they were not directly connected.

The level of abstraction at which participants conceived of the relationships in which DA1 was involved was emphasised when, for the purposes of discussion, the researcher presented to OM1 and his staff, a network map which her analysis and interpretation of the data she had collected after three months suggested was representative of the size and structure of the relationships in which DA1 was involved (see Figure 6.2 below).

Discussing the map, while OM1 thought it was an interesting "snapshot" of the various relationships in which DA1 was involved at that time, he did not see the value of the map. He commented:

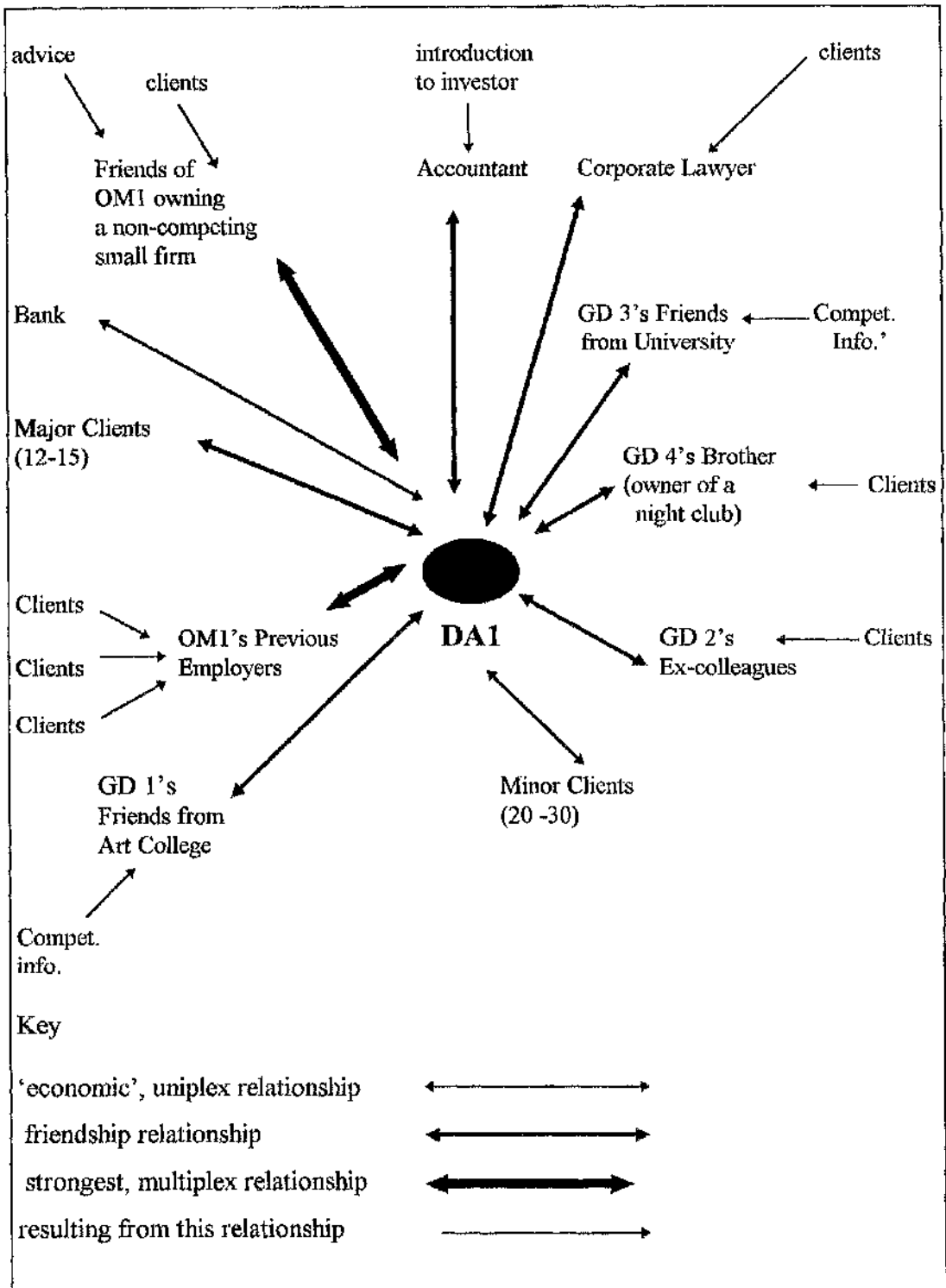
"Yes I suppose we do look like that but I'm not sure how that helps us".

(Field Notes : October 1993)

Similarly, while staff commented that they had “never really thought of it that way before” (GD3) and found the map “interesting” (Head of Creatives), they did not regard it as having any practical benefits.

When asked if they thought this map would help the researcher understand more about the ways in which the relationships in which DA1 was involved had impacted upon the development of DA1, common to the responses from both OM1 and his staff was the perception that they didn’t believe that it could as the relationships in which DA1 was involved at the time of data collection were different from those in which had been previously .

**Figure 6.1 A Partial Network Map Identifying the Network of Relationships in Which DA1 was Embedded at the Time of its Involvement in the Research**



At a follow up meeting with OMI, his sister (Head of Creatives) and the two members of staff (GD's 1 & 2) who had joined the agency six months after its establishment, the extent to which the relationships in which DA1 was involved had changed over time was more fully discussed. Analysis of this discussion confirmed that over time the relationships in which DA1 was involved, particularly its client base, had changed over time (S.N. = F/t). This discussion made apparent that these participants identified four main reasons which accounted for these changes. Firstly, they agreed that as the agency had expanded and new staff had brought with them their own contacts, DA1 had been introduced to new and different clients and consequently had expanded its client base. They identified that the client base of DA1 had also expanded because of the introductions and referrals which those clients satisfied with the work which had been produced for them had encouraged (N.C. : N.B.). Asked about the extent to which referrals had helped develop the business, OMI explained that business which his agency had acquired through referrals was particularly important as it essentially meant that DA1 had acquired new business without having to incur the expense of 'pitching' normally involved when they were invited to tender for a design project. His sister, the head graphic designer agreed that the work they had acquired through referrals had been "great" as :

"not only does it not cost us as much but it also means we waste less time. I know how disappointed we all get when a pitch we've been working on is knocked back - its hard not to take it personally ...I suppose then another benefit of this type of work is that it doesn't affect your morale, the disappointment is removed and you've just got to get on with the job."

(Field Notes : October 1993)

It was also established during this discussion that the client base of DA1 had not only grown over time but that, more importantly for participants, it had also changed. It was made apparent that the client base of DA1 had changed as a consequence of two mechanisms. Firstly, client contacts moving to new positions of employment and secondly, new work being acquired subsequent to improvements in DA1's portfolio of design. An extract from an interview with OMI illustrates the changes which

occurred in DA1's client base as a consequence of 'contacts' moving to new jobs. Describing his relationship with ex-colleagues who had commissioned DA1 with some of its initial business he commented :

OM1 :           “ ehm, but they (contacts with the newspaper group) have steadily gone down hill and that's very much been a result of new personalities coming in...I've completely turned turtle because the personalities and eh,...and its quite interesting because the people who are in control there now...were people who I gave a hard time to when I was there and I think its a bit of revenge is sweet.”

(Transcript : November 1993)

During an earlier interview, OM1 explained that while changes in personnel at the newspaper had resulted in DA1 loosing the business that had previously been contracted to them, DA1 had also benefited from these changes as :

“ when these contacts moved to their new positions they introduced us to their new companies and we managed to get business from some of them ”

(Transcript : September 1993)

Specifically OM1 believed that because of the friendships (N.C. : M/X) he had maintained with colleagues he had worked with at the newspaper group, the client base of DA1 had changed for the better. While their leaving the newspaper had meant that DA1 was no longer commissioned design work by the group, OM1 explained that on moving to their new positions of employment, these contacts had commissioned DA1 not only with larger pieces of design but also and importantly, with projects which required DA1 to make best use of their creative skills. Discussions with various members of staff concurred that over time, DA1 had become involved in larger and more interesting pieces of design that had helped to enhance their 'portfolio prestige'; that is the quality and creativity of the design carried within DA1's portfolio of design projects.

The researcher noticed that throughout the time she spent with DA1, participants were keen to inform her of the type of clients for whom they were creating designs (I. F. : C.T.). In discussing these designs, comments representative of this enthusiasm included :

“ ...oh, yeah, we do all the work for ..(clothing store)... we designed their new bags, price labels and are working with them in their new store in Manchester, have you seen them? We get 15 - 30% off. ”

(GD3; Field Notes : August 1993)

“ ...we designed all the work for ..(LEC).., not bad for a small agency !”

(GD2; Field Notes : March 1994 )

“ yes we do the work for the ..(company name)... what do you think? We've got more of them to come, we used real students in them and we've also worked with ..(company name)..”

(OM; Field Notes : February 1994)

“ What about what we did for ..(drinks company).. (she points to a framed picture on the hall wall) , that's going all over the world”

(GD5; Field Notes: September 1993).

In terms of the development of DA1 both staff and owner-managers identified improvements in DA1's portfolio prestige as having played an important part. When asked what they meant by this, the Head of Creatives explained that over time as DA1 had acquired larger, more complex and challenging pieces of design, consequently DA1 had been able to approach potential clients with a portfolio representative of the

quality and size of design projects they were able to handle (Field Notes, September 1993).

#### 6.4 Network Contents (N.C.) and Outcomes (N.Q.)

By comparing data collected from staff, OMI, those clients the researcher was permitted to contact and those with individuals OMI wanted the researcher to meet, it became apparent that the relationships in which DA1 engaged could be described in terms of the contents of which they were comprised. It was also found that these contents and the outcomes which they produced were an important reason for OMI and his staff engaging in these relationships.

Aside of the relationships comprised of economic transactions which DA1 shared with many of its design clients, more interestingly it emerged that certain relationships were maintained by participants because of the client and competitor information which they contained (N.C. : I/C); others because of the advice (N.C. : A/C) they provided the owner-manager with on a range of issues relating to his ownership and management of DA1 and still others because of the bartering-exchanges (N.C. : B/E) of which they were comprised.

It was made apparent during a conversation with staff that the relationships that they identified as interacting in for 'business purposes' were relationships which provided them with information either about potential design clients or about competitors. The information about clients which staff acquired from their personal network of contacts from university and of previous employment experiences was revealed to the researcher during a conversation which involved her asking staff about whether and how much they enjoyed their work. Remembering that OMI believed that his staff enjoyed working for him because they were paid well and were surrounded by a 'pleasant' working environment, the researcher sought to discover if staff shared his perceptions. Raising this issue with a group of staff members (GD's 2, 3 and 4), it emerged that staff did appreciate that they were working in 'particularly nice

surroundings' and believed that while their basic salary was 'average by industry standards' believed that they were 'treated better than lots of other designers' (GD4). When asked what they meant by this, GD3 explained to the researcher that :

“unlike many of our friends in the industry, we actually get rewarded in terms of , say a weekend away or an evening meal for two, whenever we provide information which helps us either get more repeat business or even some new business”

(Field Notes : December 1993)

These staff further revealed that while OM1 never explicitly stated that they should use their contacts to acquire information about clients, by rewarding those designers who had, he had made it obvious that he wanted them to do so. When this was discussed with OM1 at a later date he concurred that he did try to encourage staff by rewarding them with in-kind bonuses for passing to him information about clients.

The information about competitors which staff acquired from their personal contact networks was revealed to the researcher on several of those occasions when staff were working on a design for a 'pitch'. During these conversations the researcher asked the designer how they were able to create a design that they thought would win. In replying it was made apparent that not only did these designers draw upon their creative skills, make use of market research and pay close attention to the brief supplied by potential clients, they also used their personal contact network of people they had either previously worked beside or attended university of college with to discover which other agencies were also tendering for the work and to ascertain the type of designs they would be proposing (N.C. : I/C).

The advice contained within the networks in which DA1 was embedded was revealed after a number of conversations, discussions and interviews with OM1. Initially unsure about whether to reveal that he did actually receive advice about the owner-management of his business, OM1 preferred to reply :



“Nup! Not a sod!”

(Transcript : November 1993)

when asked if he ever talked to anyone about his business. As the relationship between him and the researcher developed, OM1 did reveal that he had previously and continued to make use of the advice made available to him by two older friends who owned and managed non-competing, local small firm. When asked about how long he had know these people, what type of advice they had provided and whether he thought their advice has been helpful in developing DA1, OM1 explained that as these people had been running their own businesses for about twelve years and fifteen years respectively and been “friends” of his for more than eight years, they had been able to advise him about his business. Specifically he answered :

“I’ve known them right from before I started it until now, and they’ll probably continue to offer me the benefits of their wisdom for a long time”

(Field notes: February 1994)

He revealed that these sources had helped at the establishment of DA1 by providing him with advise about for example, the type of premises he should acquire; how he should decorate his studio and which lawyer , accountant and bank he should use. He also mentioned that he believed that they had assisted in the development of DA1 by advising him about how to motivate staff and deal with difficult customers, especially those who did not pay on time.

When introduced to one of these advisers by OM1 at a lunch time meeting, the opportunity arose for the researcher to ask this ‘adviser’ about the advice he had offered OM1. In his reply he concurred that he had discussed a ‘number of issues’ with OM1:

“ right from before he set up, when he moved to his premises,  
to when he recruited his last member of staff”

(Field Notes : March 1994).

He also revealed that he did not mind offering this advice as :

“ after all, we’re not in competition with one another, and,  
what are friends for : I help him, he helps me with my marketing”

(Field Notes : March 1994)

Specifically, it was revealed by OM1 that while he shared friendships with his two ‘advisers’, he had reciprocated the advice they offered him about how to own and manage his business by providing them with advice about their marketing as well as, “if not quite free, then design at a reduced price” (Interview; April 1994).

Discussions with participants about the relationships which DA1 shared with its design clients revealed that participants did differentiate between clients (I.F. : C/T). It was established that while those clients which commissioned “on the spot” (Head of Creatives) or “one-off” (secretary) pieces of design were not regarded as important accounts, others, namely those which commissioned repeat business, were identified as “key” (OM1) and “important accounts” (GD2). Of those clients which commissioned repeat business, a further distinction was made between those which paid for this design at its full price (N.C. : E/C) and those which paid for it by a mixture of ‘in-kind’ and monetary payments (N.C. : B/E).

A late Friday afternoon conversation between the researcher, two designers (GD 2 and 4) and the secretary, provided the researcher with her first ‘hint’ that bartering exchanges (N.C. : B/E) were contained within some of the relationships which DA1 shared with its design clients. While discussing the impending weekend, staff explained that although it was ‘the end of the month’, they would still be able to have a night out because of the ‘free’ tickets which OM1 had given them for entry to a

local night club. When asked about these free passes it emerged that staff believed that they benefited from the arrangements OMI had negotiated with certain design clients as these provided them with free and reduced priced access to the goods and services owned by these clients. Specifically they mentioned that as well as free entry into night-clubs they had access to reduced price hairdressing, clothing and meals all courtesy of the, hairdresser, clothing retailer and hotelier on their client list (N.C. : B/E).

When OMI was asked about the 'freebies' mentioned by these staff, he explained that he had been able to come to arrangements with 'certain design clients' (I.F. : C/T) which provided him and his staff with access to a variety of free and reduced priced services and products. He revealed that he had been particularly pleased to have negotiated a free season ticket for a local football team as well as some free weekend breaks in exchange for design at a price less "than it would otherwise cost" (I.F. : O.O.).

When asked more generally about the benefits that repeat business had had for the agency three issues were repeatedly mentioned by both staff and the owner-manager. That repeat business was acquired without DA1 having to 'pitch' for this business was mentioned by all participants. In particular the Head of Creatives stressed that not only did repeat business save the agency the expense of 'pitching' but importantly, it saved staff from investing their time and energy in projects 'which are not guaranteed'. Several participants (OM1; Head of Creatives, GD's 2,4, 5) also mentioned that the agency had benefited from repeat business as it was viewed by potential clients to indicate the quality of their designs (I.F. : I.S.). OM1 explained that he had been introduced to many potential clients by those clients who provided his agency with repeat business. The secretary also mentioned that often when new or potential clients telephoned the agency they would mention that they had been recommended by one of their existing clients (N.C. : N.B.). Participants also mentioned that not only had some clients commissioned them with repeat business but more importantly, they had commissioned them with larger and more complex designs which had given them the opportunity to 'show off' (Head of Creatives) their

design skills and to enhance the portfolio prestige of the agency. A conversation with OM1 revealed a fourth benefit of the repeat business enjoyed by DA1. He mentioned that he 'enjoyed' repeat business because it gave him a 'sense of comfort'. When asked what he meant by this he explained that because he had a 'regular stream of work' he could :

'sleep easier at night now, compared to when I first started out'

(Field Notes : October 1993)

### 6.5 Multiplex Relationships (N.C. : M/X) and 'Brokers' (N.C. : N.B.)

When identifying those relationships they believed to have assisted in the development of DA1, as has been shown above, common to the responses offered by participants was their perception that many of these relationships were 'informal' relationships. When asked what they meant by this, comparison of participants' responses established that they were referring either to friends they had made at university and college or during their previous work experiences (I.F. : P.E.; I.S.).

By comparing the data collected from different sources it was made apparent that common to the relationships which participants mentioned as having had an impact on the development of DA1 was the presence of a 'normative' content. That is to say, common to those relationships which staff identified as providing them with information and which OM1 mentioned as advising him about his business, was the perception that these relationships contained a feeling of friendship or affection (N.C. : M/X). It was also found that common to such relationships was the access which participants understood they provided them to information, advice and business contained within relationships to which they were not directly connected (N.C. : N.B.). The partial network map shown in Figure 6.1 above ( see page ) illustrates the 'informal' or 'friendship' relationships which participants identified as providing them with access to information (OM1, GD's 1 & 3 ), advice (OM1) and design business (OM1; GD's 2 & 4). This map also illustrates the 'broker' role which participants

perceived the relationships they shared with previous employers (OM1); friends (OM1, GD's 1, & 3); family relations (GD 3) and ex-colleagues (GD2) to have played in providing DA1 with access to information, advice and design business.

In discussing the 'informality' of these relationships with staff it was made apparent that because they had remained friends and continued to socialise with people they had met during their previous educational and work experiences, they often 'gossiped' (GD3) with them about the design projects in which they were involved. GD3 explained that because of this 'sharing of information', in common with most design agencies, DA1 knew quite a lot about the projects in which its competitors were involved. Similarly, GD2 explained that :

"by sharing information with friends who are also designers we can often work out the types of pitches we're up against and try to make ours more attractive."

(Field Notes : March 1994)

The extent to which the friendships which OM1 shared with his ex-colleagues at the newspaper group were instrumental in providing DA1 with its first pieces of design as well as the 'friendships' which he identified as providing him with advice have already been described above. When asked specifically about the extent to which he believed that the friendships within his personal contact network had assisted in the development of DA1, he replied :

"...there will always be an opportunity I think, because even the oldest of friends will always look for opportunities for you, will always say to you, you should speak to this guy or you should meet him ..."

(Transcript : November, 1993).

OM1's comments are representative of each owner-managers' perception that those relationships that had impacted on the development of case-firms were relationships

containing a normative expression of friendship (N.C. : M/X). His comments are also illustrative of the 'broker' role which participants across all case-firms identified friendship relationships as playing (N.C. : N.B.) when they introduced case firms to relationships to which they were not directly connected.

Particular to DA1 it was found that the 'broker' role played by the agency's accountant had been instrumental in introducing OM1 to a private investor interested in injecting the capital which OM1 identified as necessary for the agency to expand from six to eight employees. The broker position held by the accountant is displayed in Figure 6.1 above.

#### **6.6 Networking Activities (N.A.)**

While it was established that participants did not conceive of DA1 as being embedded within a network structure of relationships, it was made apparent to the researcher, particularly during the time she spent observing participants, that in common with each of the other owner-managers, OM1 engaged in networking activities (N.A.) and sought to manage and control the networking activities of his staff (N.P.). In particular it emerged that while OM1 encouraged his staff to use their personal contact networks to acquire competitor and client information, he actively tried to restrict (N.P.) the extent to which they were able to 'network' with clients, particularly those he regarded as 'key accounts' (I.F. : C/T).

The extent to which OM1 controlled the networking activities of his staff was initially revealed when he was asked to describe how he spent a 'typical' day. In his reply, OM1 commented that "there's more time now client based" (Transcript; November 1993). When asked what he meant by this he explained that as the agency had grown, he had delegated certain tasks to his staff. Specifically he mentioned that he no longer sourced products, undertook market research or liaised with printers. When discussing with staff the extent to which OM1 had delegated activities a conversation with two of his designers (GD's 2 & 3) revealed that while they agreed that he had

delegated certain activities, these were 'the most boring ones' (GD3) which didn't involve them 'doing much work with any of the interesting clients' (GD2). The structure of DA1, shown in Figure 6.1 above, details those activities which OM1 had delegated at the time of data collection. As can be seen from this figure, none of the delegated activities requires staff to spend much contact time with the clients of DA1.

Data collected while observing participants during the busy pre-Christmas period concurred with the perceptions of GD's 2 and 3. The time the researcher spent with staff during this period revealed to her the extent to which OM1 sought to control and restrict the amount of time his staff spent with clients, particularly those he identified as 'key accounts' (I.F. : C/T). The researcher observed OM1 working more than sixteen hour days as well as weekends to ensure that he personally undertook the designs of his most important clients (N.A. : H/W). It was also observed that OM1 spent much of his time overseeing the development of those designs he had agreed to delegate to his staff.

OM1's desire to restrict the amount of time his staff spent with 'key accounts' (I.F. : C/T) can be explained by his previous work experiences (I.F. : P.E.; I.S.). Like each of the other owner-managers, OM1 openly admitted that because of the 'cash in hand' work that he had undertaken for clients of his previous employers he had been able to establish his design agency. While he recognised that 'cash in hand work' was 'a fact of life in the design industry' (I.F. : I/S), he was keen to prevent his staff from creating agencies on the basis of relationships they had formed with clients of DA1. As he was also aware of the need to keep talented designers, OM1 sought to combat this threat in a number of ways. In addition to the restrictions which he placed on the amount of time his staff spent with key accounts, as is common practice in the graphic design industry, OM1 ensured that staff signed a contract which prevented them from undertaking freelance, 'cash in hand work' and advised them that if, at a later date they established an agency based on work commissioned by clients of DA1, they would face legal action.

Despite ensuring that all his design staff signed such a contract, OM1 believed that :

“Well everyone does it, you can’t really stop it.”

(Field Notes : October 1993)

He explained that because of this :

“I just try to make it rewarding and the environment comfortable”.

(Field Notes : October 1993)

The researcher’s early experiences of OM1 confirmed the use of this tactic. When organising their initial meetings OM1 was keen to invite the researcher to his studio. He also made it apparent that he was proud of the interior of his studio and often asked her to comment on what she thought of its decor, particularly to how it compared with other studios she had visited.

Discussions with OM1 about the bartering-exchanges he negotiated with certain clients also revealed that OM1 had sought to acquire the types of in-kind payments that he believed he would be able to use to motivate and reward his staff (I.F. : S.O.) for their loyalty. OM1 also emphasised that he liked to encourage what he described as a “relaxed” approach to work. When asked what he meant by this he replied :

“We all work really hard, I can work anything between 90 and 120 hours a week and we are all in at weekends but I tell them to go home when they need a rest and come back when they like; they like it and it works well”

(Field Notes : January 1994)

While he sought to restrict the amount of time his staff spent with clients, it was made apparent to the researcher after she had spent much time observing participants that OM1 personally directed networking activities towards those clients he identified as ‘key accounts’ (I.F. : C/T). It emerged from the comparison of field notes and



transcriptions that in common with each of the owner-managers, OMI engaged in five different types of networking activity. Alongside the hospitality ( N.A. : H/Y) which he offered those clients who regularly commissioned DA1 with large pieces of design it was revealed that for the purposes of either attracting new business or encouraging the repeat business of key accounts, OMI would : ensure that the design project was handled by himself (N.A. : H/W); reduce the price of the design provided (N.A. : £/s) or, seek to negotiate a bartering-exchange arrangement (N.A. : B/E) which would effectively reduce the market price of the design produced.

The hospitality (N.A. : H/Y) which OMI directed towards those actual and potential clients which OMI identified as 'key accounts' (I.F. : C/T) was regularly mentioned by OMI. It was established that he believed that the provision of hospitality by DA1 had been necessary in securing the new and repeat business of 'key accounts'. Evidence of his perception was also provided when OMI was asked to describe the circumstances surrounding DA1's acquisition of one of its largest contracts :

“ Well we'd done some small pieces for them previously but I'd always tried to stay in contact with them as I thought we could get more from them. Anyway, I used to phone them to stay in touch, go out to lunch with them, make sure I sent them some goodies at Christmas and I suppose you could say that it all paid off. We were asked to tender and we got the work.”

(Transcript : November 1993)

When discussing this hospitality OMI also drew attention to the costs involved. He believed that because of the restricted resources of DA1 (I.F. : R.R.B.), he had had to use his 'imagination' when providing 'key accounts' with hospitality. When asked what he meant by this OMI explained that he had tried to reduce the cost of hospitality by, for example, inviting 'key accounts' to “wine tasting evenings rather than a round of golf at Gleneagles or Royal Troon”. He also revealed that when negotiating bartering-exchanges he sought to secure in-kind payments that could be used to reduce the cost of hospitality. When asked to expand on this he mentioned

that the work he had undertaken for a newly opened restaurant had been 'helpful' as it had paid for some of the recent lunches he had provided for 'key accounts'. It also emerged from this conversation that for the purposes of attracting the new and repeat business of 'key accounts', particularly those which he believed would enhance the portfolio prestige of DA1, OM1 had explored with such clients the possibility that they might want to pay for his agency's service by a mixture of in-kind and monetary payment (N.A. : B/E). When asked why he had done this he explained :

“ By coming to this type of arrangement it effectively reduces the price they pay for the designs we produce.”

(Field Notes : January 1994)

Interestingly when the researcher was given the opportunity to interview one of DA1's 'key accounts' known to have received hospitality from OM1, while this client concurred that they did regularly have lunch with OM1, when asked whether this was a criteria which they used when commissioning design, they replied :

“ No, no, not at all. In this industry its common practice to arrange business over lunch but I wouldn't describe it as influencing my decisions”.

(Interview : March 1994)

Each of the other networking tactics used by OM1 were initially revealed to the researcher during the time she spent in the studio observing participants. As mentioned above, it was made apparent to the researcher that OM1 personally created the designs commissioned by those clients he identified as 'key accounts'. When asked whether he distinguished between clients, OM1 admitted that he did, explaining that :

“ If they're an important client, I'll do the work myself, I'll also make sure that we use best photographers if necessary as well as the best of the printers we work with.”

(Field Notes : December 1993)

The flexible pricing used by OM1 was revealed by the Head of Creatives. When working in the studio the researcher heard the Head of Creatives becoming frustrated. When the researcher asked if there was anything she could do to help the Head of Creatives explained no. Asked what was wrong, she explained that she was trying to 'price' a job and was becoming frustrated because OM1 had asked her to make sure that the mark-up wasn't more than 40%. She explained that this was annoying her as the designs that she and GD3 had produced were 'really some of the best' they had produced but because 'he's (OM1) done a deal I've got to price it well below what it's really worth'. When the opportunity arose at a later date, the researcher asked OM1 how he calculated the price of the designs his agency produced. His reply concurred with what the Head of Creatives had earlier revealed ;

“ In pricing a job we've got to take in a number of things. We need to think about the amount of time that's been spent on the job; the type of printer we've used; how good we actually think the job is. We've also got to consider who the job's for before we decide on a mark-up”.

(Field Notes : February 1994)

## 6.7 Influencing Factors (I.F.)

The case material presented above has shown that a number of factors influencing the network of relationships in which DA1 was embedded as well as the networking activities in which OM1 engaged were found within the data collected. Comparative analysis of this data revealed seven such 'influencing factors' : the past experiences of OM1 and his staff (P.E.); the nature of the graphic design industry (I.S.); the restricted resource base of DA1 (R.R.B.); the objectives of both OM1 (O.O.) and his staff (S.O.); OM1's identification of 'key accounts' (C/T) and the stage of development of DA1 (S.B.D.).

As discussed above, the previous work and educational experiences of participants (P.E. and I.S.) influenced the individuals contained within their personal contact networks and determined the extent to which participants were able to extract from these networks information about clients (OM1; GD's 1 & 3) and competitors (OM1; GD 1); and introductions to clients (OM1; GD's 2 & 4) as well as advice (OM1).

Data presented about the bartering-exchanges negotiated by OM1 together with the comments which he made about the cost of the hospitality which he directed towards 'key accounts' have shown that the restricted resource base of DA1 (R.R.B.) encouraged OM1 to expand his resource base in a cost efficient manner. Relatedly, this data has also shown that in negotiating these exchanges, OM1 considered both the lifestyle objectives of himself (O.O.) and the staff (S.O.) he employed.

Many references have been made by the data presented above to OM1's identification of 'key accounts' (C/T). In particular, this data has illustrated that OM1 only directed hospitality and other networking activities towards those clients he identified as 'key accounts'. When asked to comment on what differentiated 'key accounts' from other clients, OM1's reply is representative of the criteria used by each of the owner-managers to identify 'key accounts' :

"A key account can be defined in a number of ways. They are a client which commissions us with a large piece of work, say more than £10,000. They can also be clients who either have a reputation let's say because of their size or, probably more importantly for us, because they are known to invest in innovative design. Another consideration for us is also how much more business we think we can get from a client in the future."

(Field Notes : February 1994)

The final influencing factor found within the data is that of stage of business development (S.B.D.). Data presented above has shown that over time the relationships in which DA1 has been involved with have changed. In particular it has been shown that as contacts within the personal network of participants moved to

new positions of employment the client base of DA1 has not only increased but, more importantly for participants, has served to enhance the portfolio prestige of DA1.

## **6.8 Summary**

As an enormous amount of data was generated by the qualitative research methods adopted, this chapter has presented material from case-firm one for the purposes of familiarising the reader with the substantive context of the research and conveying the rich, detailed empirical data in which the findings which emerged are grounded. In presenting this material it has also been the researcher's intention to draw attention to the variety of data sources and methods of data collection used to ensure the reliability and validity of the findings presented and discussed in the following chapters.

## CHAPTER 7

### THE IMPACT WHICH SOCIAL NETWORKS HAVE ON THE DEVELOPMENT OF SMALL GRAPHIC DESIGN AGENCIES

The purpose of this chapter is to present and initiate a discussion of the findings which is concluded in Chapter Seven. The chapter opens with an explanation of the manner in which these findings are presented and provides a summary of these findings before presenting and discussing them in full. In presenting the first key finding, the chapter argues that as the social networks in which case-firms were embedded are abstract constructs, the size and composition of which fluctuate over time, the construction of networks maps contributes little towards an understanding of the impact which the social networks in which they are embedded have upon the development of case-firms. The chapter goes on to present the contents found to exist within the social networks in which case-firms were embedded and to discuss the impact which case-firms' involvement in these networks were perceived to have had upon the development of case-firms. In particular, attention is drawn to the impact which participants perceived multiplex relationships with individuals, especially those holding a broker position within case-firm networks as having had upon the development of case-firms. The chapter goes on to present the networking activities in which owner-managers were found to engage before concluding with a discussion of the factors found to influence both the size and composition of the social networks in which case-firms were embedded as well as the contents and outcomes of their interaction in these relationships and the networking activities in which participants engaged.

#### 7.1 The Presentation of Grounded Findings

The sources of data in which the findings presented in this chapter are grounded can be traced and identified in two ways. Firstly, the core categories of meaningful data<sup>1</sup> to which the findings refer are identified by code keys indicated in brackets.

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<sup>1</sup> An explanation of 'core categories of meaningful data' is provided in Chapter 5.

Secondly, extracts of raw data are used throughout the chapter to illustrate the experiences and perceptions of respondents and the sources of data analysed and interpreted for the purposes of generating a grounded understanding of the impact which the social networks in which case-firms were embedded had upon their development. It is also worth explaining the meaning of the following abbreviations as they are used throughout the chapter :

**Table 7.0      Abbreviations Used in Presenting Findings**

**DA1(or 2, 3, 4) to denote Design Agency 1 (or design agency 2, 3 4).**

**OM1(or 2, 3, 4) to denote Owner-manager 1 (or 2, 3, 4).**

## **7.2      Summary of Key Findings**

While, as a consequence of adopting a holistic approach to the study of the research problem, it is difficult to identify and discuss in isolation from other research findings, individually separate and distinct findings, Table 7.1 below summarises the findings or 'themes' (Glaser and Strauss 1967) which emerged under the heading which they are presented and discussed.

**Table 7.1 Summary of Key Research Findings**

1	<i>Social Networks are Abstract Constructs (S.N. = A.C.)</i> : it was found that participants did not conceive of the relationships in which case-firms were embedded as constituting a network structure.
2	<i>Social Networks Fluctuate Over Time (S.N. = F/t)</i> : it was found that the relationships in which case-firms were embedded at the time of this research were perceived to be different from those in which they were embedded at the time of their establishment.
3	<i>Network Contents (N.C.)</i> : common to the social networks in which case-firms were embedded were each of the following contents : information, advice, normative expressions of friendship and affection, economic transactions and both full and part bartering exchanges.
4	<i>The Strength of Strong Ties</i> : participants identified multiplex relationships (N.C. : M/X) particularly those which they shared with individuals holding a broker position (N.B.) within the social networks in which case-firms were embedded as the relationships which had had most impact upon the development of case-firms.
5	<i>Network Outcomes (N.Q.)</i> : the social networks in which case-firms were embedded were found to have impacted upon the development of case-firms by widening their client and resource base at low and often 'hidden' costs. It was also found that the outcomes resulting from case-firms interaction in relationships comprised of similar contents, altered over time.
6	<i>Networking Activities (N.A.) and Policies (N.P.)</i> : it was found that staff and owner-managers engaged in networking activities and that owner-managers had policies which they used for managing and controlling these activities.
7	<i>Influencing Factors (I.F.)</i> : it was found that the following factors impacted upon both the size and composition of the social networks in which case-firms were embedded as well as the contents of which they were comprised and the networking activities in which case-firms engaged : past experiences of owner-managers, staff and those whom they shared relationships; industry characteristics; small size of case-firms' resource base; lifestyle objectives of owner-mangers and staff; stage of case-firm development; identification of 'key accounts'.



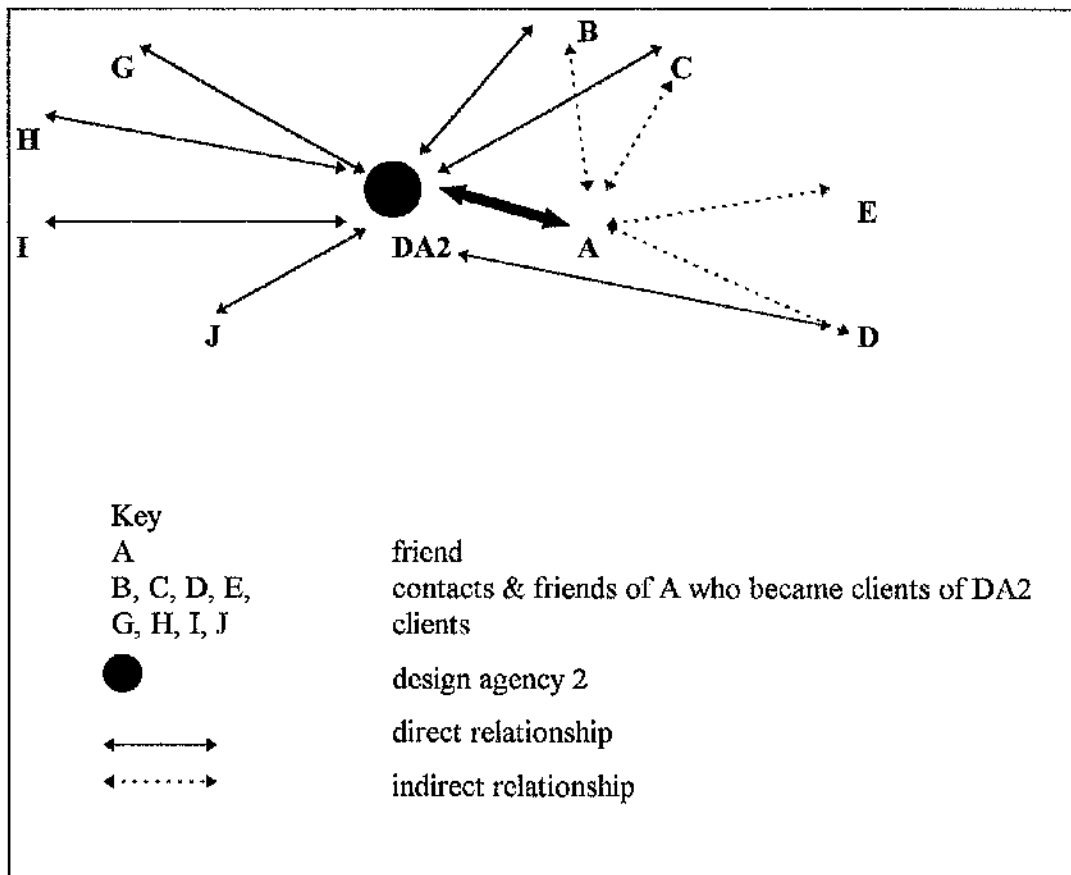
**7.3 The Social Networks in Which Case-firms are Embedded are Abstract Constructs (S.N. = A. C.) the Size and Composition of Which Fluctuate Over Time (S.N. = F/t)**

Chapter Four introduced the concept of a social network, detailed the properties which it is conceived to possess (Mitchell 1969) and established that social networks are abstract constructs erected by the researcher for the purposes of identifying the relational influences in which an anchorage point is embedded. Consequently, the finding that participants did not conceive of the relationships in which case-firms were embedded as forming a network structure was to be expected (S.N. = A.C.). Likewise, as social networks are conceived as fluctuating structures, the size and composition of which emerge as a consequence of interactions between the social relationships of which they are comprised (Knowke and Kuklinski 1982) it was to be expected that participants would perceive that the relationships in which case-firms were embedded had changed over time (S.N. = F/t). Despite there being a scarcity of relevant empirical data with which to compare these findings, arguments that small firm networks are neither static structures (Blackburn et al 1990) nor "definable entit(ies) comprising (of) a finite, identifiable set of individuals" (Curran & Blackburn 1994 p91) support participants' perspectives that the relationships in which case-firms were involved had changed over time. Support is also provided by awareness of the fact that over time, as additional staff were employed by case-firms bringing with them relevant contacts within their personal contact networks, the social networks in which case-firms were embedded subsequently changed.

While it can be argued that the construction of network maps are useful in identifying the relational influences in which small firms are embedded, for the purposes of this research, fluctuations in the social networks in which case-firms were embedded together with the level of abstraction at which participants were found to conceive of the relationships in which case-firms were involved, made the construction of network maps which contributed towards an understanding of the impact which social networks had upon the development of case-firms difficult. Not only did fluctuations in these social networks mean that once constructed, network maps were particular to one point in time but also, as their construction was particular to the time of case-

firms' involvement in this research, such maps did not necessarily identify those relational influences which participants perceived to have impacted upon the development of case-firms. It can also be argued that for individuals not part of the social networks in which case-firms were embedded, network maps such as the one detailed in Figure 7.0 below are difficult to interpret.

**Figure 7.0**                      **The Network of Relationships in which Case-Firm 2 was Embedded in November, 1994**



In common then with the findings of more recent research ( Blackburn et al 1991; Butler and Hansen 1991; Curran et al 1993a; Curran and Blackburn op. cit.; Ramachadran et al 1993), the findings of this research question the analytical value of maps which identify the network of relationships in which small firms are embedded yet fail to capture the interactional, emergent nature of such networks. Further, these findings argue that for the purposes of understanding the impact which social

networks have upon small firms there is a need to collect data about the interactional dimensions which it was established in Chapter Four that social networks are conceived to possess (Mitchell op. cit.) yet network studies of the small firm have neglected.

#### **7.4 The Contents (N. C.) Found Within the Social Networks in Which Case-firms were Embedded**

For the purposes of understanding the impact which the social networks in which case-firms were embedded had upon their development, data about the contents of the relationships of which these networks comprised was collected. The contents of social networks are not however directly observable and their identification relies upon participants' perceptions of the meanings which they attach to relationships as well as the outcomes which they expect to result from their involvement in relationships ( Mitchell op. cit.). Consequently, it was difficult to distinguish separately, the contents from the outcomes of the relationships in which case-firms were embedded. While then the contents of the social networks in which case-firms are embedded are considered before presenting the impact which social networks were perceived to have had upon the development of case-firms, it is unavoidable that some reference to the outcomes found to result from case-firms' involvement in relationships comprised of specific contents will be made.

There is a recent and growing awareness ( for example see Borch and Arthur 1995; Donckels & Lambrecht 1995; Gibb 1993; ) that small firm networking research is characterised by a lack of empirical data particularly about the contents of the relationships in which small firms interact (Curran et al op. cit.). Where the contents of the relationships of which small firm networks are comprised have been considered, there has been a concentration on the information and economic contents of such networks (Aldrich and Zimmer 1986; Szarka 1990). Little is known about the diversity of contents contained within the relationships in which small firms interact and even less about the impact which relationships comprised of particular contents have upon the behaviour and activities of small firms. Consequently, by using

empirical data to describe the variety of contents found to exist within the social networks in which case-firms were embedded, the findings presented in this section contribute not only towards an understanding of the impact which social networks have upon the development of small service firms but also, to small firm networking literature in general.

Each of the contents found within case-firm networks are considered separately before discussing the importance which participants attached to multiplex relationships, particularly those which they shared within individuals holding a 'broker' (Mitchell op. cit.; Tichy et. al. 1979 ) position within the social networks in which case-firms were embedded.

#### 7.4.1 Information as a Content of Case-firm Relationships (N.C. : I/C)

The information content of small firm networks is well documented in the literature (for example, see Aldrich and Zimmer op. cit.; Johansson 1986; Fiet 1996; Wordinger et al 1990). Consequently, it was expected that information (N.P. : I/C) would be identified as one content of the social networks in which case-firms were embedded. Contributing specifically to an understanding of the impact which these networks had upon the development of case-firms is the finding that information about clients and competitors (all case-firms) and also finance (DA1) were identified by case-firm participants as the *specific* type of information contained within the social networks in which case-firms were embedded and that this information was acquired through word of mouth communication.

Comparative analysis of data collected from staff found that they believed that owner-managers' expected them to use contacts within their personal networks for the purposes of acquiring information about current and potential customers as well as competitors. It was found that within each case-firm systems existed to encourage and reward staff for collecting and passing to owner-managers information about clients and competitors. Comparative analysis established that systems for encouraging and rewarding staff for using their contacts to acquire client and

competitor information varied both in the degree to which staff were explicitly encouraged to use their relationships for this purpose and in the types of incentives which staff were rewarded for doing so. For example, staff employed by DA1 revealed that they were not explicitly encouraged to 'network' for the purpose of acquiring client information but that if information provided by them resulted in DA1 acquiring a new design contract, they received 'in kind' rewards such as a meal or a haircut. In contrast, staff employed by DA3 revealed that they were explicitly and actively encouraged to use their contacts to acquire client and competitor information and that they received a percentage of the profit made on every design account which DA3 acquired as a direct result of information which they provided.

Comparative analysis of data collected from owner-managers concurred that information about clients and competitors was perceived as the specific type of information contained within the social networks in which case-firms were embedded. This analysis also concurred that owner-managers encouraged staff by varying degrees of explicitness, to use their personal contacts for the purposes of acquiring client and competitor information and rewarded staff in kind (OM1) and in monetary payments (OM's 2, 3 & 4) for providing information which resulted in case-firms' acquiring a new or repeated design contract. This analysis also established that as word of mouth is the medium by which small graphic design agencies commonly acquire business, owner-managers perceived relationships which contained and transmitted client and competitor information as necessary for the promotion of case-firms and their acquisition of design business. An extract from a tape-recorded interview with OM2 explains the medium which graphic design agencies use for the purpose of marketing communications :

“ word of mouth - that's how it works. I tried when I started. I put an ad. in Scottish Business Insider and it was like that size (*motions with his fingers*) for three months, and it cost me like £800 or something, a huge amount of money really for something that didn't even get any response at all. It was wrong; ad. agencies and design studios don't advertise unless its the owner's ego or to snub a rival if they've picked up a big amount of work” (OM2)

While in discussing the information which they acquired from their personal contacts, staff revealed indirectly that word of mouth communication was important, all owner-managers made explicit that word of mouth communication was *the* medium by which small graphic design agencies and potential clients were introduced. Comparative analysis of data collected from owner-managers found that they identified relationships containing and transmitting information about clients to case-firms and vice-versa to have been instrumental in the development of case-firms. The flows of information found to be contained within the networks of relationships in which case-firms were embedded, together with the impact which relationships containing information about clients and competitors were perceived to have had upon the development of case-firms are captured by OM3's description of the development of his design agency :

“ We have never advertised, people you meet and word of mouth are important. I used to go to a disco a lot and from that, do a lot of work for various night clubs - that put me onto a guy who installed a lot of the sound and lighting who had his own business and, it just kind of follows that pattern. We've never really had a strategy, it works from one client to the next just through word of mouth and basically our business has grown through referrals.”

In addition to relationships containing information about clients and competitors, comparative analysis found that DA1 was the only case-firm to be involved in relationships which contained information about sources of informal finance. When other owner-managers were asked about financial information while they made reference to their bank, they were not found to regard such relationships as significant in the development of case-firms. The reason for the importance which OM1 attached to the financial information provided to him by informal relationships is explained by the expansion of DA1 from six to eight members of staff which OM1 identified as a critical incident in the development of his design agency. In recalling the events leading up to and surrounding this expansion, OM1 revealed that the expansion of DA1 had been made possible by securing external, informal finance. When asked to 'talk through' the process by which he acquired this finance, OM1

explained that his decision about who to approach had been guided by information supplied to him by his accountant, whom he regarded as a friend and also an ex-colleague who was a mutual acquaintance. Specifically, OMI recalled that his acquisition about sources of informal finance was :

“informal, over a beer. They told me who to speak to and suggested the type of approach I would need to take.”

OMI's description of his acquisition of information about sources of external finance provides a useful, illustrative example of the impact which the social networks in which case-firms were embedded were perceived to have impacted upon the development of case-firms. Particular to the advice contained within these networks, similar findings are presented below.

#### 7.4.2 Advice as a Content of Case-firm Relationships (N.C. : A/C)

Previous research about the advice contained within small firm networks has found that while owner-managers identify relationships containing advice as having assisted at the pre- (Hand & Tomblin 1992) and start-up (Birley 1985) stages of their firms, they identify only very few of the relationships in which they are embedded as containing advice and describe those which do, as informal relationships which they share with friends and family rather than more formal relationships with Local Enterprise Companies or Trade Associations (Curran et al op. cit.; Hand & Tomblin op. cit.). Few small firm network studies have identified the *type* of advice contained within the social networks in which small firms are embedded or explored the advice contained within those networks in which small firms are embedded once they have survived start-up. By identifying the different types of advice contained within the social networks in which case-firms were embedded and discovering that all owner-managers perceived certain friends and/or family members to have played a mentoring role which assisted in their development of case-firms, the findings presented in this section make a significant contribution to understanding the impact which the social networks in which case-firms were embedded had upon their development.

Comparative analysis of data collected from owner-managers found that each was involved in at least one relationship which they identified as providing them with advice about a variety of issues. The sources and variety of advice contained within these relationships are detailed in Table 7.2 below.

**Table 7.2 Advice Contents and Sources of Advice Contained Within Case-firms' Social Networks**

<i>Owner-Manager</i>	<i>Source of Advice</i>	<i>Advice Offered</i>
OM1	Owner-managers of two non-competing small firms.	Staff Motivation, Marketing, Corporate Lawyer, Accountant, Bank, Office location & interior design.
OM2	Father	Staff Motivation, Marketing, Bank, Lawyer.
OM3	Owner-manager of a non-competing small firm	Staff Motivation Lawyer, Accountant, Office location & interior design.
OM4	Brother	Staff Motivation Lawyer, Accountant, Office location & interior design.

While the finding that advice about, for example office location and interior design (OM's 1, 2 & 4) was contained within the social networks in which owner-managers were embedded concurs with previous research (Birley op.cit.; Hand & Tomblin op.cit) which found that relationships containing advice are important at the pre- and start-up stages of small firms, the finding that these relationships also contained advice about , for example staff motivation, suggests that relationships comprised of advice were not restricted to their inclusion only in the social networks in which



owner-managers were embedded at the start-up of case-firms. Rather, these findings show that owner-managers believed that the social networks in which they were embedded continued to contain and provide them with advice on matters relating to the development of case-firms. It was also found that owner-managers perceived relationships containing advice to be 'informal' relationships which they shared with friends and/or family. Comparative analysis made apparent that the owner-managers of case-firms were united in the perception that formal sources of advice, such as those provided by Local Enterprise Companies, were not included within their network of relationships. Comments such as those made by OM1's description of the start-up of his design agency that, "there's certainly not been any Local Enterprise Company that's been particularly helpful" (OM1) were common to each owner-manager's experience. OM3's explanation that :

"with LECs you get a lot of these people who are business development advisers and you find that they've gone to University, they've got a degree and that they've gone and become a business development officer and they're telling people who have been 20 years working, how to do something,"

is indicative of owner-managers' shared perception of organisations offering case-firms with advice. This comment is helpful in understanding why owner-managers regarded relationships containing and providing them with business advice as informal. Storey's research (1993; 1994) supports this finding. Specifically, in view of OM3's indicative comments, it can be argued that Storey's (1993) explanation that the small firm owner-managers involved in his research did not use the advisory services offered by their local Training and Enterprise Councils (TECs) because they perceived the former civil servants employed by these TECs as lacking necessary small firm owner-management experience is fitting also to explaining the finding that none of the owner-managers involved in this research had made use of the advisory services available from their Local Enterprise Company (LEC). The relationships which owner-managers did identify as containing advice were those which they shared either with friends who owner-managed non-competing small firms (OM's 1, 3 & 4) or family members such as their father (OM2) and their brother (OM4). This

concur with previous research ( Curran & Blackburn op.cit; Curran et al op. cit.; Hand & Tomblin op.cit.) which found that where owner-managers identified that they had been provided with advice, they further identified that such advice had been provided by informal rather than formal relationships. Particularly the work of Curran et al op.cit. and Curran & Blackburn op.cit. supports the finding that within the social networks in which case-firms were embedded there existed few relationships with formal organisations and that even at the local level (Blackburn & Curran op.cit.), government organisations and agencies failed to be regarded by participants as being part of these networks.

While Curran et al's (op. cit.) study found that relationships providing the owner-managers in their sample with advice were perceived by owner-managers to be informal relationships which they shared with friends and family, their study found that this advice was limited both in its amount and variety. The findings of Hand & Tomblin's (op. cit.) comparative study of the social networks in which potential American and Scottish entrepreneurs were embedded produced similar conclusions. Finding that while 75% of their sample of potential American entrepreneurs used informal relationships to provide them with advice, only 40% of their Scottish sample used relationships with friends and family for similar purposes, Hand and Tomblin (op. cit.) argued that cultural values might be one reason why Scottish owner-managers do not use informal relationships for the purposes of acquiring business advice. The findings of this research disagree both with the extent to which relationships with friends and family contained and are used by the owner-managers of all case-firms for the purposes of acquiring advice (Curran et al op.cit.; Hand & Tomblin op.cit.) and also with the suggestion that the use of such relationships for this purpose is influenced by the cultural values of owner-managers (Hand & Tomblin op. cit.).

Comparative analysis of the data collected from owner-managers found that while they identified only a small number of relationships in which case-firms were embedded as containing advice, they described those which did as informal relationships which they shared either with friends (OM's 1 & 3) or family (OM's 2

& 4). It was also found that owner-managers perceived these relationships to have impacted upon the start-up *and* subsequent development of case-firms because of the *variety* of advice which they contained. Compared alongside research which argues that the larger an owner-manager's personal contact network, the greater their potential will be to establish, develop and grow a small firm (for example, see Granovetter 1985; 1992), findings about the sources and variety of advice contained within the social networks in which case-firms were embedded suggest that while owner-managers perceived themselves to be involved in few relationships which contained advice, the development of case-firms had not been constrained. Rather, these findings suggest that the creation and development of case-firms benefited from the variety of advice provided to owner-managers by a small number of friends and/or family.

The finding that despite being Scottish, there existed within the social networks in which owner-managers were embedded, family and/or friends who, by providing owner-managers with advice on a variety of matters relating to case-firms, essentially provided a mentoring service, questions the conclusions drawn by Hand and Tomblin (op. cit.). Specifically, this finding questions Hand and Tomblin's (op. cit.) argument that the cultural values within Scotland are such that they discourage small firm owner-managers from accessing advice contained within the social networks in which they are embedded. When it is remembered that while Hand and Tomblin's (op. cit.) research was particular to *potential* entrepreneurs, case-firms had been trading for at least three years before becoming involved in this research, this finding suggests that the cultural values of owner-managers did not prevent them from accessing the variety of advice contained within informal relationships which they shared with friends and/or family. Further, this finding suggests that rather than concluding that potential American owner-managers possess cultural values which encouraged them to acquire from the social networks in which they were embedded, advice about how to convert business ideas into trading concerns, Hand and Tomblin (op. cit.) should have concluded that their sample of American participants were embedded within social networks comprised of a greater variety of advice than those in which their Scottish sample were embedded.

Taken further, if a relationship does exist between the variety of advice contained within the social networks in which potential owner-managers are embedded and their potential to establish and develop small firms, this questions the effectiveness of initiatives such as those currently employed by Scottish Enterprise, which are designed to blanket target all individuals to consider owner-management as a serious career option. Specifically, this questions the impact which initiatives such as the Personal Enterprise Show, have upon both the conversion of these considerations into small firms and upon the mortality rates of small firms established as a consequence of such encouragement. Storey's (op. cit.) assertion that small firm policies initiated by the Thatcher government in the 1980's which were designed to increase the birth rate of British small firms by encouraging the option of owner-management were not cost effective lends its support to these criticisms. Storey (op. cit.) argued that initiatives such as the Enterprise Allowance Scheme and Graduate Into Enterprise Programme failed to be cost effective because they targeted indiscriminately all members within a given population. He argues that to be cost effective, initiatives such as those employed by Scottish Enterprise for the purposes of increasing the birth rate of small firms, must be targeted towards those individuals with the human capital and business ideas most likely to establish a small firm, keep that firm alive and possibly encourage it to growth. He concedes however that until more is known about how to identify and evaluate the amount of relevant human capital possessed by potential owner-managers, public resources should be targeted towards those business ideas identified as having the greatest potential to grow at a fast and high pace. Remembering however that those small firms which grow at a fast and high pace account for approximately only 4% of Britain's small firm population (Gallagher & Müller 1991), the findings presented in this section suggest that the variety of advice contained within the social networks in which they are embedded may be one indicator upon which to assess the human capital possessed by potential owner-managers and to identify those individuals with the potential to establish small firms which will continue to trade, towards whom public resources should be targeted.

7.4.3 Economic Contents Found within Case-firm Networks (N. C. :E/C)

As discussed in Chapter Four, the contents and the implications of the relationships shared between transacting parties have received much attention from research interested in identifying the circumstances under which organisations select networks rather than markets or hierarchies as the most cost-effective mechanism for conducting transactions (Blois 1990; Ebers 1994; Powell 1987; 1990; Powell et al 1996; Williamson 1975; 1979; 1985; 1991; 1996). There is also much literature (Easton 1992; Ford 1980; 1990; Hakansson 1987; 1989; 1992 a & b; Hakansson and Johanson 1992; Hakansson and Snehota 1995) specific to the contents and the implications of the relationships shared between industrial buyers and suppliers. Particular to the economic contents of small firm networks, research has concentrated on exploring relationships between the *structural* dimensions of an owner-manager's network of relationships and their ability to create, develop and maintain relationships with transacting parties (for example, see Aldrich 1987; Aldrich et al 1986; 1989; Birley et al 1990). Few studies have collected data about the *contents* of the relationships shared between *small firms* and their customers or, about the ways in which relationships containing more than an economic content facilitate and influence the economic exchanges made between small firms and their consumers.

Comparative analysis of the data collected from staff and owner-managers found that while some of the relationships which case-firms shared with design clients were perceived to have had an impact upon the development of case-firms, others, despite the contribution which they made to case-firms' generation of income, were not. For the purposes of understanding why this was so, comparative analysis established that those relationships with clients which participants perceived to have impacted upon the development of case-firms could be characterised in one of the following ways. Clients perceived to have a reputation, for example Scottish Power or Tenents and/or clients who commissioned large pieces of design work, for example more than £10, 000 were identified as having impacted upon the development of case-firms because of the word-of-mouth promotion generated as a consequence of the case-firm securing contracts with these types of clients. For similar reasons, clients whose

contract it was perceived would contribute to the 'portfolio prestige'<sup>2</sup> of case-firms were also identified. A fourth type of client identified as having impacted upon the development of case-firms were those who provided case firms with information about and/or introductions to other potential design clients. The final type of clients identified were those who paid for design with a mixture of monetary and in-kind payments. The identification of this fifth 'type' of client is supported by Granovetter's (op.cit) "Embeddedness Argument". Granovetter argues that the economic contents of organisational networks are embedded within relationships comprised of other contents and that as economic exchanges do not take place in a vacuum, they are influenced by the other contents of which social relationships are comprised. The bartering-exchanges found to be contained within relationships shared between case-firms and design clients are described below before discussing the impact which 'strong' or multiplex relationships with clients and other actors were perceived to have had upon the development of case-firms.

#### **7.4.4 Bartering-Exchange as a Content of Case-firm Relationships (N.C.: B-E/C)**

Curran and Blackburn (op. cit.) state that the "types of relationships small businesses have with their customers has been the subject of much speculation but have received limited rigorous investigation" (p. 81). For example, while then it has been 'speculated' that relationships between small firms and their customers often comprise more than the straightforward exchange of goods and/or services for monetary payment, there is a lack of data with which to substantiate these speculations. Where studies of the "underground" and black market activities in which small firms engage have been undertaken, their findings suggest that small firms necessarily get involved in these activities for survival (Lowe 1990). By using empirical data to describe the bartering-exchanges contained within the social networks in which case-firms were embedded, the findings presented in this section

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<sup>2</sup> 'Portfolio Prestige' refers to the extent to which the design commissioned to a graphic design agency will contribute to the quality, diversity, creativity, commercial success and/or use of technology present in their portfolio of design. Portfolio prestige is recognised throughout the graphic design industry as one of the most important assets a graphic design agency can possess, especially for the purposes of promoting itself and acquiring design contracts.

contribute not only towards an understanding of the impact which such relationships had upon the development of case-firms but also to what is known about the contents of small firm networks in general.

Bartering-exchange contents were identified by comparative analysis of the data collected from staff and owner-managers. Data collected from staff employed within all case-firms, except DA2, provided the initial clue that relationships containing bartering-exchanges existed within the social networks in which case-firms were embedded. Staff employed within DA's 1, 3 and 4 mentioned that they often received 'freebies'. When asked what they meant by this, they explained that their owner-managers had negotiated with certain design clients, arrangements which provided them and their staff with access to a variety of either free or reduced priced goods and services. Included within these negotiations were free and reduced haircuts and meals (DA1), reduced priced clothing and jewellery (DA3), free entry into local night clubs (DA's 1, 3 & 4) and free beer and wine (DA's 1 & 4). While comparative analysis of the data collected from owner-managers and clients concurred that within the social networks in which all case-firms were embedded such contents existed, this analysis made apparent that while all case-firms had been involved in *full-bartering exchange* relationships comprised of the exchange of design for full payment in-kind, all but DA2, were also involved in *part-bartering relationships* comprised of the exchange of design for a mixture of in-kind and monetary payment.

This analysis also established that the circumstances under which case-firms engaged in full- and part- bartering exchanges were different. It was found that *full-bartering exchanges* occurred when the exchange of design for full payment in-kind was not repeated on a regular basis. In recalling the start-up of case-firms, common to the descriptions provided by all owner-managers was their involvement in relationships comprised of full -bartering exchanges which provided access to resources case-firms could not afford to purchase at that time. As such, these relationships were perceived by owner-managers to have been instrumental in the start-up of case-firms. OM2's experience provides an illustration of the full-bartering exchanges found to exist within the social networks in which all owner-managers were embedded at the time of their establishment of case-firms and is indicative of owner-managers'

shared perception that these exchanges had been instrumental in the start-up of case-firms.

In recalling the circumstances surrounding the start-up of his design agency, OM2 mentioned that the "biggest problem" he had encountered was gaining access to an Applemac computer with which to undertake the "cash in hand" design work required for the purchase of such a computer for his design agency. He explained that this was one instance in which the advice and the information supplied by his father had proved to be valuable. His father advised him that he should gain access to an Applemac outside of working hours and provided him with information about the owner-manager of a small engineering firm he knew from his membership of a local business club. OM2's father explained that this acquaintance would be of interest to his son as not only did he own an Applemac computer but also, he was interested in commissioning the design of brochures for his company. OM2 explained that by introducing him to this acquaintance, his father provided him with the opportunity of negotiating a full bartering-exchange which involved his design of company brochures in exchange for the use an Applemac computer outside of working hours. OM2 perceived that this full bartering-exchange had been instrumental in the start-up of his design agency as not only did it provide him with the computer which he required to undertake the agreed design of company brochures but additionally, it allowed him to produce design for other clients, the payment of which he saved for the purchase of the Applemac computer he required to establish his own small graphic design agency.

In contrast, it was found that *part-bartering exchanges* occurred when in-kind payment contributed towards the cost of design on a regular basis. Comparative analysis of the data collected from owner-manager's 1, 3 and 4 as well as some of the clients involved in these exchanges concurred that owner-managers had negotiated arrangements which provided them and their staff with access to the types of free and reduced-priced goods and services detailed by staff above. When asked about these arrangements, common to the explanations offered by these owner-managers was the finding that they had negotiated these exchanges for one of two reasons. It was established that these owner-managers negotiated part-bartering-exchanges with those clients they identified as producing or supplying products which were of value either



to themselves or their staff. These owner-managers were also found to negotiate part-bartering exchanges for the purposes of encouraging the repeat business of those clients they believed would be attracted towards the payment of design at a cost below its market value in return for a mixture of in-kind and monetary payment. In terms of the impact which such contents were found to have had upon the development of case-firms, these owner-managers perceived part-bartering exchanges to have assisted in this development in one of two ways. They identified that such exchanges had provided them with access to resources at a low cost and often in a manner which permitted their acquisition to be 'hidden' as it was not recorded in company accounts. They were also found to share the common perception that part-bartering exchanges had additionally assisted in the development of their agencies as they had encouraged repeat business.

Despite a lack of relevant empirical data with which to compare these findings, they are supported by and can be considered alongside the transactional costs (Blois op. cit.; Ebers op. cit.; Powell op. cit.; Powell et al op. cit.; Williamson op. cit.) and industrial marketing literatures ( Easton op. cit.; Ford op. cit.; Hakansson op. cit.; Hakansson and Johanson op. cit.; Hakansson and Snehota op. cit.). Transaction costs theory argues that when the conditions surrounding a transaction are such that it cannot easily be conducted through market contracts and its costs is not enough to mandate internal organisation, it will be organised through networks as the most cost-effective mechanism lends its support to this finding. Building upon this argument, the findings of this research suggest that because of their restricted size, case-firms 1, 3 and 4 acquired resources they could not afford at their market value by negotiating part-bartering-exchanges with design clients. While analysis of the data collected did not allow for any conclusions to be drawn about the durability of relationships between case-firms and clients with whom they shared part-bartering-exchanges, the argument that network transactions are characterised by reciprocity which encourages repeat transactions ( Easton op. cit.; Hakansson op. cit.) supports the suggestion that the part-bartering-exchanges found within relationships between case-firms and clients, facilitated the economic exchanges of which such relationships were also comprised and encouraged repeat business. Industrial marketing literature

argues that when relationships between buyers and suppliers contain more than the exchange of goods and/or services for monetary payment, the switching costs involved in sourcing alternative buyers or suppliers increase and consequently serve to encourage repeat business. Applied to the findings of this research this suggests that where relationships between case-firms and design clients contained the exchange of design for a mixture of monetary and in-kind payment, these exchanges were repeated because the costs which either party would incur in searching for an alternative trading partner who could provide them with access to the same resources at the same low cost, were high enough to prevent such a search from being undertaken.

#### **7.5 The Strength of Strong Ties : Multiplex Relationships (N.C. : M/X) and the Role of 'Brokers' ( N.B.)**

Entrepreneurship has been described as "intimately linked to other aspects of life" (Aldrich 1989, p10) and the argument was made in Chapter Four that as economic action is socially situated, individuals will pursue both economic and non-economic goals at the same time (Granovetter op. cit.). Consequently, it was expected that in addition to the contents described above, normative expressions of friendship and affection would be found within the social networks in which case-firms were embedded. While however previous small firm research (for example Szarka op. cit.) has tended to abstract separately the contents of the relationships in which small firms engage and is characterised by a lack of empirical data about the multiplex relationships in which small firms are embedded (Curran et al op. cit.), analysis of data particular to the normative expressions contained within the social networks in which case-firms were embedded established that the relationships which participants identified as having had most impact upon the development of case-firms were multiplex relationships comprised of a normative dimension, particularly those which they shared with individuals holding a 'broker' (Mitchell op. cit.; Tichy et al op. cit.) position within these networks.

While there is an agreement within the small firm network literature with Granovetter's (op. cit.) 'embedded perspective' and literature about the 'informal'

relationships in which small firms are embedded (Curran et al op. cit.; Birley op. cit.) supports the finding that normative expressions of friendship and affection existed within the social networks in which case-firms were embedded, as mentioned above (see section on 7.3.2), the findings of previous research have questioned the extent to which relationships with family, friends and, to a lesser extent, acquaintances, provide owner-managers with assistance for "business" purposes (Hand and Tomblin op.cit.). Also well documented in the literature (for example see Scase and Goffee 1980; 1982; Stanworth and Curran 1973 ) is the argument that for reasons of their independence and autonomy, owner-managers are prevented from enlisting the assistance of others in the owner-management of their small firm. Particular to this study, research which has sought to identify the relationships of which an entrepreneur's network is comprised, has found that owner-managers do not "commonly use networks based on family, kinship or social groupings for business purposes" (Curran et al op. cit.) and where such relationships are mentioned by owner-managers as existing within those networks which they use for business purposes, they are used more as "limited sources of emotional support rather than as practical help or advice" (Curran & Blackburn op. cit., p105). Also, particular to Scottish owner-managers, as mentioned earlier, Hand and Tomblin (op. cit.) have argued that their cultural values prevent them from making use of the resources of, for example information and advice contained within the relationships which they share with friends, family and acquaintances.

By using empirical data then to describe the multiplex relationships in which case-firms were involved and the consequences of their involvement in relationships with individuals holding broker positions, the findings presented in this section not only contribute significantly to an understanding of the impact which the social networks in which case-firms were embedded had upon their development but also, they challenge the findings of previous research.

The finding that staff were encouraged and rewarded for collecting from their network of personal relationships, information about clients and competitors has already been presented. Analysis of data collected from owner-managers found that they too perceived relationships within their personal contact network to have been

helpful in providing case-firms with similar information, particularly about clients. Owner-managers in particular perceived that friends and acquaintances they had made during their previous work experiences had been instrumental to the start-up and development of case-firms. This perception is explained by the career paths followed by each owner-manager. Immediately prior to their establishment of case-firms, each owner-manager had been employed either by a larger graphic design agency (OM's 2 & 3) or marketing communications firm (OM's 1 & 4) . Common to the previous experiences which they had encountered, it was found that during their employment with these organisations each owner-manager had developed friendships and acquaintances with design clients of their then employer. It was also found that during these employment experiences each owner-manager had also established friendships and acquaintances with individuals who, because of their position of employment, were able to introduce them to potential design clients to whom they were not directly connected at that time. On the basis of assurances of work from these contacts and from clients for whom owner-managers were at that time producing design on a freelance basis, each owner-manager had taken the decision to leave their position of employment and establish their own small graphic design agency. This extract from a transcript of an interview with OM1 provides an illustration of the shared perceptions which owner-managers were found to have of the impact which their friendships with these contacts had had upon the creation of a client base for their agencies :

OM1 :        "... you know some of the history of the company.  
              To begin with, *they* \* obviously helped enormously."

ES        :        "in what sorts of ways?"

OM1       :        "well they gave us their business"  
              *(tone suggests, 'isn't that obvious')*

\* (client name)

Particular to the development of case-firms, an extract from a critical incident interview during which OM4 was asked to 'talk through' DA4's acquisition of its

largest design contract provides a useful description of the impact which owner-managers perceived relationships comprised of normative and information contents to have had :

“They are strictly governed by competitive tendering processes, but I played football with the guy who heads up the department, that created the opportunity originally, that we were included on the tender lists”.

Analysis of data about the normative contents found to exist within the social networks in which case-firms were embedded found that participants perceived multiplex relationships which they shared with friends, family and acquaintances holding a ‘broker’ (Mitchell op. cit.; Tichy op. cit.) position within case-firm networks to have assisted in their development. It was established that multiplex relationships with individuals holding a broker position within the social networks in which case-firms were embedded had impacted upon their development by connecting them to relationships, particularly with clients, which existed in conceptually distant parts of these networks. An extract from an interview with OM1 illustrates the role which brokers were found to play in the development of case-firms:

“There is an amazing willingness at times to pass on information. There is always an opportunity, I think, because even the oldest of friends always look for opportunities for you; will always say you should speak to this guy or you should meet him.”

Analysis of data particular to the role played by brokers found that participants perceived the assistance which these brokers provided to the development of case-firms, in terms of widening their client base, to have been most apparent when these brokers moved to new positions of employment. OM3’s comment that :

“Particularly in our industry, what you find is the network grows as people move ...so it ehm, the network spreads as they’re replaced and you meet the new contact and as they move on and introduce you to another company and so it goes on.”

captures the process by which the client base of case-firms was perceived to have expanded as a consequence of the multiplex relationships which participants shared with individuals holding a broker position within the social networks in which case-firms were embedded.

Analysis of data particular to the normative contents within the social networks in which case-firms were embedded established that such contents existed within many of the relationships which case-firms shared with those clients who commissioned design on a regular basis. The suggestion that the presence of part-bartering exchanges served to encourage repeat business has been presented above. However when participants estimates that repeat business accounted for between 50% (DA2) and 70% (DA3) of case-firms’ turnover were compared alongside the number of clients with whom part-bartering exchanges had been negotiated, it was made apparent that the total amount of repeat business was not be accounted for by the business of these clients. Rather, this comparison established that many clients who paid for design at its full market price provided case-firms with repeat business. Building upon the argument that by increasing switching costs, the existence of part-bartering exchanges served to encourage repeat business, the finding that clients who paid for design at it full market price commissioned case-firms with repeat business suggests that some other content existed within these relationships. Particularly when it is remembered that OM2 had not negotiated any part-bartering-exchanges yet estimated that approximately 50% of DA2’s turnover was generated by repeat business, this suggestion appears valid. Support for this suggestion is also provided by Granovetter’s (op. cit.) assertion that in the pursuit of economic goals, parties to an economic transaction will also seek to achieve such non-economic goals as friendship. Applied to the findings of this research, Granovetter’s (op. cit.) proposition suggests that relationships between case-firms and design clients who

commissioned design, at its full market price on a regular basis, were comprised of both normative and economic contents. The findings of industrial marketing research concur with this suggestion. This body of research ( Easton op. cit.; Ford op. cit.; Hakansson op. cit.; Hakansson and Johanson op. cit.; Hakansson and Snehota op. cit.) argues that over time, as parties to an economic transaction engage in repeat business, they develop normative expressions of friendship for one another which serve to increase switching costs and by so doing, encourage further repeat business. Considered alongside the findings of this research, these arguments support the suggestion that relationships between case-firms and clients who commissioned design at its full market price on a regular basis, were comprised of a normative content. They further suggest that like part-bartering-exchanges, these normative expressions served to increase switching costs and to encourage repeat business.

In contrast then with the findings of previous research, this in-depth and detailed study has found that the owner-managers of case-firms not only identified relationships with friends, family and acquaintances as having assisted in the start-up of case-firms, but also, that both staff and owner-managers identified those relationships which had had most impact upon the development of case-firms as multiplex relationships which they shared with friends, family and acquaintances, particularly those holding broker positions within the social networks in which case-firms were embedded. These findings suggest that case-firms benefited from the strength of multiplex relationships comprised of normative expressions. Small firm networking literature is mixed in its support for this suggestion. While there is agreement that the creation of small firms and their subsequent success, in terms of profit and turn over, benefit from the access which individuals holding broker positions provide to resources and relationships to which small firms are not directly connected (Aldrich and Zimmer op. cit.; Aldrich op. cit.; Granovetter op.cit.), there is debate over whether small firms benefit from being embedded within a network comprised of "strong" i.e. multiplex or "weak" i.e. uniplex relationships. Based upon the results of his study of the impact which the structure of an individual's social network had upon their ability to acquire information about employment opportunities, Granovetter (1973; 1982) developed his "Strength of Weak Ties"

argument. This argument asserts that an individual will have access to a greater amount and variety of resources, such as information, contained within social networks, when they are embedded within a network comprised mainly of uniplex relationships. Granovetter argues that this is because "weak" or uniplex relationships provide individuals with access to resources contained within relationships to which they are not directly connected.

Applied to the impact which the structure of an entrepreneur's social network has upon their establishment and subsequent growth, in terms of financial indicators of small firms, Aldrich (1987) tested the hypotheses that successful entrepreneurs will be embedded within social networks comprised of many weak rather than strong relationships. In presenting the findings of his study, Aldrich (op. cit.) commented that he had not expected to find that while 48% of those entrepreneurs embedded within networks with a high percentage of 'weak' ties made a profit, the figure for those within networks containing a high percentage of 'strong' ties was 80%. Aldrich concluded that, contrary to Granovetter's (op. cit.) "Strength of Weak Ties" argument, these results suggested that entrepreneurs benefited from being embedded within networks containing many multiplex as opposed to uniplex relationships. Aldrich's findings support those of this research and also the argument that Granovetter's "Strength of Weak Ties" hypothesis does not hold for case-firms. Instead, considered alongside Aldrich's (op. cit.) findings, the findings of this research suggest that the development of case-firms was assisted rather than constrained by the 'strength of strong ties' which case-firm participants shared with family, friends and acquaintances, particularly those holding broker positions within the social networks in which case-firms were embedded.

The extent to which the presence of normative expressions existing within relationships which case-firms shared with design clients served to increase switching costs and so encourage repeat business has already been discussed above. Extended to relationships comprised of normative expressions and/or information and advice, when it is considered that OM2's comment that "you're more comfortable talking to your friends and if you feel that you can trust their opinion, you can go with what



they say” is indicative of the perspectives of all owner-managers, it can be argued that their presence facilitate the existence of such information and/or advice. While there is a scarcity of relevant empirical data with which to discuss this suggestion, conceptually it has been argued (for example see Blackburn et al op. cit.; Curran et al op. cit.; Johannisson op. cit.) that as many of the relationships in which small firms are embedded are multiplex, the different contents of which such relationships are comprised will impact upon one another. Specific to the suggestion that normative expressions contained within relationships comprised of information and/or advice served to facilitate the exchange of this information and/or advice, empirical research in support of this suggestion is provided by the industrial marketing literature. While particular to industrial buyers and suppliers, industrial marketing research (for example Ford op. cit.; Hakansson op. cit.) has found that the presence of normative expressions between buyers and suppliers facilitated the economic exchanges of which the relationships they shared were also comprised and that repeat business was encouraged as a consequence of the normative expressions shared between industrial buyers and suppliers. Extended to the presence of normative expressions within the multiplex relationships which case-firms shared with other relationships within their social networks, this argument supports the suggestion that these expressions facilitated the exchange of information and/or advice also contained within such relationships. Specifically it could be argued that as normative expressions existed within those relationships which participants identified as containing information and advice which had assisted in the development of case-firms it could be argued that the presence of such expressions had encouraged participants that this information and advice was reliable and therefore could be acted upon.

#### **7.6 The Outcomes (N.Q.) of Case-firms' Involvement's in Social Networks**

It was argued in Chapter Four that there is a lack of knowledge and understanding about the impact which the social networks in which small firms are embedded have upon their behaviours and activities (Donckels and Lambrecht op. cit.; Gibb op. cit.; Joyce et al 1995; ). Dubini and Aldrich (op. cit.), for example, assert that the

“ ‘weakness’ of network studies lies in their retrospective, cross sectional nature (and that while) they support the value of a social network perspective, (they) cannot give causal evidence for the significance of social networks in starting and building business”(p155). While some reference to the impact which the social networks in which case-firms were embedded had upon their development has been made in the preceding sections, an explicit statement of the outcomes found to result from case-firms’ involvement in the relationships which the social networks in which they were embedded were comprised is warranted.

Specifically it was found that case-firms’ involvement in relationships comprised of similar contents produced similar outcomes and that these impacted upon the development of case-firms by widening their client and/or resource base and improving the skills of owner-managers at low and often ‘hidden’ costs. It was also found that the outcomes of case-firms’ interactions in the relationships which the social networks in which they were embedded comprised, changed over time, according to the stage of development of case-firms. It was also established that one consequence of case-firms’ interactions in relationships perceived to have had most impact upon their development was that the social networks in which they were embedded changed in both composition and size. Consequently, the findings presented in this section not only contribute to an explicit understanding of the impact which the social networks in which case-firms were embedded had upon their development but additionally, they suggest that by considering the interactional dimensions which social networks are conceived to possess (Mitchell op. cit.), fluctuations in their structural dimensions can be explained. These findings are summarised in Table 7.3 below.

**Table 7.3 Outcomes of Case-firms' Involvement's In Social Networks**

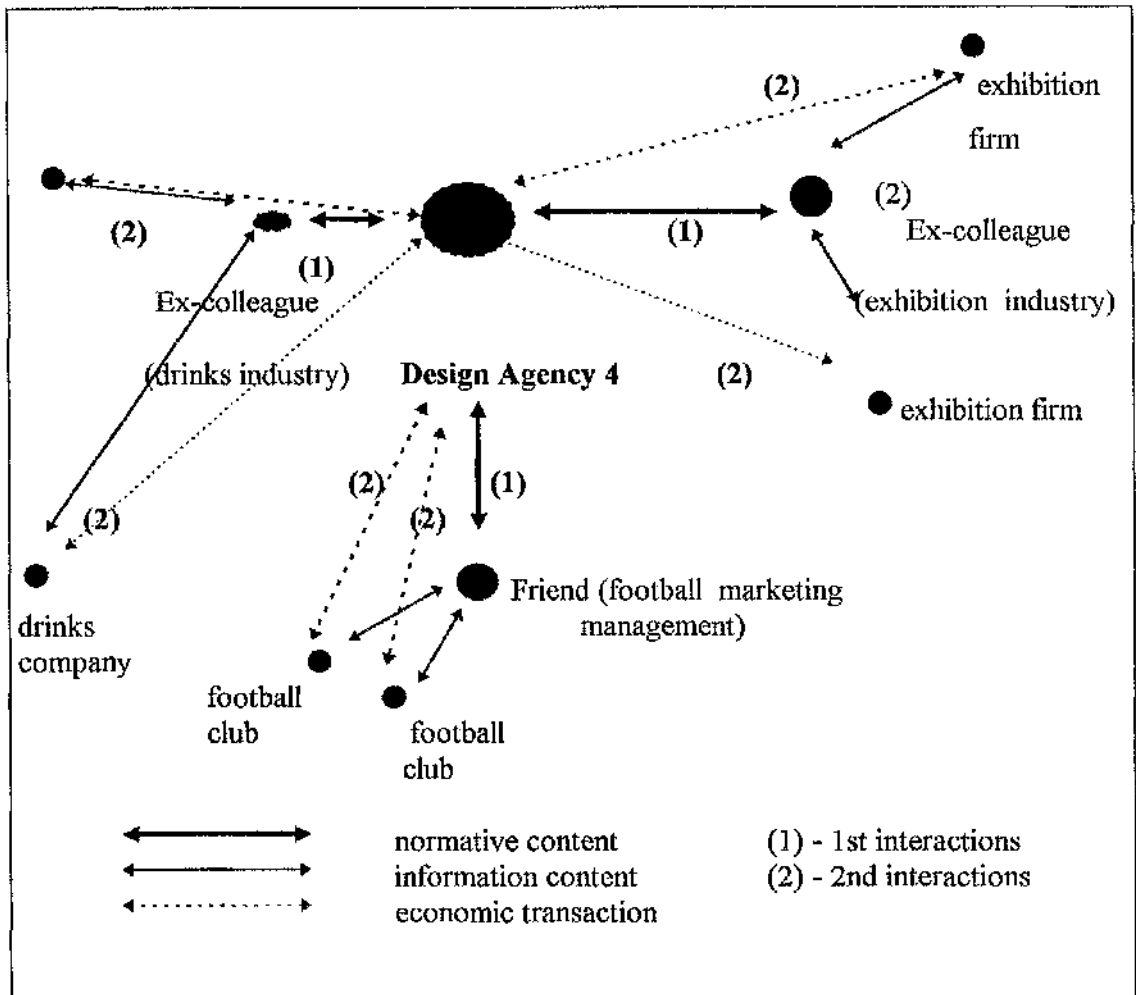
<b>Content</b>	<b>Outcome(s)</b>
<i>Information</i>	
• about clients	introductions & referrals help create at start-up and maintain and widen during development, the client base of case-firms; result in segmentation; alter shape & size of network;
• about competitors	help take decisions about strategy & tactics for competitive advantage at start-up and development;
<i>Advice</i>	
• about location & interior design	fair price for premises for start-up;
about owner-management	at start-up & development improved owner-management skills, e.g. staff motivation;
• about professionals to use	at start-up and development, professionals viewed with less mistrust; alter shape & size of network;
<i>Normative</i>	
• friendship	same as information & advice; also : design contracts won without 'pitching'; access to relationships within other networks;
<i>Bartering-Exchange</i>	
• full-	widen resource base without incurring market cost, particularly at start-up;
• part-	widen resource base at low cost; develops firm by making available fringe benefits for staff; helps achieve lifestyle objectives of owner-managers and staff.

It was found that depending of the stage of case-firm development, case-firms' interactions in relationships which participants identified as containing information about clients resulted in the creation, widening or maintaining of their client base. As

mentioned previously, it was found that at the time of owner-managers' establishment of case-firms, the friendships for example they shared with clients of their ex-employers, resulted in case-firms acquiring their first pieces of design without incurring the costs which would have been involved had they had to tender for this work. It was also found that as a consequence of the relationships which staff and owner-managers identified as containing information about potential design clients, participants believed that the client base of case-firms had been expanded, particularly when these relationships were shared with individuals holding broker positions within the social networks in which case-firms were embedded. A third outcome found to result from their involvement in relationships which participants identified as containing client information was that the size and structure of the social networks in which case-firms were embedded, consequently changed. An illustration of this outcome is provided by the partial network map below (Figure 7.1). This map shows that as a result of relationships containing information and normative contents, which OM 4 shared with friends who worked in the exhibition, drinks and sports marketing industries the design work of DA4 became focused on these three segments of the market.

As an outcome of staff and owner-managers' involvement in relationships with individuals holding broker positions within the social networks in which case-firms were embedded which they identified comprising of client information and normative expressions, it was found that the design business of all case-firms had become focused around those segments of the market in which these brokers were employed and/or had contacts. OMI's comment that "we work for just about every leisure and entertainment company in Aviemore" is illustrative of the outcome which his involvement with a friend working in the hotel and leisure industry had upon the segments of the market in which DA1 competed for design. Likewise, DA 2's supply of design work for a number of local enterprise agencies and DA3's to a number of software companies are illustrative of the impact which staff contacts within these industries had upon the market segments in which these agencies competed.

**Figure 7.1 An Example of the Outcome of Case-firm's Involvement's in Relationships Containing Information and Normative Contents**



It was found that staff and owner-managers identified that their involvement in relationships which contained information about competitors had resulted in improvements in the strategies and tactics which case-firms had developed for the purposes of securing a competitive advantage. In particular, participants mentioned that when tendering against other agencies, information about the strategies and tactics of the agencies they were tendering against, acquired from their personal contact networks, had resulted in case-firms having been able to prepare competitive design proposals.

Analysis of the data collected from owner-managers found that the advice contained within the social networks in which they were embedded had resulted in a number of outcomes which had served to impact upon the development of case-firms. All owner-managers identified that the relationships which they shared with friends (OM's 1 & 3) and family (OM's 2 & 4) which had provided them with advice had resulted, depending on the stage of case-firm development, in a variety of outcomes which had consequently assisted in their establishment and development of case-firms. For example, all owner-managers identified that advice offered to them at the time of their establishment of case-firms had helped them negotiate a fair price for the premises which they had initially rented. Likewise, all owner-managers identified that their ability to motivate and reward staff had improved as a consequence of advice which they had received and in turn, that this advice had assisted in their development of case-firms. The finding that advice such as, OM2 father's recommendation that he should reward his staff a £100 bonus when DA2 won an important design contract, was perceived by owner-managers to have contributed to the development of case-firms by improving their management of staff resources is supported by the key success factors of the graphic design industry. The success of graphic design agencies is largely dependent upon the creativity and commercial awareness of the design concepts which their staff produce. Considered alongside the growth which the graphic design industry is currently experiencing and the subsequent mobility of graphic designers and high turn over of staff experienced by many agencies, owner-managers' perception that their staff-management skills had improved as a consequence of advice provided to them by friends and family are pertinent.

As a consequence of case-firms involvement in relationships comprised of bartering-exchanges it was found that participants believed that the resource base of case-firms had increased without case-firms incurring the costs which would have been involved had these resources been bought at their market value. Specifically, it was found that owner-managers identified that the full- bartering-exchanges in which they had participated at the time of their establishment of case-firms had been instrumental as they had provided them with access to necessary resources which, at that time, they could not afford to purchase at their market price. Also, as was discussed previously,

the part-bartering-exchanges in which all case-firms except DA2 engaged, were perceived by participants to have assisted in the development of case-firms by widening their resource base at low and often 'hidden' costs. Additionally, it was found that owner-managers 1, 3 and 4 believed that by widening their resource base at minimum cost, part-bartering-exchanges had also provided them, with access to resources with which to reward and motivate staff as well as satisfy some of their lifestyle objectives.

The finding that the outcomes of case-firms interactions in relationships comprised of similar contents were perceived by participants to have changed over time is supported by the findings of previous research. Butler and Hansen's (op. cit.) research found that the outcomes of the relationships in which the owners of small French vineyards were involved changed over time and, as a consequence, were perceived by the participants in their study to have assisted not only in the start-up but the subsequent development of their wineries. Likewise, Ramachadran et al (op. cit.) concluded from the findings of their exploratory study of the social networks in which small Indian firms were embedded that, over time these firms' involvement in relationships comprised of similar contents produced outcomes dependent upon the circumstances experienced by firms at particular points in time. Considered alongside the findings of this research, these studies suggest that the impact which the social networks in which small firms are embedded is not, as some researchers (for example Birley op. cit.) have argued, restricted to the period of time surrounding their establishment. Rather, these findings suggest that the impact which the social networks in which small firms are embedded changes over time and that particular to case-firm, this impact was positive, perceived by participants to have assisted in the development of case-firms.

While there is a scarcity of relevant small firm research with which to compare the finding that changes in the size and structure of the social networks in which case-firms were embedded emerged as one outcome of participants' involvement in multiplex relationships, particularly with individuals holding broker positions, support for this finding is provided by the social networking literature. Knowke and

Kuklinski (op. cit.) describe relationships as comprising on-going interactions, the outcomes of which determine the existence of future interactions and account for the emergent nature of relationships. Building upon this they argue that the shape and size of the network of relationships in which an anchorage is embedded will emerge as a consequence of the outcomes of the interactions of which the relationships of which it is comprised are created. Considered alongside this research, this supports the finding that changes in the structure and composition of the social networks in which case-firms were embedded emerged as one outcome of the interactions in which they engaged. By collecting data then about the outcomes of the relationships in which case-firms interacted some understanding of why the social networks in which case-firms were embedded were perceived to have changed over time has been acquired.

Findings about the outcomes of case-firms' interactions in relationships comprised of particular contents can also be discussed in terms of the extent to which they contribute to an understanding of the factors which motivated participants to interact in relationships. Previous research (Blackburn et al op. cit.; Curran et al op. cit.; Curran and Blackburn op. cit.) has argued that as the relationships in which small firms can be involved extend along a continuum from compulsory relationships, for example with consumers at one end, to voluntary relationships, for example with trade and industry associations at the other, research which identifies the motivations which small firms have for interacting in different types of relationships would make a significant contribution to both research and policy interested in small firm networks. These authors further argue that an insight into these motivations can be acquired by collecting data about the contents of the relationships in which small firms interact. Findings however about the outcomes of case-firms' interactions in relationships comprised of similar contents, suggest that the collection and analysis of data for the purposes of acquiring an insight into these motivations should not be limited to data about the contents of which such relationships are comprised. Instead, the findings presented in this section suggest that, particularly for relationships which do not contain an economic transaction and, consequently are not defined by Blackburn et. al. (op.cit.) and Curran et al (op.cit.) as 'compulsory' relationships, data about both the contents of the relationships in which small firms are



involved and the outcomes which emerge from their interactions in such relationships is required if a comprehensive insight into the motivations which small firms have for engaging in non-compulsory relationships is to be acquired.

If the argument that as a consequence of their limited resource base, case-firms could not afford and consequently were not motivated to engage in relationships which participants did not believe would produce a beneficial outcome is accepted, this has implications for the motivations which case-firms had for interacting in relationships which might be regarded by Blackburn et al (op. cit.) and Curran et al (op. cit.) as 'non-compulsory'. Specifically, it can be argued that as participants regarded relationships which they shared with friends, family and acquaintances as having impacted upon the development of case-firms because of the trusted and reliable information, advice and/or introductions to clients which they provided at a minimum cost to case-firms, for participants, these relationships were *compulsory*. If accepted, this suggests that staff and owner-managers were motivated to engage in relationships either because of the economic contents of which they were comprised or because of the low cost and trusted information and/or advice which they provided.

This discussion raises questions about the extent to which staff and owner-managers interacted in relationships in an ad-hoc fashion or whether they adopted a more strategic approach and selected to interact in relationships which they believed would produce outcomes which assisted in the development of case-firms without incurring full market costs. It can be argued that the latter of these suggestions is supported by extending the argument that organisations will select to conduct their economic activities in whichever organising mechanism is most cost effective, to apply also to the relationships in which case-firms interacted which were not comprised of an economic content. The suggestion however that the relationships in which staff and owner-managers interacted were selected on an ad-hoc basis, depending more on their past experiences and the contacts which they happened to have within their personal contact networks, is supported by Granovetter's (1985; 1992) argument that all action is situated within on-going interactions within social relationships. An insight into the extent to which the staff and owner-managers strategically selected the

relationships in which they interacted or whether the relationships in which they interacted were selected on an ad-hoc basis, is provided by a discussion of the networking activities (N.A.) in which case-firms engaged, together with consideration of the factors which were found to influence (I.F.) the contents and/or the outcomes of the relationships in which staff and owner-managers interacted.

### 7.7 'Networking' - Tactics for Creating, Developing and Maintaining Relationships (N.A.)

It is acknowledged within the small firm literature that networking is an important activity in which owner-managers engage (for example see Carson et al 1995; Johannisson op. cit.). Previous relevant studies have however concentrated on measuring the amount of *time* which *owner-managers* invest in networking activities, rather than on the actual activities which are undertaken. As such, findings about the *networking activities* (N.A.) undertaken by case-firm owner-managers *and* staff, together with findings about the *networking policies* (N.P.) which owner-managers used to manage and control these activities, make a significant contribution both to current knowledge about the networking activities used by small firms and to an understanding of the impact which the social networks in which case-firms were embedded had upon their development.

As mentioned previously, while it was found that neither staff nor owner-managers conceived of the relationships in which case-firms interacted as forming a network structure, networking as an activity (N.A.) emerged as a common theme across all case-firms. Comparative analysis of data collected about networking found that it was an activity in which owner-managers *and* staff engaged specifically for the purposes of acquiring new and/or repeat design business either directly from clients or indirectly, through introductions and referrals, and to a lesser extent, acquiring information about competitors. This analysis also found that within each case-firm, policies for managing networking activities, particularly those in which staff engaged, existed. While it was found that no case-firms had documentation which outlined these policies, it became apparent that owner-managers had particular views about

the relationships in which they and, in particular, their staff interacted and, that staff were aware of these views.

It was found that the networking activities in which staff and owner-managers engaged were determined by whether these activities were directed towards relationships with individuals which contained information about potential design contracts, through whom case-firms could be introduced to potential clients or, towards existing design clients, particularly those which owner-managers regarded as key accounts. It was mentioned earlier that staff were encouraged to use relationships within their personal contact networks for the purposes of acquiring client and competitor information. It has also been mentioned that the relationships which staff and owner-managers identified as providing information about clients and competitors which had had most impact upon the development of case-firms, were relationships comprised of a normative content, which they shared with friends, family and acquaintances. The finding then that the networking activities in which staff and owner-managers engaged for the purposes of acquiring client and competitor information and/or introductions to potential design clients, revolved around activities, such as telephone conversations, evenings out, football games and golf matches, in which parties to a relationship comprised of a normative expression of friendship and/or affection, typically engage, was expected.

It was found that while staff were encouraged to network with their personal contacts for the purposes of acquiring client or competitor information and they were rewarded for providing information which resulted in case-firms acquiring new or repeat design business, that they were discouraged from engaging in activities which owner-managers believed would provide them with the opportunity of developing normative relationships with design clients, particularly those which owner-managers regarded as key accounts (C.T.). It was found that as case-firms had grown, while owner-managers had delegated, for example the responsibilities of purchasing supplies and liaising with printers, staff involvement in the drawing up of design briefs and liaising with clients throughout the production of their design was kept to a minimum. Given the career histories of all owner-managers and the assistance, in terms of providing

design contracts, which the normative relationships they had shared with design clients of their previous employers were found to have provided case-firms, particularly at the time of their start-up, the control which all owner-managers were found to display towards the time which their staff spent with clients, particularly key accounts (C.T.) is understandable.

The networking activities which owner-managers directed towards clients, particularly those they regarded as key accounts were found to differ from those which they and their staff directed towards relationships which provided them with information. These networking activities differed in that, because they were initiated and paid for by owner-managers, they were not typical of the activities in which parties to a normative relationship engage. It was found that common to each case-firm, the networking activities directed towards existing design clients included hospitality, handling of client work, flexible pricing structures and bartering-exchanges. Comparative analysis of data found that hospitality (N.A. : H/Y) in all its forms was perceived by participants to be necessary both for case-firms' acquisition of new business and the development of long term trading relationships with design clients, particularly those which owner-managers identified as key accounts. OM3's description of the circumstances surrounding the acquisition of DA3's largest account, illustrates the importance which participants, particularly owner-managers were found to place on hospitality for the acquisition of new business :

“we have wine and dined them, entertained them....ehm, phoned them up, seen if they wanted a game of football, seen if they wanted a game of golf, the story goes on and on, but just pandering towards, if the guy likes golf we talk golf, if the guy likes football we talk football, and so it goes ..ehm .. and today we got word that we've been short listed to pitch for the major account.”

Similarly, OM2's explanation that DA2 had failed to acquire repeat business from a key account, for whom DA2 had previously created and produced several pieces of design, because he had not taken the decision maker who he said, “likes that type of thing”, out to lunch as frequently as the owner-manager of the agency which did win the contract, usefully describes the finding that hospitality was also used by owner-

managers for the purposes of acquiring repeat design business. OM2's description of the events surrounding DA2's loss of a key account suggests that design clients included within their criteria for commissioning work, the hospitality which they received. Comparative analysis of data collected from clients of all case-firms, found however that they shared different views about such hospitality. It was found that the comment made by the client who had failed to renew the contract to which OM2's previous example referred that :

“it is really against our company policy. If however we do receive any gifts, they are put into a monthly staff raffle and the proceeds go to a local charity”

was common to the views which most clients interviewed had about the hospitality which they received from case-firms.

Common to the discussions which each owner-manager had with the researcher about the hospitality which they directed towards clients were the issues of the importance of hospitality as a networking activity for creating long term trading relationships with clients and the costs which they incurred paying for this hospitality. It emerged that given the costs involved and, the limited resources of case firms, owner-managers had to restrict the hospitality in which they engaged by directing it only towards those clients which they identified as key accounts. OM1 in particular, discussed in detail the problems involved in the hospitality which he believed he necessarily had to offer for the purposes of acquiring new and repeat business from key accounts. His comment that :

“ it requires a large degree of imagination, to be able to entertain people on small budgets, I mean, but it has to happen, its the only way to do it because opportunities don't arrive every day and we have to maintain the contact until the opportunity does arise”

illustrates the finding that hospitality was regarded by all owner-managers to be important for acquiring new work. OM1's comment also shows that in contrast to other owner-managers, OM1 had chosen to view the problems posed by the restricted financial resources of his design agency as an opportunity to engage in

'imaginative' forms of hospitality. OM1 believed that the imaginative solutions which he developed for the problem of paying for hospitality had assisted in differentiating DA1 from its competitors. In describing the low cost hospitality which he directed towards key accounts, OM1 explained that in addition to clients having been entertained to, wine tasting evenings for example, he had also entertained key accounts at the restaurants and hotels for whom DA1 produced design in exchange for in-kind and monetary payments. OM1's description of the hospitality which he directed towards key accounts suggests that, within the graphic design industry, the *type* of networking which agencies direct towards clients might serve to provide agencies with a competitive advantage. Further, it suggests that the requirement for low cost, 'imaginative' hospitality influenced the types of part-bartering-exchanges which he negotiated. While support for this latter suggestion is provided by Jarillo's (1988) description of network management as "something that entrepreneurs use purposely to obtain a competitive advantage for the firm" (p 32), further research exploring the relationship between networking activities and competitive advantage is required in order to substantiate the validity of OM1's perceptions.

It was found that decisions about the handling of design work (N.A. : H/W) were taken by the owner-managers of all case-firms for the purpose of creating, developing and maintaining long term trading relationships with key accounts. When clients whom owner-managers identified as key accounts commissioned design work, the owner-managers of all case-firms exercised tighter quality controls to ensure that the design produced was of a standard and service which they believed would encourage these clients to commission repeat business and to refer other potential clients to case-firms. It was found that owner-managers tightened the quality control procedures involved in the production of design by personally undertaking (OM's 2 & 3) or overseeing (OM's 1 & 4) the designs created by contracting-out, for example, photography and printing to subcontractors which they believed they could rely upon to produce a high quality 'finish' and also, by working long hours to ensure that the work was completed on, or ahead of the time it was required. Throughout the six to nine months during which the researcher collected data from case-firms, it was not uncommon for owner-managers, even when they were unwell (OM2), to

work fourteen to sixteen hours a day, seven days a week, to ensure that design work for key accounts was completed on time and to a high standard of quality and service.

Another tactic found to be used, particularly for the purposes of acquiring new design work was a flexible pricing structure (N.A. : £/S). It was found that in all case-firms, it was not uncommon for owner-managers to lower the price of their design for the purposes of acquiring design contracts from clients they identified as key clients (C.T.) either because of the size of their contract or, more commonly, because the design was perceived by owner-managers to have the potential to contribute to case-firms' 'portfolio prestige'. OM3's comment that "we mark-up anywhere between 50-200%, depending on the client" provides a good example of the empirical data in which this finding is grounded. The part- bartering-exchanges found to be contained within the relationships which case-firms shared with clients, can also be discussed in terms of being a third tactic found to be used by case-firms 1, 3 and 4, for the purposes of acquiring new and repeat business (N.A. : B/E). It was found that as a networking tactic, part-bartering-exchanges were used for similar purposes and in similar circumstances as flexible pricing structures. Comparative analysis of data found that as a networking tactic, part-bartering-exchanges were used to effectively lower the cost of design for the purposes of initially acquiring new business and encouraging repeat business with clients which owner-managers identified as key accounts (C.T.) because of the contributions which they believed the design which such clients commissioned would contribute to the portfolio prestige of case-firms. A second consideration found to influence owner-managers' negotiation of part-bartering-exchanges for the purposes of acquiring new and repeat business was that they regarded the in-kind payments made by these clients as making a valuable contribution to the resource base of case-firms. For example, owner-managers identified that in-kind payments could be used for the purposes of motivating and rewarding staff.

The finding that both the owner-managers and staff of case-firms engaged in networking activities is supported by industrial marketing research which identifies the networks of relationships in which an organisation is embedded as a composite of the personal contact networks of its members (for a discussion see Harland 1996).

Specific to small firm research, the finding that participants spoke of networking is supported by literature which describes entrepreneur's as action orientated rather than reflective ( for example see Mintzberg 1973), previous small firm network research is mixed in the conclusions which it draws about who is involved in the networking activities in which small firms engage. For example, Birley et al's (op. cit.) study found that "outsiders have few contacts with other employees" and led them to conclude that, "(i)t appears therefore that networking is primarily the remit of the chief executive and that (s)he does not readily delegate this activity to subordinates"(p15). Alternatively, Dubini and Aldrich (op. cit.) concluded that, "(p)erhaps we need to measure the networking activity of all the people involved in making and maintaining a business's contacts". By finding that the networking activities directed towards key accounts were exclusively the responsibility of owner-managers but that both owner-managers and staff engaged in networking activities for the purposes of acquiring client and competitor information, the findings presented in this section appear to support each of these opposing perspectives. Considered alongside the finding that within all case-firms there existed unwritten networking policies, the findings presented in this section suggest that owner-managers sought to manage and control the networking activities in which case-firms engaged without incurring either the restrictions arising when networking remains exclusively the responsibility of the owner-manager nor the risks attached to allowing staff to direct networking activities towards key accounts.

The networking activities in which participants engaged and the policies which owner-managers used for the purposes of managing and controlling these activities can also be discussed in terms of the contribution which they make to current knowledge about the types of networking activities in which small firms engage. While previous research has argued that small firms can benefit from regarding the social networks in which they are embedded as a resource which, if properly managed can accrue many benefits in terms of acquiring business and providing access to resources (Carson et al op. cit.; Johannisson op. cit.), there is a scarcity of empirical data about the types of networking activities which are effective in securing these benefits and about the ways in which owner-managers can manage the networking activities in which they and their staff engage. As such, findings about the types of networking activities in which



staff and/or owner-managers engaged together with the policies used by owner-managers not only concur with the suggestions of previous research but, more importantly, they make a valuable, empirical contribution into a neglected area of small firm networking research. Additionally, if Dubini and Aldrich's (op.cit.) assertion that "effective entrepreneurs systematically plan and monitor networking activities" is accepted, as all case-firms had, before their involvement in this research, survived start-up, it can be argued that the findings presented in this section provide the practising small firm owner-manager with an insight into the types of networking activities and policies which are effective for the purposes of acquiring business and widening the resource base of small firms at a minimum of costs, both financial and time, to small firms.

The findings presented in this section can also be discussed in terms of the extent to which they indicate that case-firms adoption of a planned approach to networking. The finding that networking policies existed within all case-firms suggests that staff and owner-managers strategically selected the relationships towards which they directed networking activities and in which they consequently interacted for business purposes. Given restrictions in the resource base of case-firms, particularly restrictions in the time participants had available for engaging in networking, the finding that policies recommending the types of networking activities in which they engaged and the types of relationships towards which these activities should be directed, suggests that owner-managers adopted a planned approach to networking. Specifically, these findings suggest that owner-managers sought to maximise the access which case-firms had to information and other resources and opportunities contained within the personal contact networks of themselves and their staff while, at the same time, minimising the risk of spin-offs from their firms.

The findings presented and discussed in this section support the suggestion that participants selected strategically those relationships in which they interacted. A challenge to this suggestion is provided in the section below which presents and discusses the factors found to influence the contents and the outcomes of the relationships in which staff and owner-managers interacted as well as the networking activities in which they engaged

**7.8 Influencing factors (I.F.)**

It was found that common to each case-firm there existed a number of factors (I.F.) which impacted upon the size and also the contents and consequently the outcomes of the relationships in which participants interacted as well as the networking activities in which they engaged. These influencing factors, together with the impact which they were found to have are detailed in Table 7.4 below.

**Table 7.4 Influencing factors**

<b>Influencing Factor</b>	<b>Found to Influence</b>
• Past Experiences (P.E.)	Contents and Outcomes of Relationships
• Industry Sector (I.S)	Contents and Outcomes of Relationships
• Restricted Resource Base (R.R.B)	Contents and Outcomes of Relationships
• Lifestyle Objectives : Owner-manager (O.O.) Staff (S.O.)	Part-bartering-exchange Contents
• Identification of Key Design Accounts (C.T.)	Networking Activities & Tactics
• Stage of Business Development (S.B.D.)	Outcomes of Case-firms' Involvement's in relationships comprised of all contents

Many examples of the empirical data in which the finding that the relationships which participants identified as having had most impact upon the development of case-firms were multiplex relationships which they shared with family and friends and acquaintances made during their previous experiences have been provided throughout this chapter. The impact which the past experiences of owner-managers have upon, particularly their successful creation and, to a lesser extent development of small firms is well documented in the small firm research literature (Fiet 1996; Johannisson op. cit.; Keeble et al 1991; Lloyd-Smith et al 1993;). The findings presented in this chapter however show that the past experiences of both owner-managers and staff

impacted upon the development of case-firms (I.F. : P.E.) because of the contents and outcomes of participants' involvement in relationships which they had developed prior to their ownership of and employment in case-firms. The finding that the past experiences of participants determined the size and contents of the social networks in which case-firms were embedded suggests that the relationships in which case-firms engaged were not strategically selected. This is not to suggest however that because the relationships in which participants engaged were not strategically selected, they did not assist in the development of case-firms. Rather, the finding that participants identified multiplex relationships which they shared with friends, family and acquaintances as the relationships which had had most impact on the development of case-firms suggests that the personal contact networks which owner-managers and staff brought with them to create the social networks in which case-firms were embedded, were valuable. Support for this suggestion is provided by extending Aldrich et al's (1989) assertion that owner-managers accumulate experiences and become embedded in personal and social relationships which they consequently draw upon when establishing and running their small firms to apply also to the staff employed.

An awareness of the impact which the nature and characteristics of the graphic design industry (I.F. : I.S.) had upon the size and contents of the social networks in which case-firms were embedded suggests that while not all of the relationships in which case-firms were embedded may have been strategically selected, they were of value. The growth and subsequent employment mobility which has characterised the graphic design industry in recent years were described in Chapter Three and have been mentioned above. The latter of these characteristics can be discussed in terms of the impact which it was found to have upon the size and contents of the social networks in which owner-managers, staff and consequently case-firms were embedded. It was found that the before joining case-firms, staff had gained experience of working within the graphic design industry and like owner-managers, had developed during these experiences, relationships with others involved in this industry which they identified as containing and providing them, once they were employed by case-firms, with information about both potential design clients and competitors. It can also be

argued that word of mouth communication - the medium commonly used within the graphic design industry for the purposes of acquiring business served to encourage owner-managers and staff to engage in networking activities for the purposes of interacting in relationships which contained information about design clients. The argument that the factors which impact upon small firms may depend upon the characteristics of the industry in which they compete supports the findings which have been presented. Also, while specific support for these findings is provided the argument that industry sector has had an impact on the networks in which small firms competing within high-technology industries in Silicon Valley, California (Saxenian 1985; 1990) further research which explores the relationship between industry characteristics and the size and contents of the social networks in which small firms are embedded is required before it can be concluded that the impact which industry sector was found to have is particular to the graphic design industry.

The findings of this research also suggest that the limited resource base of case-firms influenced (I.F. : R.R.B) participants to engage in relationships which, because of their contents, resulted in widening the resource base of case-firms without incurring the time and financial costs which their acquisition of these resources would have incurred had they been acquired through market mechanisms. While support for this finding is offered by the argument that organisations will select to organise their activities through the mechanism which is most cost effective, this assumes that participants had sufficient information and access to a wide enough range of relationships to allow them to select strategically to interact in those relationships which they believed would produce cost-effective outcomes of benefit to case-firms. As already discussed however, while the social networks in which case-firms were embedded were perceived to have assisted in the development of case-firms, the influence of participants' past experiences suggests that they may not have been strategically selected. This discussion suggests then, that within the confines of the size and contents of the social networks which emerged as a consequence of the past experiences of staff and owner-managers, staff and owner-managers directed networking activities towards those relationships which they believed would produce outcomes which would assist in the development of case-firms without incurring large time or financial costs.

It was also found that the types of part-bartering-exchanges contained within relationships which case-firms shared with clients were influenced by the lifestyle objectives of both staff (I.F. : S.O.) and owner-managers (I.F. : O.O.). Discussions with owner-managers made apparent that the types of part- bartering-exchanges which they negotiated were influenced by their perceptions about the types of in-kind payments which they believed would encourage and reward staff for collecting information about clients and competitors. A comparison of data collected during these discussions with the researcher's observations about the lifestyle objectives of owner-managers, found that the types of part-bartering-exchanges which had been negotiated by owner- managers, also satisfied and consequently were influenced by their own lifestyle objectives. An example of this finding is illustrated by the design work which both DA's 1 and 4 provided for local football clubs of which OM' 1 and 4 were supporters. OM4 explained that in return for design, DA4 received a mixture of monetary and in-kind payment in the form of a season ticket for OM4's personal use and free tickets to home matches for members of staff. It was also found as mentioned earlier, that an additional influence on the types of part-bartering-exchanges negotiated by OM1 was the extent to which he perceived that in-kind payments could be used for the hospitality which he directed towards key accounts.

Owner-managers identification of key accounts (I.F. : C.T.) towards whom to direct networking activities were also identified as an influencing factor. Discussions with owner-managers about the types of accounts towards which they directed networking activities found that the owner-managers of all case-firms used the same criteria to determine whether a client was a 'key' account towards whom networking activities should be directed. Three criteria were found to be used, to lesser and greater extent, by each owner-manager. One criterion was an assessment of the degree to which clients, because of their size or reputation, were connected to other potential design clients and the likelihood that production of design for such clients would result in case-firms being introduced to clients to whom they were not connected. OM1, for example, was found to have directed a large amount of hospitality towards a client within the drinks industry, because he identified this client as being able to provide DA1 with introductions to a number of other potential design clients in associated

industries. When asked whether this hospitality had resulted in DA1 acquiring additional design as a result of the design produced for this client it emerged that three to four additional pieces had been acquired. Comparison of the extent to which owner-managers identified the type of design commissioned by a client as having the propensity to contribute towards the portfolio prestige of case-firms established that depending upon the extent to which owner-managers believed a client would provide their agency with repeat business was used to identify those clients towards whom they directed networking activities.

The final influencing factor found was the stage of case-firms' development. As presented in Table 7.2 it was found that the stage of case-firms development influenced the outcomes of case-firms interactions in relationships which were comprised of similar contents. This finding suggests that as case-firms developed, the network of relationships in which they were embedded evolved and continued to provide case-firms with access to the types of low cost resources which they required for their subsequent development. This suggestion is supported by the findings of research which also adopts a qualitative approach to the study of small firm networks (Butler & Hansen op.cit; Ramachadran et al, op.cit) and suggests that the collection of data about the interactional dimensions of small firm networks can contribute to a comprehensive understanding of the impact which these networks have upon the start-up and subsequent development of case-firms.

## 7.9 Summary

This chapter has presented and discussed the impact which the social networks in which case-firms were embedded were found to have upon the development of case-firms. The findings presented in this chapter have shown that participants did not abstract the relationships in which case-firms were embedded as forming a network structure and argue that as social networks are constructs erected by the researcher for the purpose of analysing the relational influences which impact upon the behaviour of an anchorage point, their construction contributed little to an understanding of the

impact which the social networks in which case-firms were embedded had upon their development. The chapter has shown that findings about the contents and the outcomes of case-firms' involvements in the social networks in which they were embedded have contributed to an understanding of the impact which relational influences contained within the micro environment had upon the development of case-firms. These findings have also demonstrated that the collection of data about the interactional dimensions of social networks contributes to an understanding of fluctuations in the structural dimensions of such networks. This chapter has also argued that by identifying the contents and the outcomes of the relationships in which case-firms were embedded, an insight into the factors which motivated staff and owner-managers to interact in relationships comprised of different contents has also been provided. A discussion of the networking activities in which staff and owner-managers engaged, together with the policies used by owner-managers for the purposes of managing these activities and the influencing factors which were found has debated whether the relationships in which case-firms were embedded were strategically selected or created as a result of previous ad-hoc activities. Concluding comments based on the findings discussed in this chapter, together with recommendations for small-firm owner-managers, future research and small firm policy, as well as the limitations of this research are presented in the concluding chapter which follows.

## CHAPTER 8 - CONCLUSION

### Concluding Remarks, Limitations and Recommendations

The purpose of this final chapter is to conclude the discussion of the findings generated by this study initiated in the previous chapter. This thesis has argued that the in-depth and detailed exploratory study of the social networks in which a purposive sample of small graphic design agencies are embedded will provide an insight into the impact which the micro environment has had upon their development. Further, this thesis has argued that a qualitative approach allows the researcher to 'get close' to case participants, penetrate their realities and uncover issues relevant to the substantive area which will be useful in directing future small firm networking research, of interest to policy makers and able to offer practical advice to the owner-managers of small professional business service firms.

This chapter opens with an overview of the thesis before presenting a summary of the key findings which emerged. In light of the discussion presented in Chapter 6, the implications which these findings have are then considered before explicitly stating their limitations. The chapter concludes by detailing the recommendations which the findings of this research have for the owner-managers of small professional service firms, policy makers and future small firm research.

#### 8.1 Thesis Overview

Drawing upon secondary data, this thesis developed a number of related arguments supportive and indicative of the need for the substantive topic selected by this thesis for rigorous scientific inquiry.

Consideration in Chapter 2 of what constitutes a 'small firm' together with a discussion of whether 'entrepreneur' is an appropriate label for the owner-managers of today's small firms, drew a number of conclusions. Discussion of competing definitions of firm size concluded that 'grounded' definitions (Blackburn et.al. 1991; Curran et al 1991; Curran & Blackburn 1994; Curran and Stanworth 1986) provide a more accurate description of firm size and debate over the labels used to describe



individuals who currently own and manage small firms concluded that 'owner-manager' was a more accurate description than 'entrepreneur'. This latter discussion further suggested a complex small firm lifecycle involving more than the owner-manager and argued that research which selects the small firm as the unit of analysis has the potential to provide valuable insights into other stakeholders and processes involved in the development of small firms. These conclusions justify the grounded definition of firm size adopted by this research and the researcher's decision to select the small firm, rather than the owner-manager, as the unit of analysis.

Consideration of reasons for the revival of Britain's small firm sector together with an identification of the industries and spatial locations in which this growth was concentrated made apparent that the factors which impact upon the creation, development, growth and death of small firms depend upon both industry characteristics and local environments (Curran et al 1993b; Curran & Blackburn op. cit.; Keeble et al 1993a; Westhead and Birley 1995; Whittam & Kirk 1995). Specifically, professional business services were identified as one sector in which the growth of small firms has been concentrated (Keeble et al 1991; 1993b) and it was argued that research particular to small firms competing within this industry was justified. Further, it was argued that as the Scottish environment and economy differs from that in other locations, research which selects the exclusive study of Scottish small firms is justified and of relevance to policy makers at that regional level.

The volatility which Britain's small firm sector has experienced was also made apparent. It was established that the contribution which the sector makes towards the creation of new jobs is concentrated in approximately the 4% (Gallagher and Miler 1991) of small firms which grow at a high and fast pace. Attention was also drawn to the high mortality rates<sup>1</sup> witnessed by the sector, especially its youngest and smallest participants. It was argued that when considered alongside the 'no-growth' stance adopted by the majority of small firm owners-managers (Curran, Stanworth & Watkins 1986; Scase & Goffee 1980; 1982; Storey 1994), the cost effectiveness of policies directed towards encouraging the creation of new and the growth of existing

<sup>1</sup> For example, particular to Scotland, while 21, 417 new firms were established in 1995, 15, 335 went out of business in the same year (*The Birth Rate Strategy - Update*, March 1996).

small firms is questioned. In particular, the sparsity of initiatives designed to support small firms through the necessary transitional processes involved in their development, from which only a small number emerge to go on and achieve significant growth was highlighted. With specific reference to Scotland, concern was expressed over Scottish Enterprise's commitment to the 'Birth Rate Strategy' which aims to encourage and support the creation of an additional 25,000 new firms creating an additional 50,000 jobs by the year 2000; equating to approximately two jobs per firm established. Specifically, given the high death rates experienced by the youngest and smallest firms (Gray 1990; Whittam & Kirk op. cit.), criticism was made of the exclusive focus which this strategy places on the creation of new firms to the consequential neglect of attention paid to the transitional processes involved in small firm development.

This initial discussion concluded that to be effective, there is a requirement for policy to be informed by research which seeks to identify and understand those factors which impact upon the processes involved in the development of small firms competing in different industry sectors and spatial locations. A critical review of the small firm literature presented in Chapter Three established that research has yet to respond fully to these requirements. Specifically, it was established that of the stages involved in the small firm life-cycle, while there is extensive research particular to their creation and growth, less exists to inform policy makers of the transition processes involved in small firm development (for a more detailed discussion see, for example Gartner & Starr 1993; Goss 1991; Robertson 1994; Wortman 1986). It was argued that the adoption of a mechanistic perspective which encourages researchers to identify the inputs required for the successful establishment and growth of small firms is one factor responsible for the volume of research focused on identifying those owner-management traits which correlate with success at these stages. Further, the argument was made that the predominance of a mechanistic, 'black box' perspective of small firms has served to discourage research which seeks to understand the processes involved in small firm development. Particularly, interactions between small firms and their environments necessarily involved in this

development process<sup>2</sup>, were identified as being little understood. Discussion of the topics which have been considered by the small firm research literature concluded that as a consequence of the mechanistic perspective favoured by many researchers, there currently exists a gap of knowledge about the impact which the micro environment has upon the development of small firms (Curran 1987; Goss op. cit.; Jennings and Beaver 1997; Robertson op. cit.; Teece 1987) specifically, the interactions required if small firms are to achieve first survival, then sustainability and eventually, possible growth.

A review of research approaches, methodologies and samples established a predominance within the literature of Positivist approaches which guide the collection of data from large, cross sectional samples of owner-managers for the purposes of confirming or refuting hypotheses generated by theoretical reasoning rather than empirical evidence (Gibb & Davies 1990; Stanworth & Curran 1976). It was argued that this ontological, epistemological and methodological bias has produced an understanding of the complex processes involved across the life-cycle of small firms which is both idealised and lacking in its prescriptive ability.

To summarise, the review presented in Chapter Three made evident that research has yet to respond fully to the implications which the heterogeneous and volatile nature of Britain's small firm sector have for topics, approaches, methods and samples selected for the scientific study of small firms. As such, it was argued that research which seeks to develop an understanding of the processes involved in the development of small firms competing in different industry sectors and spatial locations was justified and important. Specifically, small graphic design agencies were identified as a relevant form of professional business service and, particular to Scotland, the importance of, and interest in findings generated by the in-depth and exploratory study of the impact which the micro environment has had upon the development of a purposive sample of small graphic design agencies was emphasised.

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<sup>2</sup> For one of the earliest references which support this argument, see Stanworth & Curran 1976.

For the purposes of engaging in such a study, an open systems perspective (Aldrich 1979) which allowed the researcher to consider the social context in which such firms were embedded, was identified as appropriate. Also, network concepts which have a strong tradition within more theoretically advanced branches of the social sciences such as social anthropology ( Boissevain 1974; Boissevain and Mitchell 1972; Bott 1957; Mitchell 1969) , were identified as providing a useful starting point from which to approach the collection of data about the interactions which case-firms shared with other actors in their micro environment.

The argument was made in Chapter Four that while network concepts have been 'borrowed' for the purposes of understanding the behaviour of organisations in relational terms, they have been used metaphorically rather than analytically. It was further argued that this together with the many perspectives from which network studies of the organisation have been approached have created a body of research which is disparate and lacking in its practical application. Drawing upon the work of Mitchell (1969) the social network concept was introduced and the dimensions which it is conceived to possess were identified and described. A critical review of organisational networking literature was then presented for the purposes of establishing the extent to which network concepts have effectively been used to understand the relational forces impacted upon organisations. This review established that much of the networking literature approached from transaction cost (Powell 1987; 1990; Williamson 1975; 1979; 1985; 1991; 1996 ) and industrial marketing perspectives (Axelsson and Easton 1992; Ford 1980; 1990; Hakansson 1987; 1992a & b;) has reduced the study of the networks of relationships in which organisations are embedded to individual sets of dyadic 'business' relationships, such as strategic alliances. Particular to small firm networking literature, it was found that because of the smaller number and informality of relationships in which small firms typically engage, such 'dyadic reductionism' has not been encouraged. It was established that within this literature, the concept of a social network (Mitchell op. cit.) has been identified as appropriate for studying the impact which the network of relationships in which small firms are embedded have upon their behaviour and outcomes. A

summary of this review, together with the gaps which it identified are presented in the table below.

**Table 8.0 A Review of Small Firm Networking Research & The Gaps Identified**

	<i>Existing Research</i>	<i>Research Gaps</i>
<i>Focus on :</i>		
• anchorage	Owner-Manager	Small Firm
• stage in lifecycle	Creation	Development
• network dimensions	Structural	Interactional
<i>Methodology:</i>		
• research approach	Positivist	Phenomenological
• research purpose	Hypotheses Testing & generalisation.	Generation of Understanding which fits & works.
• research samples	Cross Sectional	Purposive samples
• research methods	Postal questionnaires; telephone interviews; temporally restricted.	In-depth interviews; observation over time.
• analysis	Deductive	Inductive

The review made evident that relationships between the structural dimensions of potential owner-managers' personal contact networks and their successful establishment of small firms have received much research attention (Aldrich and Zimmer 1986; Aldrich et al 1987; Aldrich et al 1986; Birley 1985; Birley et al 1989; 1990; Hand & Tomblin 1992; ). Considered alongside Mitchell's (op. cit.)

description of the concepts involved in social network analysis<sup>3</sup>, the argument was made that there currently exists within the small firm networking literature, a gap of understanding and knowledge about the impact which the interactional dimensions of social networks have upon small firms across all stages in their life-cycle. More specifically, it was argued that as little is known about the contents of the relationships in which small firm owner-managers and their staff engage, current knowledge and understanding about the motivations which they have for engaging in relationships (Blackburn et al 1990; Curran and Blackburn 1994; Curran et al 1993a) or the impact which these relationships have upon the creation, subsequent development and possible growth of small firms (Donckels and Lambrecht 1995; Gibb 1993; Joyce et al 1995; Ramachadran et al 1993) is lacking. It was also made apparent that in common with the critical review of small firm research literature presented in Chapter Three, research particular to small firm networks is characterised by its preference for Positivist approaches and collection of data from cross sectional samples of owner-managers for the purposes of verifying or otherwise, relationships hypothesised to exist between, for example the establishment of small firms and the networks of relationships in which their owner-managers are embedded. While such approaches and methodological decisions are appropriate to research which seeks to draw generalisations about relationships between the structural dimensions of the owner-manager's personal contact network and their ability to establish small firms, it was argued that they are less suited to the collection of data about the interactional dimensions of social networks and, as such have produced an incomplete understanding of the impact which the relational influences contained within the micro environment have upon small firms across their life-cycle.

For the purposes then of developing an understanding of the impact which the micro environment has had upon the development of small graphic design agencies, the thesis argued that research which aims to explore the impact which both morphological and interactional dimensions (Mitchell op. cit.) of the social networks in which a purposive sample of such firms were embedded was justified. Further, for

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<sup>3</sup> Mitchell (1969) identifies the following morphological characteristics : anchorage, density, reachability and range; and the following interactional dimensions : content, directedness, durability, intensity and frequency.

the purposes of undertaking such a study, it was argued that an approach which would permit the researcher to get 'close' to case-firm owner-managers, staff and other stakeholders involved in the development of case-firms, penetrate their realities and interpret their perceptions about the contents of the relationships in which case-firms were involved and the impact which these relationships had had upon the development of case-firms was appropriate.

The description and defence of the researcher's decision to adopt a qualitative approach to guide the development of a flexible research design, together with the methods which she employed for the collection and inductive analysis and interpretation of qualitative data drew attention to the desire for the research approach, design and methodology to be appropriate both to the ontological beliefs held by the researcher about the nature of reality in the social world and to the exploratory aim of the research. Having identified and justified a qualitative approach as appropriate, the flexible nature of the design, together with a detailed description of the sampling procedure and criteria used for the selection of a purposive sample of small graphic design agencies were discussed. As the researcher was selected as the appropriate instrument for the collection of detailed, qualitative data about the perceptions participants had of the relationships in which case-firms were embedded, the role of the researcher and issues involved in her access to case-firms as well as relevant ethical considerations were explicitly discussed. While a detailed description of methods used for the collection and recording of data was provided and the Research Spiral was presented as a useful visual means of detailing the systematic inductive analysis and interpretation of data, attention was drawn to the on-going and iterative nature of this analysis. Also, in describing the research process, the necessity of overlapping the collection and analysis of data for the purposes of generating an understanding of the impact which social networks had had upon the development of case-firms which "fitted and worked" (Glaser & Strauss 1967) with the perceptions of participants was discussed.

The findings which emerged from this process are summarised in the section below.

## 8.2 Summary of Key Findings

The findings presented and discussed in detail in the previous chapter are summarised below.

### *Social Networks are Abstract Constructs*

Participants were found not to conceptualise the relationships in which case-firms were embedded as constituting a network structure.

### *Social Networks Fluctuate Over Time*

Participants were found to believe that the relationships in which case-firms were embedded at the time of their involvement in this research differed from those in which case-firms had been embedded at the time of their start-up.

### *The Contents Found to Exist Within the Social Networks in Which Case-firms were Embedded*

Comparative analysis of data found that common to the networks in which all case-firms were embedded were relationships which comprised of one or some mixture of the following contents : information, advice, normative expressions of friendship and affection; economic transactions; full bartering exchanges; part-bartering exchanges.

### *The Strength of Strong Ties : Multiplex Relationships & 'Brokers'*

It was found that across all case-firms, participants identified multiplex relationships which they shared with friends, family and acquaintances as the relationships which had had most impact upon the development of case-firms. In particular, it was found that multiplex relationships shared by friends, family and acquaintances holding 'broker' positions within case-firms networks, which served to provide case-firms with access to relationships and hence contents to which they were not directly connected, were perceived by case participants to have had an important impact upon the development of case-firms.



*The Outcomes of Case-firms' Involvement in Relationships : The Impact of Social Networks on the Development of Case-firms*

It was found that case-firms' involvement in relationships comprised of similar contents produced similar outcomes and that these outcomes impacted upon the development of case-firms by widening their client and resource base and improving the skills of case-firm owner-managers at low and often 'hidden' costs.

It was also found that the outcomes of case-firms' interactions in relationships comprised of similar contents changed over time.

*Networking Activities & Networking Policies*

It was found that staff and owner-managers engaged in networking activities. It was also found that the owner-managers of all firms had 'policies' which they used for the purposes of managing the networking activities in which they and their staff engaged. It was found that while staff were encouraged to network with personal contacts for the purposes of acquiring client and competitor information, they were discouraged from networking with clients, particularly those which owner-managers regarded as key accounts. The activities which the owner-managers of all firms were found to direct towards clients, particularly those which they identified as key accounts included one or some mixture of the following : hospitality; handling of client work; flexible pricing structure; part-bartering exchanges.

*Influencing Factors*

Comparative analysis of data found that common to case firms, the following factors were found to influence the number and importantly, the contents and outcomes of the relationships in which staff and owner-managers interacted as well as the networking activities in which staff and owner-managers engaged : past experiences of owner-mangers, staff and those with whom relationships were shared; industry characteristics; restricted size of case-firm resource base; lifestyle objectives of owner-managers and staff; stage of case-firm development; identification of key accounts.

### 8.3 Implications

In view of the discussion initiated in the previous chapter, a number of implications can be drawn from the findings summarised above.

While it was to be expected that participants would not conceive of the relationships in which case-firms were engaged as forming a network structure, it would be misleading to suggest this as implying that participants were unaware of the network structure of the relationships in which case-firms were embedded. Rather, considered alongside the networking activities in which staff and owner-managers were found to engage, more is implied about the action orientation of participants than about their perceptions of the structure of the relationships in which case-firms were embedded. The action rather than reflection orientation of managers in general and owner-managers in particular is widely documented (for example, see Mintzberg 1973; Scase & Goffee 1980; 1982 ). The findings of this research imply that both case-firm owner-managers and the staff they employed were action rather than reflection orientated. As a consequence, participants can be described as *networking* rather than *network* orientated. Implicit then in the networking activities in which participants engaged was the notion of case-firms being embedded within a 'network' structure of relationships although the term 'network' was not found to be generally used within the language of participants.

The networking orientation of participants, together with changes found to result in the structure and composition of the social networks in which case-firms were embedded as a consequence of the interactions which they shared with actors in their micro environment, had implications for the construction and value of networks maps for identifying and analysing the impact which relational influences had upon the development of case firms. The inclination, time and reflection required to identify the relationships in which case-firms were embedded and construct maps which detailed the network structure of these relationships implies that such maps are more readily constructed by the researcher who is in possession of more of the interest and dedicated time required than the networking orientated practitioner. As a

consequence of the fluctuating nature of the social networks in which case-firms were found to be embedded, network maps constructed were restricted to particular periods in time. While then, such maps served to provide a detailed description of the structure of the relational influences in which case-firms were embedded, they were limited in their analytical and prescriptive ability. As Mitchell (op. cit.) asserts, rather than provide an understanding of the impact which relational influences had had upon the development of case firms, these maps “subsume(d) and obscure(d)” (p 46) the processes of interactions found to be contained within the social networks in which case-firms were embedded.

Network maps then while useful in describing the structure of the relationships in which case-firms were embedded, contributed little towards an understanding of the impact which relational influences had had upon the development of case-firms. This finding should not be interpreted however as implying that the construction of such maps is necessarily fruitless. Rather, because of the contents found to exist within the social networks in which case-firms were embedded and the networking activities in which participants engaged, this research suggests that the construction of network maps which describe the structure of the relationships in which their small firms are embedded and also identify the contents of these relationships, will assist the *networking-orientated* owner-manager plan those networking activities required to fill any gaps which such maps make obvious.

While social networks have been described as “opportunity structures” (Aldrich and Zimmer 1986) and owner-manager’s personal contact networks as “major asset(s)” (Johannisson 1986), few studies have collected empirical data which helps explain whether and why these descriptions are appropriate. The contents found within the social networks in which case-firms were embedded imply that, for case firms, the social networks in which they were embedded were an important resource. The finding however that participants perceived some relationships to have had more impact upon the development of case-firms than others, implies that some of the relationships contained within these networks were a more important resource than others. The findings of this research imply that within the social networks in which

case-firms were embedded, multiplex relationships, particularly with brokers who provided case-firms with access to relationships and resources to which they were not directly connected were most important. A review of the small firm networking literature established that while there exists an expectation that many of the relationships in which small firms are involved will be multiplex ( Blackburn et al op. cit.; Curran et al op. cit.; Johannisson op. cit.; ), empirical studies of such relationships are scarce. As such, little is currently understood about the impact which the different contents of which such relationships are comprised, have upon one another or the impact which multiplex relationships have upon the small firms to which they are connected.

The finding that common to the multiplex relationships in which case-firms were embedded was the presence of a normative content implies that the friendship and/or affection contained within multiplex relationships served to facilitate the presence of other contents as well as the introductions which such relationships provided case-firms to conceptually distant parts of the social networks in which they were embedded. Likewise, the finding that relationships containing information and/or advice were perceived to have impacted upon the development of case-firms because of the specificity of information and/or variety of advice which they contained were also relationships which participants identified as containing normative expressions has implications. Specifically, this implies that the expression of friendship and/or affection contained within these relationships not only served to facilitate the sharing of information and/or advice but additionally their presence convinced participants that this information and/or advice was reliable and therefore could be acted upon. In view of the perceptions which owner-managers were found to have of the information and advice available to them as a consequence of their involvement in more formal, uniplex relationships with, for example their local enterprise company, these findings further imply one of two things. They imply that owner-managers' perceptions of such information and advisory services were wrong. Alternatively, they imply that the information and advice made available to case-firms by such bodies as Local Enterprise Companies, was unreliable and that there is a necessity for the providers of information and advisory services as well as the information and advice which

they provide, to be evaluated in terms of their reliability and ability to assist owner-managers in their development of small professional business service firms.

Findings about the multiplex relationships in which case-firms were embedded also imply that the presence of normative expressions within relationships which case-firms shared with clients served to facilitate the economic exchanges of which such relationships were also comprised. The presence of normative expressions within relationships also comprised of bartering-exchanges which benefited case-firms and clients by providing each of them with access to resources at a low and often hidden cost, implies that the existence of friendship and liking served to facilitate the negotiation of these unusual transactions. Similarly, the presence of normative expressions within relationships which case-firms shared with clients who commissioned and paid for, at its full market price, their design services on a repeat basis imply that the friendship and liking contained within these relationships encouraged repeat business as they 'personalised' these trading relationships and consequently, raised the switching costs of clients.

In addition to the 'facilitator' role implied by the presence of normative expressions contained within multiplex relationships and the access to resources which such relationships provided case-firms, the finding that it was multiplex relationships which connected case-firms to relationships and resources contained within conceptually distinct parts of the social networks in which they were embedded, implies that, for case-firms, multiplex relationships were, in terms of time and money, a low cost resource. This latter finding implies much about the structure of the social networks in which case-firms were embedded and the nature of the relationships which they shared with 'brokers' which disagrees with Granovetter's "Strength of Weak Ties Argument" (1973; 1982). Granovetter's assertion suggests that the 'ideal' position for an entrepreneur is to be surrounded by "weak" or uniplex relationships with brokers which connect them to distant parts of the social network in which they are embedded. While the findings of this research concur that case-firms were connected by brokers to relationships and resources contained within conceptually distant parts of the social networks in which they were embedded, they

do not imply that for case-firms to benefit from these relationships, they necessarily had to be uniplex. Rather, considered within the context of the previous discussion, the findings of this research imply that *because* the relationships which case-firms shared with brokers were multiplex relationships comprised of a normative content, participants regarded the introductions and referrals made by brokers as reliable and therefore acted upon and benefited from the existence of brokers within the social networks in which they were embedded.

Considered alongside the outcomes found to result from participants' involvement in relationships and the policies which owner-managers were found to use to manage and control the networking activities in which they and their staff engaged, the contents found within the social networks in which case-firms were embedded imply much about the factors which motivated owner-managers and staff to engage in the relationships of which these networks were comprised. These findings imply that owner-managers and staff were motivated to engage in networking activities for different reasons. As summarised in Table 8.1 below, the findings of this research imply that owner-managers were motivated to engage in networking activities for both 'direct' and 'indirect' reasons. 'Direct' motivators were the contents found to be contained within the social networks in which small firms were embedded while 'indirect' motivators were the outcomes which owner-managers perceived to result from their involvement in relationships comprised of particular contents.

**Table 8.1 Owner-Manager Reasons for Networking**

<i>Direct Motivators</i>		<i>Indirect Motivators</i>
<ul style="list-style-type: none"> <li>• acquisition of trusted &amp; specific client &amp; competitor information;</li> </ul>	→	widening of client base at low cost; acquisition of repeat business.
<ul style="list-style-type: none"> <li>• acquisition of valued bartering-exchanges;</li> </ul>	→	widening of resource base at low cost; acquisition of repeat business.
<ul style="list-style-type: none"> <li>• acquisition of a variety of trusted advice.</li> </ul>	→	improvement in owner-management skills; e.g. staff motivation.

These findings also imply that, without the motivation provided by firm ownership, in-kind (OM1) and financial inducements (OM's 2, 3, & 4) provided staff with a reason to engage in networking activities for the purposes of acquiring information which had the potential to result in case-firms acquiring new and/or repeat business. While remembering the route which owner-managers followed to their establishment of case-firms, it can be argued that by encouraging staff to network for the purposes of acquiring client information, owner-managers were increasing the risk of spin-off from case-firms, the findings of this research imply that the in-kind and financial incentives offered were sufficiently valued by staff to encourage them to network yet discourage them from personally undertaking any design business acquired as a consequence of their networking.

Findings about the outcomes understood to have resulted from case-firms' involvement in relationships also imply much about the impact which the social networks in which case-firms were embedded had upon their development as well as the reasons why these networks fluctuated over time. The finding that the social networks in which case-firms were embedded impacted upon their development in each of the 'indirect' ways presented in Table 8.2 above, implies that the social networks in which case-firms were embedded were perceived to have had a positive impact on their development. While it could be argued that on reflection, participants might have recalled a more positive experience of case-firms' involvement in these networks than was accurate, when it is remembered that to be included in the research, case-firms had to have been trading for at least three years, these findings imply that one factor contributing to the fact that case-firms had survived start-up and continued to trade was that the social networks in which they were embedded had impacted positively upon their client and resource base as well as the quality of owner-management skills. If accepted, this further implies that there is a need for policy makers, researchers and owner-managers alike, to regard not only the structural dimensions, particularly the size of the social networks in which small firms are embedded, but also, and perhaps more importantly, the contents of relationships and the outcomes of interactions between small firms and actors in their micro

environment, as important factors in the development of small professional business service firms.

The focus of this research was to explore the impact which the social networks in which a purposive sample of small graphic design agencies were embedded had had upon their development. Owner-managers' perceptions however that the size and composition of these networks had changed over time since the creation of case-firms and that over time they had impacted upon case-firms in different ways, imply that these networks will continue to impact upon case-firms throughout their lifecycle. Taken further, this research implies that if the social networks in which they are embedded impact upon small professional service firms throughout their lifecycle, rather than restrict their interest and research in social networks to the impact which they have on the creation of such firms, researchers and policy makers should also seek to understand the role which social networks play in their subsequent development and growth and also any contribution which they make to those firms which fail.

The finding that an understanding of the outcomes perceived to have resulted from case-firms' involvement in social networks helped explain why they fluctuated over time in their composition and structure has implications for the type of data required to be collected if the impact which social networks have upon small firms is to be understood. These findings imply that the collection of qualitative data about the interactional dimensions of the social networks in which case-firms were embedded contributed to an understanding of their structural dimensions. As such, the findings of this research imply that if a comprehensive understanding of the impact which social networks have upon small firms is to be acquired, researchers must not restrict such studies to their structural dimensions alone.

The networking orientation of participants implied by the networking activities in which they engaged was discussed above. The networking policies found to be used by the owner-managers of all case-firms implies that they were aware of the benefits of networking and consequently planned and managed these networking activities.



Specifically, these networking policies imply that owner-managers were aware of the resources contained within relationships in which they and their staff were directly involved and the likely impact which their involvement in these relationships would have upon the development of case-firms. These policies imply that owner-managers were aware of the access to relationships and resources contained within conceptually distant parts of the social networks in which case-firms were embedded provided by their involvement in multiplex relationships with individuals holding broker positions within these networks. If accepted, this implies that while owner-managers were not practised in mapping the network structure of the relationships in which case-firms were embedded they did have an awareness of the over-lapping, network structure of many of the relationships in which case-firms were involved and the benefits which accrued to case-firms by their involvement in multiplex relationships with brokers.

Aware of the benefits of networking, the networking policies which owner-managers were found to use imply that rather than engage in networking activities in an ad hoc fashion, for the purposes of acquiring these benefits, owner-managers managed and controlled the networking activities in which they and their staff engaged. These policies further imply that owner-managers sought to make best use of the limited resources of time, money and effort which case-firms had available. This is implied by the finding that while owner-managers' encouraged staff to network within their personal contact networks for the purposes of acquiring client and competitor information, they restricted the involvement which staff had with key accounts. The efficient use of resources for networking activities is also implied by owner-managers' decisions to direct networking activities towards those actual and potential clients whom they believed would contribute to the development of case-firms by contributing to their portfolio prestige, providing them with repeat business and/or providing them with introductions to design clients to whom case-firms were not directly connected.

While it could be argued that by controlling networking activities, particularly those in which their staff engaged, owner-managers' might have constrained the relationships

and therefore resources to which case-firms had access, remembering that case-firms had, before their involvement in this research, been trading for at least three years, this research implies that contributing to their survival and development was the effectiveness and efficiency of these policies. Further implied by these findings then are the benefits which may accrue to policy makers, researchers and owner-managers alike, by considering both the characteristics of the social networks in which small professional business service firms are embedded and also, the effectiveness and efficiency of the networking activities in which their owner-managers and staff engage as determining factors in the development of such firms.

Factors found to impact upon the size and composition of the social networks in which case-firms were embedded, the contents of which these relationships were comprised and consequently the outcomes which resulted from case-firms involvement in them, as well as upon the networking activities in which owner-managers and staff engaged, have implications for the extent to which the understanding generated by this research is applicable to small firms outside the substantive focus of its inquiry. These findings imply that if the previous experiences of owner-managers and staff are specific to the industry in which small firms are competing, then the social networks in which they become embedded will be comprised of relationships and therefore resources with the potential to assist small firms in their development. This assumes however that like the participants of this research, the owner-managers and staff of such small firms engage in the networking activities required if the resources contained within direct and indirect relationships are to be acquired. The findings of this research suggests that within Glasgow, the characteristics of the graphic design industry are such that networking activities are encouraged. Put more specifically, the education experiences of graphic designers, speed of employment mobility, and word of mouth communication found to characterise the graphic design industry in Glasgow have created an environment which encourages and is conducive to the networking activities in which owner-managers and staff were found to engage. This implies then that depending on the characteristics of an industry, small firm owner-managers and the staff they employ

may have neither the necessary experiences to create social networks comprised of valuable resources nor the encouragement or opportunity to engage in networking.

Attention must also be drawn to the possibility that while the characteristics of an industry may be such that they are supportive of networking, the types of networking activities in which small firm owner-managers competing in such industries and the staff they employ engage, may be different from those found to be used by the participants of this research. As a consequence then, while part-bartering-exchanges were perceived by participants to be one tactic for developing and maintaining relationships with key accounts, neither the use of this tactic nor the influence which the lifestyle objectives of staff and owner-managers were found to have upon the types of bartering-exchanges in which case-firms engaged, may prevail in other industries. The finding however that the restricted resource base of case-firms encouraged owner-managers and, in turn their staff to engage in networking, particularly with multiplex relationships, implies that small firms in other industries may engage in networking for the purposes of acquiring the low cost resources found to be contained within the social networks in which case-firms were embedded. Depending however on the extent to which the benefits of networking are recognised, the owner-managers of small firms competing in different industries may not use networking policies and consequently may not benefit from networking to the same extent as case-firms.

Clearly then, these influencing factors imply that many of the findings generated by this research may be particular to the substantive focus of its inquiry. The discussion presented above however demonstrates that the qualitative, in-depth, exploratory study of the social networks in which a purposive sample of small graphic design agencies were embedded has succeeded in generating a detailed understanding of the impact which the micro environment had upon the development of case-firms which 'fits' and 'works' with the realities of participants and uncovers a number of issues of relevance to policy-makers, researchers and the owner-managers of small professional business services alike. As such, a number of theoretical and methodological implications can be identified.

The detailed understanding provided by this research of the impact which the micro environment had upon the development of case-firms implies that the social network concept is a useful and valid construct from which to approach the study of the impact which relational influences have upon the development of case-firms. In particular, the understanding generated by this study implies that by exploring the morphological and interactional dimensions of the social networks in which case-firms were embedded a detailed understanding of the impact which these networks had upon the development of case-firms was acquired. Further, the findings to emerge from this research imply that the collection and inductive analysis of data particular to the content and the outcomes of the relationships in which case-firms engaged contributed towards an explanation of the reasons why the structural dimensions of the social networks in which case-firms were embedded fluctuated over time.

In addition to implying the usefulness and validity of the social network concept for exploring the impact which the micro environment had upon the development of case-firms, the findings uncovered by this study also imply the appropriateness of the researcher's ontological, epistemological and methodological decisions. Specifically, the contents of the relationships in which case-firms were involved, particularly bartering-exchanges, and the networking activities in which participants engaged, which were uncovered by this research imply that the adoption of a qualitative approach and selection of the researcher as 'instrument' for data collection and analysis enabled the researcher to get 'close' to participants and develop with them, trusting relationships which allowed her to penetrate their realities and uncover issues of relevance to the substantive area.

#### **8.4 Limitations**

The findings of rigorous and scientific research are always constrained by the method chosen for their enquiry and also by the researcher's access to the resources of time and finance. The findings generated by this study are no different and consequently can be identified to be limited in four ways. Firstly, the understanding of the impact which the social networks in which case-firms were embedded had had upon their

development was generated by analysis and interpretation of data that were the experiences and perceptions of participants involved in these networks. As such, the truthfulness, of the data cannot be assumed and while methodological and data triangulation (Hofer & Bygrave 1992; Denzin 1978) as well as a rigid sampling procedure were employed for the purposes of strengthening the validity of the data, it is worthwhile stating explicitly that the validity of the findings is dependent upon the truthfulness of the data in which they are grounded. Secondly, the findings are limited by the time which was available to the researcher. While during the six to nine months spent with each case-firm, data was collected from a number of stakeholders, this time was not long enough to collect data from all stakeholders relevant to the social networks in which case-firms were embedded. Also, had more time been available or, had fewer firms been included in the sample, a more detailed understanding of the emergent nature of the social networks in which case-firms were embedded, together with the impact which these networks had upon their development would have been acquired. Related to this, while the use of a case-study approach permitted data to be collected from the owner-managers and staff of small firms as well as individuals identified as relevant to understanding the impact which social networks had had on the development of case-firms, in practice, as a consequence of limited time and financial resources, data was more readily collected from the staff and owner-managers with whom the researcher had developed trusting relationships. In defence, as the purpose of the research was to acquire an understanding of the impact which social networks had had upon the development of case-firms which 'fitted and worked' (Glaser and Strauss 1967) with the perceptions of case-firms, it was important that the researcher's resources were directed towards the collection of data about these perceptions in particular. Finally, the findings are limited to the extent to which they can be generalised to a wider population of small firms. As however the aim of the research was to generate a substantive understanding of the impact which the social networks in which a purposive sample of small graphic design agencies were embedded, rather than to test hypothetical relationships about small firms and the social networks in which they were embedded, it was expected that the findings would be particular to the substantive area under inquiry.

## 8.5 Recommendations

Based upon the foregoing discussion a number of recommendations for the owner-managers of small professional business services firms, policy makers and future small firm network research can be made.

The findings of this research recommend that potential owner-managers will benefit from setting up small firms in those industries in which they have experience and therefore the necessary contacts to provide them either directly or indirectly with access to low cost, necessary resources. They also recommend that in recruiting staff, a useful criterion is the extent to which potential employees also have relevant industry experience and consequently, contacts within their personal networks which can provide their small firms with direct or indirect access to information about clients and competitors. This research also recommends that the owner-managers of small professional business service firms will benefit from the adoption of a networking orientation which encourages them and their staff to engage in activities which will help create, develop and maintain relationships which can provide their small firms with direct and indirect access to low cost resources. To assist in the acquisition of low cost and valuable resources, the findings of this research suggest that the networking orientated owner-manager will benefit from the construction of network maps which identify the structure and the contents of the relationships in which their firms are currently embedded as well as identify any relevant gaps and as a consequence, be able to assist such owner-managers in deciding upon those networking activities required to develop relationships which comprise or provide them with access to required resources. As the construction of such maps requires time for reflection, this research further recommends that for reasons of restrictions in time, inclination and objectivity, the owner-managers of small professional business service firms will benefit from the employment of an external consultant or advisor for the construction of these maps. The networking policies found to be used by case-firm owner-managers also suggest that the owner-managers of small professional business service firms will benefit from the use of similar policies to ensure effective and efficient use of the resources which they have available for networking purposes.

The findings of this research suggest a number of recommendations for small firm policy. They suggest that policy should consider that the size and contents and therefore, the impact which social networks have upon small firms may be both industry and location specific and that as a consequence, certain industries may need more assistance and encouragement to create an environment which is conducive to networking than others. Further, these findings suggest that policy should not restrict encouragement to 'network' only to potential owner-managers. Rather, these findings recommend that policy makers should make owner-managers aware of the possible benefits which networking can accrue to the development and possible growth of their firms. In terms of targeting public resources towards those individuals possessing the potential to create and develop small firms which will stay alive and possibly grow, this research recommends that policy makers should explore using both the size and contents of the social networks in which owner-managers are embedded as well as their ability to network as measures for assessing human capital in which to invest. In terms of the services available to small firms, the findings of this research suggest that policy makers should consider providing a 'network audit' service for start-up, developing and growing firms which constructs network maps, audits the networks in which small firms are embedded in terms of the resources which they contain and, provides training, encouragement and support for the development of effective networking skills and management policies.

The findings of this research have shown that the use of a qualitative research approach to guide the in-depth, exploratory study of the networks of relationships in which a purposive sample of small firms were embedded has provided an understanding of the impact which the micro environment has had upon their development. As such, the findings of this research make a number of recommendations for future research. This research recommends that for the purposes of establishing whether the findings of this research are applicable to other substantive areas, research using a similar methodology should be carried out on small firms competing in different industry sectors and spatial locations. This research also recommends that a comprehensive understanding of the impact which social networks have upon small firms will be provided by longitudinal research which is

able to follow and explain the changes in these networks, the processes of interaction from which their structure and composition emerge and the impact which they have upon small firms across their life-cycle.

More specifically, the findings uncovered by this research recommend the value of research which seeks to consider whether the multiplex relationships in which small firms are embedded are more durable than uniplex relationships and to establish the role played by normative expressions contained within multiplex relationships. Finally, the findings of this research also recommend that the broker positions found to connect case-firms to conceptually distant parts of the networks in which they were embedded are worthy of further research which seeks to establish the impact which relationships with brokers in particular have upon the development and possible growth of small firms.

## **8.6 Summary**

This chapter has presented an overview of the argument developed by this thesis before presenting a summary of the findings which were generated and the implications which these have. Attention was explicitly drawn to the limitations of the research before detailing the recommendations which the findings of this research make for practising small professional business services owner-managers, policy and future research.



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**APPENDIX**



Appendix 1.1 - Examples of Different Definitions of the Size of 'Small' Firms (Adapted from Storey 1994)

Researcher	Institution location	Definitions	Sectors	Sample N <sup>o</sup> of Firms	Data Source	Data Collection	Response Rate	Geography
Curran <i>et al</i>	Kingston University	'Grounded'	Services	350*	Yellow Pages, trade & local directories	Face-to-face/ telephone	56.1	Nottingham, Guildford, North-East Suffolk, Doncaster, Islington
Hughes <i>et al</i>	Cambridge University	1-500 employees	Manufacturing and business services	2,028	Dun & Bradstreet	Postal	32.9	England, Scotland, Wales
Atkinson	Sussex University	Establishments with <200 employees	All Sectors	3,309	Business connections	Postal and face-to-face	29.8	North Cornwall, Shrewsbury, Brighton, Manchester, Newport, Slough
Townroe	Sheffield Hallam University	Small start-ups	All sectors	559	Rural Development Commission	Postal	23.3	Northumberland, Derbyshire, Norfolk, Devon
North <i>et al</i>	Middlesex University	Independent & <100 employees	Eight manufacturing sectors	306	Prior contact, Rural Development Commission, local directories	Face-to-face	-	London, Derbyshire, Hertfordshire, Essex, Cumbria, Lancashire (North), North Yorkshire
Owen	Sheffield Hallam University	<300 employees	Manufacturing and mobile services	467	Local authority, Chamber of commerce	Postal	25.5	Sheffield Hamant (France/ Belgium)
	Bristol University	Self-employed	All sectors	N/A	General Household Survey	Government	N/A	UK

## Appendix 1.1 - Continued

Bartlett	Bristol University	Co-ops and 'matched' private firms	All sectors	200	Business Associations	Face-to-face	N/A	Emilia Romagna (Italy) Catalonia (Spain)					
Jones <i>et al</i>	Liverpool John Moores University	White, Asian, Afro-Caribbean owned firms	Retailing, wholesaling, manufacturing	403	Rateable valuation lists	Face-to-face	N/A	Wards in North, Midland and South-East England					
Freedman / Godwin	Institute of Advance Legal Studies	Incorporated & unincorporated firm (<£1m turnover)	All sectors	429	Yellow Pages, companies register/Jordans	Telephone, postal and face-to-face	29%	Bath, Sutton, Darlington, Derby					
McGregor	Glasgow University	Community enterprises & firms in managed workspace	All sectors	346	-	Face-to-face	-	Belfast, Glasgow, Bristol, Manchester, London, Newcastle					
Davies <i>et al</i>	University of East Anglia	<100 employees	Subcontractors	102	Benchmark	Postal	8%	UK					
Nenadic	Edinburgh University	Family-owned businesses 1861-1891	All sectors	781	Post Office Directory	-	-	Edinburgh					
Nayak	Birmingham University	<10 employees	All sectors, engineering, electrical	200	Redditch Enterprise Agency	Face-to-face	-	West Midlands					
May	Manchester Metropolitan University	<100 employees	All sectors	294	Local authority	Telephone	73%	Oldham, Stockport					

## Appendix 1.2

### Examples of Grounded Definitions of the Size of Small Firms

		N° of outlets	Employment limit (FTEs)	Minimum employment (FTEs)	Special conditions
1	Free house	One	None	1	Not brewery-owned
	Wine bar	One	10	1	Premises owned or rented
	Restaurant	One	10	1	Premises owned or rented
2	Video hire	Up to three	None	1	-
	Leisure services	One	10	1	-
3	Vehicle repair and servicing	Not specified	10	1	Car franchises excluded but other franchises allowed
4	Market research	One	25	1	Must not be in top 50 agencies
	Advertising	One	25	1	
	Design	One	25	1	Must not be in top 300 agencies
5	Employment	One or two	10	1	-
	Secretarial	One or two	10	1	-
	Training agencies	One or two	10	1	-
6	Computer services	Not specified	20	1	-
7	Plant, skip, equipment and vehicle hire	Not specified	10	1	-

Source: Curran, Blackburn and Woods, 1991.

**Appendix 1.3**  
**Sources of Data on Small Firms (adapted from Storey 1994)**

Source	Frequency	Measuring unit	Coverage (UK unless otherwise stated)	Data held	Classification SIC	Main exclusion	Main weakness	HMSO publication
Consensus of Employment	Triennial sample (300,000) from 1978 to 1987	Reporting unit	PAYE scheme	Employees by FE/PT and by sex	1980	Self-employed. Firms without employees on PAYE	KU neither establishment nor firm	DoEm Gazette
Annual Census of Production	Annual sample (20,000)	Establishment, enterprise	Divisions 1-5	Average employment, output, wages	1980	All 1-20 employees and 50 per cent of 20-49 employee establishments	Estimates of employment in smaller establishments	Business Monitors PA1002
Census of Agriculture	Annual census	Individual holding	All agricultural holdings in UK	Numbers employed by FE/PT and by sex, whether family or hired		Minor holdings with no regular FT workers, forestry and fisheries		Agricultural Statistics
New Earnings Survey	Annual sample (1 per cent)	Individual employee	Employees with NI number, members of PAYE	Industry, sex, hours worked, size of UK organization	1980	Part-time workers below NI earnings limit	No analysis of numbers of firms by size	New Earnings Survey
Labour Force Survey	Annual sample (0.5 per cent)	Adults (16+) in private households	All private households in Great Britain	Employment status, Economic activity, Size of workplace, industry, region	1980	Institutions	Self assessment of employment status, size of workplace error-prone	DoEm Gazette
Company Accounts	Annual Sample (3,000)	Companies or groups of companies	Industrial and commercial companies in Great Britain	Employment, turnover, financial variables	1980 (approx.)	Non-incorporated businesses	Employment data imputed for many small companies	Business Monitor MA3
VAT Register	Continuously updated register	Registered traders	Business above threshold plus voluntary registrations	Turnover, form of organization	1968 (approx.)	businesses below threshold (not voluntarily registered)	Delays in registration and deregistration, turnover data not reliable and no employment information	Business Monitor PA1003, British Business, DoEm Gazette

**Source : Storey**

**Appendix 1.4**  
**Figures for Fast-Growth Service Industries**

	% Small firms 1990	Growth in total stock of firms 1985-90	
		Number	%
<i>Consumer services</i>			
Opticians	97.0	+ 2427	+2502
Medical and health services	90.8	+ 1149	+ 132
Artists, sculptors, designers, authors, composers, freelance journalists	95.2	+ 7539	+ 80
Taxis, private-hire cars	93.2	+ 1905	+ 56
Other recreation	93.7	+ 1417	+ 53
Performers, performing groups	96.6	+ 2117	+ 51
Photography and photographic processing	96.6	+ 1873	+ 41
Restaurants and cafes	95.4	+ 4523	+ 34
Florists, garden shops	94.6	+ 1864	+ 32
Dairymen	97.8	+ 2575	+ 31
Grocers	94.6	+ 7999	+ 29
Antique dealers, picture framers etc	93.1	+ 1942	+ 28
Other non-food shops	95.5	+ 3890	+ 26
Hairdressing	99.3	+ 2074	+ 23
<i>Business services</i>			
Draughtsmen	98.8	+ 3142	+ 155
Computer services	93.0	+18198	+ 123
Management consultants	96.3	+ 7362	+ 114
Consultant engineers	93.8	+ 7265	+ 80
Other professional and scientific services	95.1	+ 7424	+ 64
Other business services	88.3	+12332	+ 61
Surveying	92.3	+ 3508	+ 60
Architects	91.3	+ 2745	+ 59
Contract cleaning	94.2	+ 1818	+ 52
Accountancy	93.6	+ 4485	+ 44
Other road haulage	89.8	+ 1541	+ 41
Road haulage	91.1	+ 7298	+ 24
<i>Mixed services</i>			
Catering contractors	92.5	+ 1114	+ 76

Source: *Business Statistics Office, Business Monitor PA 1003, 1985 and 1990.*

Note: The BSO register covers all UK businesses registered for VAT, excluding those wholly engaged in VAT-exempt activities (insurance, postal services, education, health, finance, property services, betting and funeral services). The table excludes sectors with a growth of less than 300 businesses. 'Other business services' is included, not with standing a small firm share very slightly below the service sector mean (88.7%), because of its very high rate of growth of businesses. The abnormally high 'opticians' growth rate almost certainly reflects recent registrations for VAT purposes of existing, but previously-exempt businesses, and is therefore spurious.

**Appendix 1.5**  
**Figures of Employment Generation**

**Table 1.0 Net job generation by size of firm**

<b>Size Band</b>	<b>Net job generation (thousand)</b>	<b>Share of total net generation (per cent)</b>	<b>Share of 1987 employment (per cent)</b>	<b>Net fertility index (ratio of two percentages)</b>
1-4	357	31.7	8.3	3.8
5-9	166	14.7	10.6	1.4
10-14	62	5.5	7.8	0.7
15-19	30	2.7	5.6	0.5
20-24	19	1.7	2.1	0.8
25-29	13	1.1	1.5	0.7
30-39	24	2.1	3.1	0.7
40-49	20	1.8	2.3	0.8
50-69	43	3.8	4.0	1.0
70-99	41	3.7	4.0	0.9
100-199	85	7.6	6.6	1.2
200-299	35	3.1	3.3	0.9
300-499	3	0.3	3.9	0.1
500-699	33	2.9	1.8	1.6
700-999	22	1.9	1.9	1.0
1,000-1,499	8	0.7	1.8	0.4
1,500-1,999	15	1.3	1.1	1.1
2,000-4,999	13	1.1	4.0	0.3
5,000-9,999	14	1.3	3.6	0.4
10,000+	125	11.0	22.9	0.5
<b>Total</b>	<b>1,127</b>			

Source : Bannock and Daly 1994

Appendix 1.5

Figures of Employment Generation (cont'd)  
 Table 1.1 Components of job generation by size of firm: number of firms involved  
 (Source Bannock and Daly 1994:).

Size band *	Births	Deaths	Contractions	Expansions	No change	1987 base
<b>Number of firms (thousands)</b>						
1-4	135.2	87.1	20.6	92.8	245.1	445.6
5-9	34.0	33.4	24.5	51.6	124.6	234.1
10-19	11.0	14.9	21.7	35.0	79.6	151.2
20-49	2.0	3.5	6.9	12.1	22.0	44.5
50-99	0.5	1.0	3.5	6.2	6.7	17.4
100-499	0.2	0.5	2.7	4.5	2.9	10.6
500-999	0.0	0.0	0.2	0.4	0.3	0.9
1,000+	0.0	0.0	0.2	0.6	0.2	1.0
<b>Total</b>	<b>182.8</b>	<b>140.3</b>	<b>80.4</b>	<b>203.1</b>	<b>481.4</b>	<b>905.2</b>
<b>Number of firms, as a percentage of total in size band in 1987</b>						
1-4	30	20	5	21	55	
5-9	15	14	10	22	53	
10-19	7	10	14	23	53	
20-49	4	8	16	27	49	
50-99	3	6	20	36	39	
100-499	2	5	25	42	27	
500-999	0	0	22	44	33	
1000+	0	0	20	60	20	
<b>Total</b>	<b>20</b>	<b>15</b>	<b>9</b>	<b>22</b>	<b>53</b>	

\* The results have been collapsed from the original 20 size bands purely to avoid unnecessary detail.

Appendix 1.5

Figures of Employment Generation (cont'd)

Table 1.2 Components of job generation by size of firm (Source Bannock and Daly 1994)

Size band*	Births	Deaths	Contractions	Expansions	Net job generation	1987 base
<b>Number of firms (thousands)</b>						
1-4	323	228	29	290	357	1,213
5-9	217	217	58	224	166	1,555
10-19	141	196	90	237	92	1,973
20-49	55	99	53	173	76	1,318
50-99	29	63	46	165	85	1,150
100-499	31	91	100	283	123	1,966
500-999	2	15	28	96	55	558
1,000+	5	46	146	363	174	4,900
<b>Total</b>	<b>802</b>	<b>955</b>	<b>551</b>	<b>1,831</b>	<b>1,127</b>	<b>14,633</b>
<b>Number of firms, as a percentage of total in size band in 1987</b>						
1-4	27	19	2	24	29	
5-9	14	14	4	14	11	
10-19	7	10	5	12	5	
20-49	4	8	4	13	6	
50-99	3	5	4	14	7	
100-499	2	5	5	14	6	
500-999	0	3	5	17	10	
1000+	0	1	3	7	4	
<b>Total</b>	<b>5</b>	<b>7</b>	<b>4</b>	<b>13</b>	<b>8</b>	

\*The results have been collapsed from the original 20 size bands purely in order to avoid unnecessary detail.



Appendix 1.5

Figures of Employment Generation (cont'd)

Table 1.3 Components of job generation by firm size and sector  
(Source : Bannock and Daly 1994)

Size Band	Services				Production			
	Net job generation (thousand)	Share of total net generation (per cent)	Share of 1987 employment (per cent)	Net fertility index (ratio of two percentages)	Net job generation (thousand)	Share of total net generation (per cent)	Share of 1987 employment (per cent)	Net fertility index (ratio of two percentages)
1-4	250	35.4	13.2	2.7	107	25.4	4.0	6.3
5-9	103	14.6	14.6	1.0	62	14.8	7.1	2.1
10-19	44	6.2	15.5	0.4	48	11.4	11.7	1.0
20-49	46	6.5	8.7	0.8	30	7.1	9.3	0.8
50-99	46	6.5	7.1	0.9	39	9.2	8.5	1.1
100-499	75	10.6	12.2	0.9	48	11.3	14.5	0.8
500-999	26	3.7	3.4	1.1	28	6.7	4.2	1.6
1,000-4,999	36	5.0	6.7	0.8	7	1.6	7.7	0.2
5,000-9,999	9	1.3	4.0	0.3	4	0.9	2.8	0.3
10,000+	72	10.1	14.7	0.7	49	11.7	30.0	0.4
<b>Total</b>	<b>708</b>				<b>421</b>			

Appendix 1.5

Figures of Employment Generation (cont'd)  
Table 1.4 Components of job generation, by size of firm, and broad industry. (Source Bannock and Daly 1994)

a) Numbers of jobs thousand

Size band	Services					Production					Net Change	1987 base
	Births	Deaths	Expansions	Contractions	Net change	1987 base	Births	Deaths	Expansions	Contractions		
1-4	240	166	198	22	250	900	82	62	92	6	107	313
5-9	139	133	136	39	103	1,001	78	84	88	19	62	554
10-19	76	101	121	52	44	1,059	65	95	116	38	48	914
20-49	28	45	88	25	46	595	28	55	85	28	30	723
50-99	15	28	80	20	46	485	14	34	85	26	39	666
100-499	18	42	140	41	75	833	14	50	143	59	48	1,133
500-999	0	2	41	12	26	232	2	12	56	17	28	326
1,000-4,999	3	9	54	12	36	456	2	21	50	25	7	601
5,000-9,999	0	6	27	11	9	276	0	10	25	11	4	222
10,000+	0	0	101	29	72	1,006	0	0	110	61	49	2,339
Total	518	532	986	264	708	6,843	284	423	849	289	421	7,790

b) As proportion of initial job size band, per cent

Size band	Services					Production					Net Change	1987 base
	Births	Deaths	Expansions	Contractions	Net change	1987 base	Births	Deaths	Expansions	Contractions		
1-4	26.7	18.4	22.0	2.5	27.8	26.3	19.7	29.5	2.0	34.1	313	
5-9	13.9	13.3	13.6	3.9	10.3	14.1	15.3	15.8	3.4	11.2	554	
10-19	7.2	9.5	11.4	4.9	4.1	7.1	10.4	12.7	4.2	5.3	914	
20-49	4.6	7.5	14.9	4.2	7.8	3.8	7.6	11.7	3.8	4.1	723	
50-99	3.0	5.8	16.5	4.2	9.5	2.2	5.2	12.7	3.9	5.8	666	
100-499	2.1	5.0	16.8	4.9	9.0	1.2	4.4	12.6	5.2	4.2	1,133	
500-999	0.0	1.1	17.5	5.1	11.3	0.5	3.8	17.0	5.1	8.7	326	
1,000-4,999	0.7	2.0	11.8	2.6	7.8	0.2	3.4	8.4	4.1	1.1	601	
5,000-9,999	0.0	2.2	9.7	4.1	3.4	0.0	4.6	11.2	5.0	1.6	222	
10,000+	0.0	0.0	10.1	2.9	7.1	0.0	0.0	4.7	2.6	2.1	2,339	
Total	7.6	7.8	14.4	3.9	16.3	3.6	5.4	10.9	3.7	5.4	7,790	

Appendix 1.5

Figures of Employment Generation (cont'd)

Table 1.5 Changes in manufacturing and services employment 1981-1991 ( Source :Bannock and Daly 1994)

Change in persons employed in manufacturing 1981 - 1991		Change in persons employed in services 1981 - 1991							
Region	Sept. 81	Sept. 91	Change	%	Region	Sept. 81	Sept. 91	Change	%
East Anglia	185,958	169,606	-16,352	-8.8	South East	2,356,565	2,939,423	582,858	24.0
Wales	238,059	219,453	-18,606	-7.8	South West	988,812	1,245,898	257,086	26.0
South West	395,519	331,237	-64,282	-16.3	West Midlands	1,053,899	1,265,806	211,907	20.0
Northern	339,348	267,039	-72,309	-21.3	Yorkshire &	1,022,594	1,227,491	204,897	20.0
East Midlands	533,296	51,073	-82,223	-15.4	Humber-side	741,931	939,324	197,393	26.6
Scotland	501,790	380,974	-120,816	-24.1	East Midlands	1,451,109	1,634,513	183,404	12.6
Yorkshire &	578,844	457,918	-120,926	-20.9	North West	1,230,596	1,405,868	175,272	14.2
Humber-side	800,544	618,842	-181,702	-22.7	Scotland	403,633	542,282	138,649	34.4
West Midlands	799,746	576,168	-223,578	-28.0	East Anglia	562,362	653,743	91,381	16.2
North West	998,439	742,439	-256,000	-25.6	Wales	630,190	718,934	88,744	14.1
South East	684,539	358,877	-325,716	-47.6	Northern	2,655,705	2,736,165	80,460	3.0
London					London				
<b>Column Totals</b>	<b>6,056,136</b>	<b>4,573,626</b>	<b>-1,482,510</b>	<b>-24.5</b>	<b>Column Totals</b>	<b>13,097,396</b>	<b>15,309,447</b>	<b>2,212,051</b>	<b>16.9</b>

(Source: Nomis)

## Appendix 1.5

### Figures of Employment Generation (cont'd)

**Table 1.6** Change in the stock of VAT registrations compared to changes in total employment per region between 1979-1991

Region	1979-1991 VAT registered industries change in stock		1981-1991 Change in number of persons employed	
	absolute	%	absolute	%
South East	119,830	51.1	277,951	7.5
East Anglia	17,627	33.8	107,007	15.7
London	70,615	37.3	-304,127	-8.5
South West	39,826	32.1	168,278	10.9
West Midlands	33,578	30.0	982	0.0
East Midlands	28,478	32.3	59,947	4.1
Yorkshire & Humberside	25,459	25.0	12,610	0.7
North West	28,647	22.3	-83,723	-3.4
Northern	11,928	22.8	-20,442	-1.8
Wales	16,323	23.2	27,485	2.9
Scotland	24,597	26.3	13,633	0.7
Northern Ireland	10,491	24.6	n/a	n/a
<b>Total</b>	<b>417,399</b>	<b>33.2</b>	<b>259,601</b>	<b>1.2</b>

(Source: *Nomis*)

## Appendix 2.1 ESRC-Funded Small Firm Research

### (a) ESRC Research Centres (established 1988)

<i>Topic</i>	<i>Centre</i>
Local Labour markets & small Businesses studies in Britain	Institute of Manpower; University of Sussex
Small enterprises in the service sector - a research programme	School of Business; Kingston University
Creation, survival and growth of small firms; determinants & constraints	Dept; of Applied Economics University of Cambridge

**Appendix 2.1 (cont'd)**

**(b) ESRC-Sponsored Research Projects**

<i>Topic</i>	<i>Researchers</i>
Characteristics of founders of rural small businesses.	Prof. P.M. Townroe, Urban & Regional Studies, Sheffield Hallam University.
A longitudinal study of adjustment processes in mature small firms.	Dr. D.J. North; Faculty of Social Sciences; Middlesex University.
Aid regimes and small businesses in the UK France & Belgium	Mr. G.W. Owen, Business Studies & Languages; Sheffield Hallam University
The characteristics of the self-employed.	Dr. H. Reese; Economics; University of Bristol.
Cooperatives & small private firms in Mediterranean Europe.	Dr. G. Pridham; Mediterranean Studies; University of Bristol.
Small business initiative : ethnic minority business component.	Mr. T. Jones; School of Humanities; Liverpool, John Moores University.
Legal form & taxation of small firm - a new regime?	Mr. J. Freedman; Law Department; London School of Economics and Political Science.
Stimulating & supporting small enterprises in hostile environments.	Prof. A. McGregor, Training and Employment Unit; University of Strathclyde.
Subcontracting & the smaller business.	Prof. S. Davies; Economic Research Centre; University of East Anglia.
The family and the small firm : Edinburgh 1861-1891.	Dr. S. Nenandic; Economic and Social History; University of Edinburgh.
The management information needs of small businesses.	Mrs. A. Nakay; Accounting and Finance; University of Birmingham.
The relationship between the state representative groups and small businesses.	Mr. J. McHugh; Social Sciences; Manchester Metropolitan University.
Informal Risk capital in the UK	Dr. C. Mason; Department of Geography; University of Southampton.

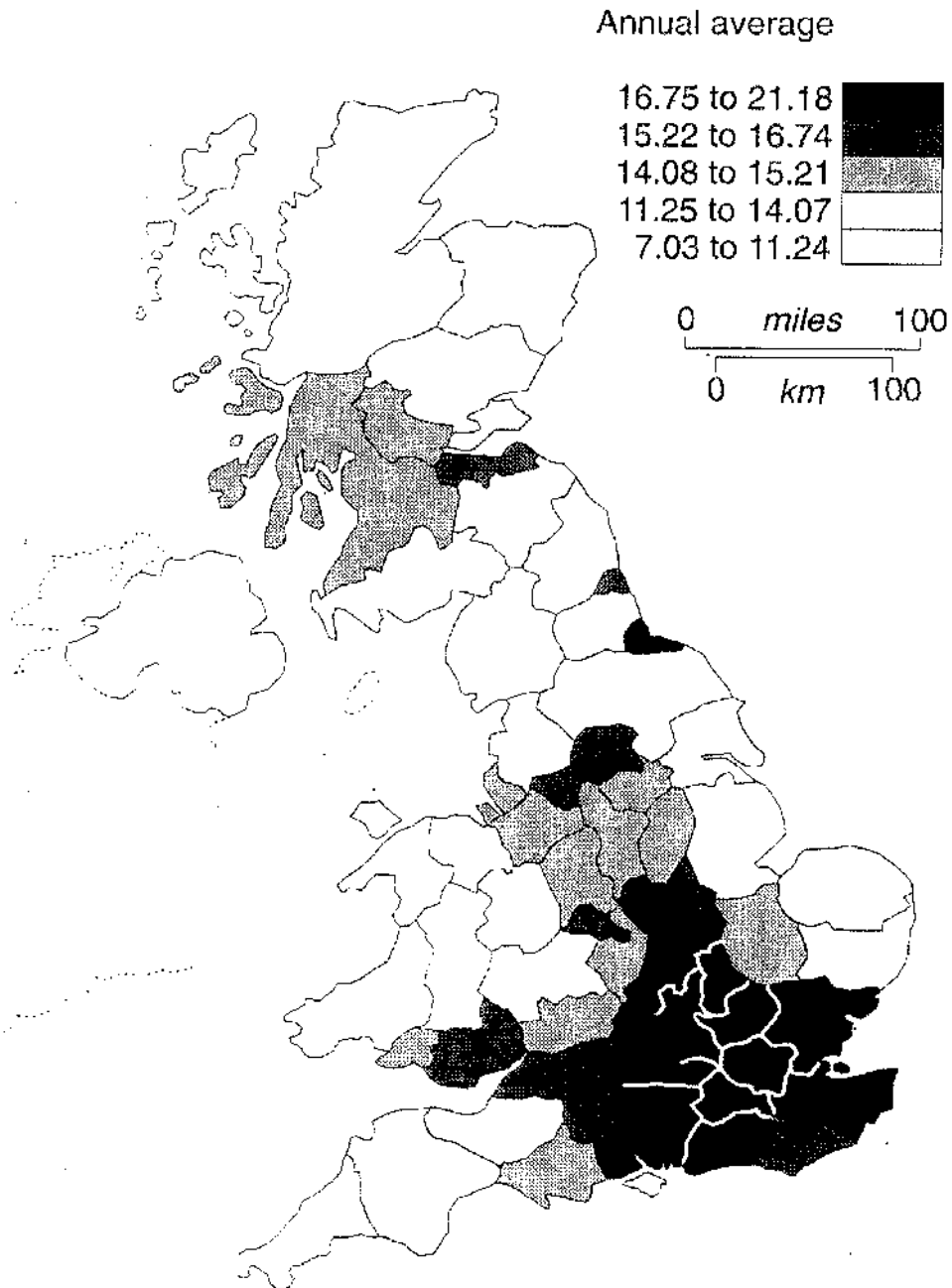
## Appendix 2.2 ESRC Sample Sizes

<i>ESRC Project</i>	<i>Sample</i>	
	<i>Industry sector</i>	<i>Size</i>
Small enterprises in the service sector - a research programme; (Kingston Business School.)	Services	350
Creation, survival and growth of small firms; determinants & constraints; (Univ. of Cambridge.)	Manufacturing & business services	2,028
Labour markets & small businesses in Britain; (Univ. of Sussex.)	All sectors	3,309
Characteristics of founders of rural small businesses; (Townroe)	All sectors	559
A longitudinal study of adjustment processes in mature small firms. (North)	8 manufacturing sectors	306
Aid regimes and small businesses in the UK, France & Belgium. (Owen)	Manufacturing & mobile services	467
The characteristics of the self-employed. (Reese)	All sectors	N/A
Cooperatives & small private firms in Mediterranean Europe (Pridham).	All sectors	200
Small business initiative : ethnic minority business component (Jones)	Retailing Wholesaling, manufacturing	403
Legal form & taxation of small firm - a new regime? (Freedman)	All sectors wholesaling, manufacturing	429
Stimulating & supporting small enterprises in hostile environments (MacGregor)	All sectors	346
Subcontracting & the smaller business (Davies)	Subcontractors	102
The family and the small firm : Edinburgh 1861-1891. (Nenandic)	All sectors	781
The management information needs of small businesses. (Nayak)	All sectors, engineering, electrical	200
The relationship between the state representative groups and small businesses (McHugh)	All sectors	294
Informal Risk capital in the UK (Mason)	All sectors (3 survcys)	297

### Appendix 2.3

#### Spatial Differences in Small Firm Formation & Death Rates

New firm formation rates in the total economy, 1980-1990 (business stock-based)



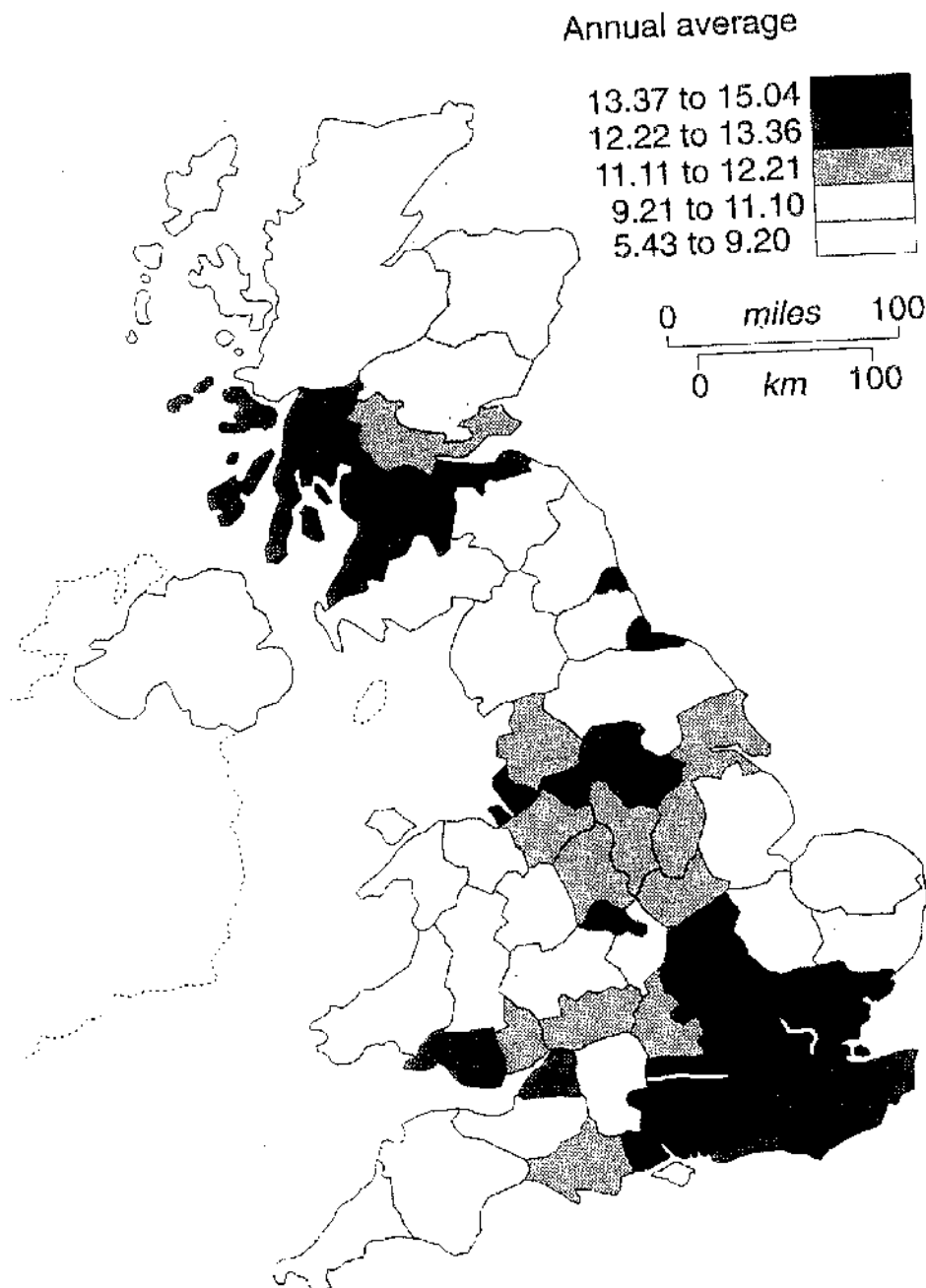
(Source : Keeble, Walker and Robson 1993)



### Appendix 2.3

#### Spatial Differences in Small Firm Formation & Death Rates (cont'd)

Firm closure rates in the total economy, 1980-1990



Source : Keeble, Walker and Robson 1993

## Appendix 2.4 Continuum of Philosophical Approaches to Science

*Phenomenology*  
 Subjective  
 Approaches to the  
 Social Sciences

*Positivist*  
 Objective  
 Approaches to  
 the Social Sciences

	←					→
Core Ontological Assumptions	reality as a projection of human spirit, consciousness being	reality as a social construction imagination	reality as a realm of symbolic discourse	reality as a contextual field of information	reality as a concrete process information	reality as a concrete structure
Assumptions about Human Nature	man as pure, spirit, consciousness being	man as a social constructor, the symbolic creator	man as an actor, the symbol user	man as an information processor	man as an adaptor	man as a responder
Basic Epistemological Stance	to obtain phenomenological insight, revelation	to understand how social reality is created	to understand patterns of symbolic discourse	to map contexts	to study systems, process, change	to construct a positivist science
Research Methods	exploration of pure subjectivity	Interpretative hermeneutics	symbolic analysis	contextual analysis of Gestalten	historical analysis	lab experiments surveys

## Appendix 2.5 Competitive Advantages of Small Professional Services Firms

Competitive advantage	No. of mentions
Quality of work	45
Knowledge of specific markets/expertise	30
Quality of firm's people and staff	39
Personal attention to client's needs	24
Flexibility	24
Reputation	21
Specialisation	20
Price	17
Awareness of clients requirement	14
Added value	12

These figures are taken from Keeble et al's (1991) study of detailed and lengthy semi-structures interviews with 120 small independently-owned and managed business service companies, equally divided between management consultancy and market research organisations.

## Appendix 3.1

### Interview Schedule for Collecting Data From Design Clients

Can you tell me about the design provided for you by '*company name*'?

How long have you known the company?

Given the competition within the graphic design industry, why have you used the services of '*company name*'?

Do you know '*name of owner-manager*' well?

How did you first come in contact with '*company name*'?

Why did you first commission design to '*company name*'?

Why have you provided, '*company name*' with repeat business?

How would you describe your relationship with '*owner-manager's name*'?

Do you ever/often socialise with '*owner-manager name*'?

How important is hospitality in the graphic design industry?

How would you describe the graphic design industry?

Is anyone else in contact with '*company name*'?

## **Appendix 3.2**

### **Critical Incidents**

The following incidents emerged as important in the lives of case-firms and were the themes selected for discussion during critical incident interviews with owner-managers. Specifically, participants were encouraged to recall the contacts involved during each of these critical incidents.

Start-up in general

Acquisition of premises

Recruitment of Staff

Acquisition of Largest Design Contract

Loss of Important Design Contract

**Additionally, for DA1, the following incident also emerged as 'critical' :**

Acquisition of 'informal' finance for the purposes of expanding DA1

### Appendix 3.3

#### Example of a Transcript

**Owner-Manager One,**  
**November 1993, his offices, after hours.**

##### *Background*

*Much more structured, following a number of discussions, meetings, observations etc. Aim is to make double sure that the correct impression has been gained & compare reliability of themes/findings which are emerging i.e. TRIANGULATION & CONSTANT COMPARISON OF DATA. Same topics are been discussed but with different words, questions etc.*

*Before the recorder is switched on, my prompt is :*

*"I'd like to record today's discussion if that's OK. As I said on the phone, things are a little more structured today - I've got a list of topics I'd like to go over with you and I don't want to miss anything you say or accidentally change some of your words/misunderstand you by taking notes. I'll have the task of listening to this over and again. Stop the button if there's something you don't want to record.*

*Opens with our voices discussing whether the recorder is actually working or not!*

E: right...

G : ...prompt cards, very...

E: ..very organised, as you know the interest that I have is in

the relationships which small firms share with others outside of the organisation which they believe have impacted upon the development of their firms. That being so, I've gone through all the research on it, and picked out questions, and I'm going to ask you questions that other researchers have asked people and try and judge how relevant they are ehm, which will be very interesting

G : yes (*laughs*)

*(both laugh)*

E : and I've also got, thrown one or two in myself so what you might be thinking, oh she's already asked me that, but I'm just trying to get it from different and/ the same thing from different angles.

*(TRIANGULATION)*

G : I won't remember, or the answer will have changed.

E : Yes the answer will probably have changed and you'll totally contradict yourself (*laughing*)

- G : Probably will have *(laughs in agreement)*
- E : Well, anyway, OK right, first, first question, oh its so funny doing it this way, would you say that the people that you interact with have changed at all since you set up in business? If you were to think of all the contacts that you make now and how often you sort of work with "outside" people, would you say its a lot more less?
- G : More S.N. = A.C.
- E : and is it different at all?
- G : ehm, *(thinks about it)*, its different only in the variety... S.N. = F/T
- E : The different types of people that you would speak to?  
*(I'm looking for clarification)*
- G : *(nods)*
- E : Right, OK. Would you speak to more customers now or less customer/clients, you probably call them..
- G : More *(definite)* S.N. = F/T
- E : Much more?
- G : *(nods)*
- E : and from a variety of different areas?...
- G : *(nodding)* yeh, much, much broader spectrum  
*(phone starts to ring)*
- E : Right, OK, ehm,  
*(is he going to answer it or not?)*
- G : I hate to tell you but there's nobody else here to answer the phone.
- E : On you go then, I'll switch it off 'cause I won't record you saying hello.
- G : laughs.  
*(switched off)*  
*(lost part of the connection)*  
*(I think I ask him, from my topic guide "As your business develops have you changed how you use your contacts? or words to that effect, but less brutal)*

G : no, there is always an opportunity, I think, because, even the oldest of friends always look for opportunities for you, will always say to you should speak to this guy or you should meet him or...

**N.C. : N.B.**

**N.C. : M/C**

*(compare with A. Mcl's comments that none of his old friends can be bothered with him anymore as he is always networking, its very obvious and and embarrassing for them to introduce him to people. And compare with the Ad. Conf. where he later contacted everybody & hired one of the better students)*

E : yeh, OK, so even if you sit sort of casually chatting, even like with somebody like me, something might come up and I might say...

**E.S. = N.B.**

G : *(confirms)* yeh, yeh,...

E : ... oh well have you thought about...which coincidentally I did find out for you about, ehm, funding for going to trade...and I think you qualify anyway, I've got a name for you to phone..

*(reciprocating the relationship)*

G : Good stuff

E : But I'll phone you tomorrow, I've left that at home, right?

G : Good stuff, good..

E : ehm, OK, can you think over the time you've been in business of anybody that really stick out in your mind as really having either been very helpful or or very unhelpful?

G : Well there's 100s that are unhelpful...

E : *(laughs)*...loads of unhelpful ones...

G : ... everyday... any that are particularly helpful? *(asks himself)* ehm, *(long pause)* its very difficult to distinguish between those who are being helpful because they've got something to sell and those who are being helpful for the sake of being helpful, its difficult because people are always on the move.

*(what about A. S. - who I know has been very helpful as has the female lawyer?)*

E : Right, OK..

G : ...because there is a lot of movement within the industry...

**I.F. : I.S.**



*(characteristic of the industry : way of expanding contacts & perhaps a policy of OMI's but also a way of knowing what the competition is up to)*

E : from employment to employment do you mean?

G : Yes, interestingly I was having a conversation a couple of weeks ago with a friend who shall remain nameless but is certainly older than me in the industry *(quite proud he was younger, he infers)* and he's actually saying that that he's reached a level where perhaps he doesn't need to worry as much but eh, all his contacts are above decision making, because of the age, because they've all reached an age where they're senior and not involved in day to day..operational size...they can influence the big decision, but in terms of day to day, so I'm no sure if that actually answered your question...

**N.B.**

**N.C. : M/X**

E : *(being polite & inexperienced at interviewing)*

Well that's some idea of what's going on in the industry..

G : .. cause you asked if anybody in particular... *(pause)*  
no, no to be perfectly honest...

E : no nobody really that would..?

G : Nobody sticks out as ...

E : .. no? would you say internally you can manage most of that? I mean you will have done, you have done, anybody, but there's nobody really?

G : there's certainly not been any Local Enterprise Company that's been particularly helpful *(said laughingly)*....

**N.C. : A/C**

*(we both laugh)*

*(he is defining talking to somebody & getting help in terms of more formal contacts)*

E : So if your were to think about then, if you were to say would it be more sort of "informal" things that have helped than any sort of, I don't know, bank accountant lawyer, or anything like that?

**N.C. : A/C**

G : Most definitely informally..

**N.C. : M/X**

E : definitely that?

G : Yes

E : Right, OK, that's great. Right for what we've talked about before, you do spend, in the organisation, your

**N.A.**

the person that spends a lot of time outside of the office?

G : Yes..

E : and when I phone you're never in either..Right, OK, ehun , ehun, so I wanted to ask you just a few questions, just kind of about how much time you might spend doing that, so if, I know this might be really difficult, but if I say, " In a typical week, do you spend a lot of time either creating or maintaining sort of business-type contacts..?"

*(this picks up on earlier data re : networking)*

G: Yeh,

E : how much? what % of your time do you think is spent doing that?

G : *(long pause)* 25/30% say

**N.A.**

E : Right, a long time spent doing that.

G : *(confirms)*a lot of time

E : and how does that normally occur, is it just telephones or go out for lunch and, or even straightforward business appointments?

G : Its a whole mixture of both probably, predominantly telephone I would imagine..

*(compare with DA3s' large hospitality & with DA2s' comments on the cost of hospitality & Cleint 1 & client 2's comments on receipt of hospitality. Also : this is contradictory to his earlier comments)*

E : .. and would you differentiate, I mean the amount of time perhaps you spend going for customers, dealing with clients or other external people? that would be more time client based?

**N.A.**

G : there's more time now client based..

E : Right, but not in the past?

G : Not in the past, we're, because now we have ehun, somebody who almost solely handles what we class as production.

E : Right. OK

G : so handles the sourcing of goods and the ehun, and we also fairly recently, its OK, we can talk it about her cause you know her, she's almost performing a planning function for us now as well..

**N.A : N.P.**

(compare with past discussions which were not recorded : he was much more open, now very concerned with mentioning names & compare with OM2's views on confidentiality & the role of the researcher : OM2 really enjoyed "revealing all"; OM1 likes talking but at start of recording, anyway, is a little more guarded than previous when not recorded & with all others)

(Also compare OM2's way of acquiring staff which is very informal : through contacts eg me)

E : ah, right, OK.

G : So, amongst, other things, so in the past where in terms of new business opportunities or eh presentations where I would have taken the time to source information and statistics. The secretary will do that, and in the past where I might have taken the time to source whatever our most recent purchase was, whether its woolly hats or straightforward print, we've got somebody doing, GD1's doing that as well, so its taken a lot of that side of it away from it.

(Lost, unfortunately this part - along the lines of, it now feed his time up.)

G: .. and these are just people, these are people that we know that are you know, friendly enough with them to be able to lift the phone and eh, chat to them about whatever and what's on the go and maintain the, ah mean what we've got to do is maintain a contact until an opportunity arises.

N.A.

N.C :M/X

E: right OK, and hopefully you've kept it and they'll contact you? or if you know about it, you could spend time...

G: the sort, I mean it, if you don't mind speaking about names, cause I don't (NB taped interview)

E: No, that's fine, that's OK

G: perfect example is for perhaps three and a half years perhaps maybe almost the time the company's been in existence, we have courted on and off 'compnay name'

N.A.

E: right

G: well we've done some small pieces for them previously but I'd always tried to stay in contact with them as I thought we could get more from them. Anyway, I used to phone them to stay in touch, go out to lunch with them, make sure I sent them some goodies at Christmas and I suppose you could say that it all paid off. We were asked to tender and we got the work.

N.A. : H/Y

N.Q.

E: oh, wow, good

*(attributing contract to maintaining the business relationship via social created relationships?)*

G: Aye and you can have this on record *(joke to the recorder)* we must be the lowest underdogs of the low in this pitching, within the four that are pitching but in many ways I think that actually might it certainly in the last few months that has been to our advantage because we've surprised

E: how have you managed that?

G: ehm, we've always worked, we've always tried to ramble this integrated communications philosophy" and the ability to work across through all disciplines and maintaining that is very much a management and creative function which work together *(I agree)* and to do that effectively doesn't necessarily mean to say that you need to specialise in one, to go into it with an open mind, is very often ehm, more beneficial than continually working on one thing and particularly in the creatives if we are continually pounding away at one form of design ehm, they can become very stale and very fed up with it.

**I.F. : I.S.**

*(to maintain relationship with internal staff must keep investing in it by offering new jobs to do to encourage fresh ideas to satisfy customers)*

E: yeh, right

G: whereas if we throw them one day an advert of aids advertising as we were working on at the weekend, last week it was corporate id..variety and I think they relish the choice that that gives them and the variety of work that that gives them ehm so people tend to pigeon whole you...

**I.F. : I.S.**

E: right

G: and over the last, couple, everyone likes to pigeon whole you, unless they don't feel safe, if they can't categories you they don't feel too safe, secure about it.

**I.F. : I.S.**

E: mh, mh

G: so we had a company, we pitched for a piece of business that week who we had conducted some design for them, and it was a straight design-based commission and *(pause for emphasis, obviously very pleased that this new strategy of IMM is working)* we certainly suprised them.

**Portfolio  
Prestige**

E: so, my next qu which have been is it worthwhile winning and dining these people, given toady's news, would be yes?

- G: yes it is, but we have within realistic moderation **N.A.**
- E: you're not going to fly them off to the Bahamas or anything?
- G: no and that in its own requires a sort of pause, large degree of imagination, to be able to entertain people on small budgets, I mean eh, no but it has to happen, its the only way to do it. **N.A.**
- (compare with OM 2 who doesn't like networking & tries to do so in his own very individual way)*
- ..because opportunities don't arrive every day so we have to maintain the contact until the opportunity does arise **N.A. : N.Q.**
- E : ok, good stuff, chm, although most of it happens on the phone, do you do much travelling at all to create or maintain contacts or would you prefer?
- G: yeh, the majority of business that we have in my opinion the majority of business happens in the client's office **N.A.**
- (therefore contradicts comments about phone which I sensed were not accurate)*
- E: right. OK
- G: whereas in my experience it used to be the reverse because the clients used to enjoy coming to the agency to get out, to get away from their own environment but now, time, well everybody's time is more precious **N.A.**
- E: right so if you see even if you would that be perhaps if you were negotiating business would that be you would have to go and discuss it with them?
- G: oh well with, going through the introductory process there's probably two phases of it, the majority of them after you have gone to introduce yourself, like to come and see your office, its almost you know to check your your credibility and that you're cocha and pucker and that you are actually who you say and what you have.. **I.F. : I.S.**  
**Reputation**
- E: *(laughing)* and the address is valid..
- G: yes, and ehm, so there is invariably one visit a royal visit and there's flowers on the table and .. **N.A.**
- E: the smell of coffee?
- G: that's it
- E: right. OK, do you ever advise your staff to do networking as such?

G: nods & ehm

E: and how would you advise them to go about doing that? how formal would you make an announcement that you wanted them to network or would you just kind of say, keep this in mind, keep that in mind?

G: its, its informal, its informal, it eh I mean its not described or discussed as networking its ehm..

**N.P.**

E: how would you talk about it to them?

G: well we're obviously the whole nature of the industry is based very much on team work as well so there is always discussions and it comes as suggestions, perhaps you should, have you thought of?

**I.F. : I.S.**

*(both laugh)*

E: how are you finding it now that like, you say that 'name' taken over these planning functions and stuff are you quite comfortable with that? That's been one of your main jobs for such a long time?

G: ehm, I'm getting better, I'm betting better at it

**DELEGATION**

E: cause a lot of people I've spoken to they certainly do feel quite uneasy *(massaging his ego)*

G: well in many ways there is not a decision to be taken, its collate, its, if we're taking 'name' for example, ehm, it is the collation of as much material as possible which then comes together and she may precise that in some form of report to me or whatever but invariably when it comes to actually writing the report or making the presentation, I will go through it all, I will have an idea of what I really want to take from it I'll have an idea a of the key points. It is more of an information source. On 'name' other, on the other side of it when in almost the purchasing side of it eh, it s dictated very much by price, very much by quality and very often most recently as well by quite frankly where we can get a good, we are buying from as far a field as Hong Kong, the States, and Southern Ireland..

**DELEGATION**

**N.P.**

E: Why?

G: ..normally price, price because you can maintain the quality by dramatically carefully handling the work

**N.A. : H/W**

*(contacts made with suppliers are insignificant if buying raw materials - dictated by price. Different if subcontracting work e.g. photography)*

E: Right OK. Are any of the, any of your suppliers really helped you out in the past anything like that?

- G: Oh a lot of them help us out, eh the, eh there was an amazing willingness at times to pass on information of other suppliers, there's a lot of them are exceptionally helpful, a lot of them are exceptionally honest, or daft. **N.C. : I/C**
- E: Does 'name' try and maintain deliberately good relationships with them? first name terms? **N.B.**
- G: oh yes, aye and it works slightly on two levels because first we have to remember that we are their clients, its the reverse scenario but very often we need them to dig us out a hole or to make a delivery or work through the night or whatever, so there's a wee balance to be made **N.A./N.P.**
- E: OK, narrowing it down just a little bit this is the bit where other researchers have used these questions on people and its trying to get some information/ some sort of picture or feel for perhaps who you like to talk to about business and how helpful they are. And again I suppose, if there's not any one person, ehm, I mean are there at least 5 other outside people that you would talk to about business? generally that you would know, I think I'll go and have a chat, I don't know, about this or that with them?
- G: In terms of advice? (*almost sounds shocked*) **N.C. : A/C**
- E: Any type : advice, information, perhaps if you have a decision to make you might go and get advice or ...
- G: (*shakes his head fiercely to indicate no*)
- E: Nope?
- G: Nup! Not a sod! No there are perhaps, well there are maybe two outsiders who have only really taken on that role if you like, in my eyes anyway, within the last six months where we went through investment **N.C. : A/C**
- E: were they friends?
- G: (*shakes his head*) no. One has been our accountant, not quite since day one and but I've certainly become closer to him.
- E: Has that relationship moved from being a formal one to a friendlier one now?
- G: yeh, most definitely
- (*contradictory*)

E: and could you discuss other things with him? or perhaps?

G: Yes, we discuss other things and he I saw him today, he will even inadvertently present business opportunities.

**N.C. :M/X  
N.B.**

*(only perceives as using, discussing outside when going through a critical phases : investment. But what of A. S., his friend who I know he often discusses business with? he has a different perception of that relationship which is primarily friendship first & then business, whereas the accountant is business first then friendship. Use of accountant for getting business: referral network information )*

G: just through his, he has a different spectrum of contacts

**N.B. & N.Q.**

E: That's what my next question was going to be, do these contacts, OK they've helped your business, over the past 6 months but also would their networks I suppose be helpful to you?

G: Yes *(defiantly)* and the other one has already presented an opportunity she's chm, we've only got three different lawyers working for us just now, so she's our corporate lawyer and she, very grand isn't it for a company that employs 8 people, *(we have a laugh)* eh, she has already put us in touch with another solicitors who are looking to produce a corporate brochure so and we've only known her when did she start, July, but we've not not in the biblical sense, I've become very close to her the very fact that she's got long legs and long dark hair has got absolutely nothing to do with it.

**N.B. & N.Q.**

*(He is very impressed by tone of voice & look on face by this lawyer & has also been spotted out drinking with her)*

E: ehm, would you socialise with any of them at all?

G: ehm, I would socialise with these two

**N.A. OR  
M/X**

E: R, OK, is that personalities that have become important there as well?

G: oh yes, well it particularly the corporate lawyer we're ehm, this is a new experience to me and eh I took recommendations about who I should go and see suggestions who we should use and eh, in fact it was 'co. name' who suggested this company to us and eh, I went to see her and I didn't go to see anybody else because we just clicked from.

**N.C.:A/C**

**N.B.**

**N.Q**



*(yet earlier claimed there was only two people he gets advice from - but others, different for getting information)*

E: OK good stuff. Do her and, ehm, your accountant know one another at all *(search for clusters)?*

G: yeh,

E: and would their relationships be as friendly as yours?

G: no! they've known each other from previous lives of other deals.. it has reunited

**S.N. = A.C.**

*(both laugh)*

E: ok, well that's all I want really about those specific things and this is just really basic questions to finish it off and I can probably predict some of these answers already, But ehm..

G: is this where I should swear? *(laughs)*

E: who would you go to for legal advice?

G: It depends on the type of business we've got, or whatever it is we're er dealing : we have a corporate lawyer who would handle the business in very general terms and I think my personal contract I've got a thirty six page personal contract to tie me here for the rest of my life, *(both laugh)* and eh then got a sort of day to day, that sounds very derogatory, a "day to day" lawyer who looks after things like our leasing any problems we'd ever potentially have with bad debts..ehm...

**N.C. : A/C**

E: is that ever a problem for you or has it been?

G: oh yc *(very defiantly)* Seems so big

E : quite a big problem?

G: ehm, pause, not its not, long term payers are a big problem and it is for us its a very last resort involving any sort of legal action because that really is the end of a relationship.

**N.C. : E/C**

**S.N. = A.C.**

*(defines networks in terms of relationships)*

E: which you want to avoid?

G: I would avoid it. And then we have our third lawyer who specialises I suppose in sales promotion law and advertising standards and all that..

E: oh right, so it keeps you all right. And the other one was financial advice? Who would be most helpful there? Accountant?

G: *(nods)* definitely accountant

E: has the bank ever helped you?

G: well we now have a new new bank?

E: oh, have you changed now?

G: well when we restructured the company ah the investment company really wanted us to go and to bank with their bank which by coincidence was our own bank but a different branch.

E: ah, right, right OK..

G: so in many ways that made the transition easier but eh, the new bank have hand on heart *(gestures this also)* been a breath of fresh air but that's probably because we've got money in the account *(both laugh)*

E: right. OK

G: I mean they're very helpful, and they phone and they...

E: do they try to maintain a relationship with you?

G: they, they are *most definitely* trying to maintain a relationship but I am/I was very open with them about my criticisms with the past bank...

N.A.

E: right, and how did they?

G: ...and why.. eh, well the strange thing about banks just now is most of them know their problems *(pause)*..

E: actually, actually I've got another interesting thing I got from banking omnismen..

G: aye, aye

E: some information on how they see their relationship with small firms and eh, it kind of says, yeh, we know we've got problems but we think we're trying to solve them, so is that the kind of approach you think you've got from them would you say?

G: yeh, I think that's what, its different personalities altogether and I think we have had this discussion before we very much had a strained and strange relationship with our old bank manager and in hind site when you take the heat away from it, I think basically he was probably a lazy sod at heart who was seeing out his time *(both laugh)*.

S.N. = A.C.

*(again use of personalities)*

E: wanted a nice easy life?

G: yeh, and as a result he ...probably just fed everything down the line and so his immediate...people immediately below him... were just had too much, too many pressures on them and probably quite literally didn't have the time which I would demand of them or expect of them, demand of them! (tells himself off for his chosen words) expect of them eh, in even common courtesy..

E: right, OK

G: and they would make decisions without even referring to you ....

E: so break, total break down in communication then?

G: yeh, completely and didn't, wouldn't communicate by phone and eh, I heard, my accountant today was telling me some absolute horror stories that he's encountered and most recent times with banks and we haven't, we didn't actually deteriorate as far as that ehm, but time (*laughs*) especially if they're bouncing cheques on you, time is of the essence (*both laugh*) and if you don't get a letter until four days after they've bounced a cheque you've got a problem.

E: OK, right, eh, what about like, we've talked a bit about this in the past, previous employment, has contacts you've made there been quite good, helped you out, would you think?

G: ehm, ehm, ...pause...(*musings over this question*).. yes and no, yes and no also to begin with I think, you know some of the history of the company, to begin with they obviously helped enormously ...

**I.F. :P.E.**

E: right..

G: ehm, but they have gone steadily down hill and that's very much been a result of new personalities coming in..

**N.B.**

**S.N. = F/T**

*(again talks of personality. Also change in network as relationships move themselves in and out of their social roles which are actually the useful roles for the company in terms of information, advise & custom)*

E: and do you, do they, into here?

G: no, no into the place of past employment (*for clarification*) and that's probably, ehm, immediate past employment wouldn't/actually no help at all and I wouldn't have expected it to because we are now in competition with them

**I.F. : P.E.**

E: mhm, yeh,

*(both laugh)*

G: in fact they still ignore me and throw bread rolls at me at every function they see and try and get waiters to spill gravy down the back of my shirt and all that *(very sure of himself & his importance)* but the immediate employer before that eh who was very helpful to begin with..

**I.F. : I.S.**

*(comment on use of experience from past employment, a key feature of all & contrast with OM3's attempts to stop people going freelance, while potentially increasing their client base)*

E: is this the 'COMPANY NAME' job?

G: yeh, I've completely turned turtle because the personalities and eh, ....and its quite interesting because the people who are in control there ..were people who I gave a hard time to when I was there and I think there's a wee bit of revenge is sweet.

**S.N. = A.C.**

**N.B.**

*(again, personalities and also self importance - has to reason why they are no longer as helpful - again useful to create normative relationships with people who hold important roles at work - social roles)*

E: getting their own back on you? *(he nods)* right, see at the beginning when you started out, how did they help? in what sort of ways?

G: well they helped in that they gave us their business *(tone suggests, that's obvious)*

**N.C. : E/C**

*(both laugh)*

...a bit fundamental

E: right, OK, that's pretty straight forward then, ehm...

G: the, just out of interest, because it might be of interest, the history is, when I left on I suppose on a couple of points of principle *(again importance & justification)* but also because I wanted to go and do other things, ahm, and 6 months later hey then approached me and asked me if I would go back to work for them...

**I.F. : P.E.**

E: *(for clarification)* once you'd set up here?

G: .. no, no when I joined the agency, I was at another agency for 6 months and I was desperately unhappy there anyway because it was 9-5 and was no very pleasant and but not for me, and so they approached me and asked m to go back and work for them and I said I wouldn't go back to work for

**I.F. : P.E.**

them but I thought that the role which they were looking to fill could actually be filled by a consultancy ...

E: right, OK ..

G: and really that's how we started, ...

E: ah, right, so your sort of idea on that and then...

G: yeh, what they had become tired of large agencies and at that stage actually wanted to take the whole thing back in house and wanted to run it from in house, wanted to set up a studio, wanted to buy media direct, blah, blah, blah, and took wanted to ask me to come back and set all that up for them amongst other things (*how very important you are*)eh, I said not but I thought it could be, could be, run as a small company on a consultancy basis..

**I.F. :P.E.**

E: ah, right

G: and eh, and that way they would, you know almost have me solely and eh, I would certainly dedicate myself to the account,

*(cleaners come in)*

E: ehm, OK so that's a bit about past employment then, formal networks, you're in what?? chamber of commerce stuff like that?

G: right, just joined the chamber of commerce,

E: helpful at all?

G: waiting to see (*and laughs, as if he doesn't think it will be*)...

E: I'm actually going to, do you ever go to any talks at all, have you been to any of them?

G: no

**N.A.**

E: I'm going to one on banks and small firms on Thursday actually so that should be interesting

G: oh, right our accountant's talking at it, is he not?

E: oh right, its at the ehm..

G: in the Ingram?

E: uh, oh well then, I'll probably go up and have a chat with him afterwards..

G: its quite, joining organisations or associations like that is becoming a relatively new experience for us, ehm, we have I think just joined the Institute of Marketing, we are members of the Institute of Sales Promotion, we are just about to join the Design Council, we are recognised providers for BDS for a variety of LECS hand on heart, none of them have delivered business, not one. Now a LEC, any of the Institutes, ..

**N.C. : A/C  
SOURCE**

E: is, would you, you, if you had the choice again still join them?

G: Well its as I say, its a relatively new experience for us, we are just going through the process just now to see ah, within the majority of them its the classic catch twenty two, to becoming a recognised provider for them

**N.Q. =  
BUSINESS**

**N.Q. =  
BUSINESS  
MOTIVES?**

E: OK, fair enough,

G: eh so and it actually takes, for some of them, it takes a great deal of effort to become recognised by them so I suppose....*(muffled, due to hoovering)* we have grown become a bit more organised and been able to take the time to dedicate to that and also a bit of forward planning, we ah, looking at doing some work for a company believe it or not in (place up North)..

**N.P.**

E: where's that?

G: North, west frontier, and before we do that we are becoming a recognised provider with 'organisation's name', who are affectionately know as 'anachronym', which I thought was rather odd

**N.Q.  
MOTIVATIONS**

E: oh, dear

G: ehm, but that sort of forward planning is a luxury which we've never had before

*(comment on way defines forward planning- time to join the various LECs as recognised providers; as they have grown & become more organised, they have had time to plan to join the formal networks/recognised bodies. why? because they have to get the work but seen by OM 1 as a formality, and nothing more therefore, not identified by him as primary to getting business. one aspect of these networks is that the part of that network most important to the smes is the part that provides clients, either directly or indirectly, in all those involved. Comment on as grows, does get involved in different types of networks because has the time to do so, at more critical stages relies on already established relationships. doesn't view these formal networks as personal in the slightest)*

E: and so has this recent expansion helped you do that, would you say?

G: eh. (pause)...(not sure) the recent, has come through our own expansion, it hasn't come through any of the, the investment..

**N.Q.**

E: no, but 'name' coming in, that type of thing?

G: oh, she replaced somebody and now we have sort of redefined the roles... and it has come I suppose with the maturity of the company and....(pause) its quite controversial but I'm actually quite a strong believer in bringing our staff in young and allowing them to grow with us (has he seen a HRM consultant, or read a book?) and as our staff are maturing and taking on more responsibilities, then it is freeing me and.

E: good philosophy.

G: well, its not widely accepted, its very difficult within, to do that within our industry, ...

**I.F. : I/S**

E: I suppose you need the experience?

G: because it comes with the territory comes credentials, and with credentials and experience comes contacts as well and a lot of, it used to, it happens to a lesser extent now but a lot of, companies used to hire to expand and they would go out and hire people who would bring business with them I think that is a diminishing trend, I don't think that happens a great deal now.

**I.F. : P.E.  
Reputation  
Portfolio  
Prestige  
N.B.**

*(clearly staff is a major issue for all companies as they have all brought it up at some stage & it is something I have and will continue to follow. Clearly the staff you have, dictates the design you sell & therefore you must get it right - typical of services marketing but perhaps emphasised in this industry given its localised nature and that fact that those "in the know" know who the best designers are & therefore you could have the scenario that it is the designer that counts and whichever organisation employs them, if they haven't decided to go self employed, is practically immaterial. May also have implications for recruitment - if one criteria for recruitment is to select someone who is well networked and can bring contacts with them - how to you convince them to come to you, surely not by public advertisement-compare with all others)*

E: do you think they just wait until they really needed or could afford and then just? or create their own networks now?

G: create their own networks I think.

**N.A.**

- E: OK, how's your time by the way? *(I Know he is going to play football on the S.Side)*
- G: its OK, I've got seven minutes to get to Eastwood Toll *(said laughing)*
- E: We're almost finished, ehm, right, this last thing that I want to do is talk about perhaps critical incidents OK that have happened...
- G: mhm
- E: Just so you can perhaps jog your memory about who you spoke to at the time and perhaps if they were helpful, if you spoke to anyone at all, ehm, I think we've really covered the start up one, yourself and your ex-people who you worked with, removed once, ehm, how about like getting your employees and premises and stuff like that? Was that all?
- G: The premises, a long, long drawn out process and it ultimately became a soulless process perhaps simply in economic terms, there a number, including contacts, of companies out there who will source premises for you they charge they plenty and I wasn't prepared to pay them that sort of money to... **N.C. : E/C**
- E: something that you could do yourself? **S.N. = A.C.**  
*(talks about network in terms of CONTACTS)*
- G: yeh, and in particular I mean I we weren't going to perform any real function for me because I wasn't really convinced by any that any of them really understood sort of the place that I was looking for.. **N.Q.**
- E: was it the concept I suppose as well?
- G: no, Glasgow is full of shag pile carpet and flowery wallpaper and chandeliers *(phone in back - he goes off to answer, I switch the machine off)*
- E: *(back from phone)* ehm, OK right that was start up...
- G: does that answer it? yeh?
- E: ehm yeh, basically, I suppose within that then..
- G: well maybe, I beg your pardon, in many ways there as, thinking back on it, there was I suppose an element of networking in that, in that we were recommended to this place by friend of mine who runs a PR company who was handling PR for the guy, the developer.. **N.B.**  
**N.C. : A/C**  
**N.C. : M/X**
- E: right, OK, despite that you were setting up in a slightly competitive?



G: well, she was an old chum, and she had suggested that I take a look at the place..

**N.C. : M/X**

E: right, that's kind of what I was wondering, if anybody suggested it to you. What about employees (*given earlier emphasis on this, lets ask again*) was that a big, major task?

G: employees, is in/I collect information on people from all over the place (*despite saying this practice was diminishing*) and very rarely unless the nutter is into painting and decorating and things, we had a bloke once who said he paints pictures in his spare time, I will see almost everybody who writes to me

E: right

G: and then I really do know whether to put their c.v. in the bin or in the file and eh, that way, I mean we will be recruiting staff from January starts, eh, and I know who I want..*(again despite earlier comments)*

E: have they contacted you before?

G: They ..

E: on that basis?

G: on that basis, and it con, its continuing with the philosophy of taking people young and, eh, I think, well maybe I've got 4 or 5 I will see again and I will take 2 from ....

E: so how many's that you're going to start of in January?

G: 2, I think. Ehm but I actually feel in many ways that the bigger that we get, the more pressure I'm under to bring in in particular in the creative I reckon that a big name, but there's a lot to happen between now and January and with a bit of luck I won't have to do that because I'd prefer to bring people in and indoctrinate them with my philosophy rather than bringing them in and compromising our own to suit there.

**I.F. : I.S.**

**Reputation**

**Portfolio  
Prestige**

*(again, importance of staff, especially on the creatives, at a certain stage there is a need to attract a big name : after January ask him about who he employed and also look in Scotmedia classified)*

E: how vital would that be? I don't know, if loose out is the right word, but if you didn't bring in a big name would that be terribly damaging?

G: ehm,..

E: or terribly non-opportunist or whatever?

G: eh, I don't, don't, its very difficult to say, the problem has always been that its, particular I always felt very strongly about personalities involved, and they have personalities that they can work with...

E: yeh, you mentioned that before

G: .. and, I've not at yet, I think met anybody who, and that's this isn't as obnoxious as it sounds, I don't think I've met anybody yet, who I think I can blend with in the creative sense..

E: right, OK

G: and invariably eh, or if I have met anybody, I mean I think I would have to give them the company to get them so, I'm not prepared to do that..

N.Q.

*(clearly an issue in recruitment - compare with all others, as network seems very much to be one area used in recruiting staff)*

E: no, right, OK, ehm, just looking, if you were to think about the biggest contract you ever won, ever got, ehm how did you manage to get it do you think? I know we've talked about the fact that you're small and you, you've the Integrated Communications Thing, but on a sort of contacts basis, how was it set up?

G: the biggest contract we've got? pause, probably the biggest pause...

E: well I suppose the one today?

G: that's that's bigger than anything we've ever pitched for before...but exist, current business which we have, they've all most recently been fairly formal .. ehm, take one, one with 'company name' - they use competitive tendering so there is absolutely no, despite the fact that I play golf with one of their people, there is absolutely no room, I mean all that, that created the chance for us initially, where we were allowed or included within the tender procedure but, eh, we could, over the last phase, we didn't think we were going to get it (*and they have done a lot of work for this company*) because I thought he was under enormous political pressure, to come in line with 'company name' and with a result we were up competing against sort of biggest agencies in Scotland who are if you like recognised suppliers of these people (*informally so*) and I thought he was under pressure to bring that in to line, but we still managed to get it but ehm, I because its a panel we present to I really don't think I mean I don't think he would compromise his professionalism, I don't think it was down to chumminess, I don't think he would do that at all.

N.B.

N.Q.

N.C. : M/C

*(link with way in which people network: see his earlier comments - will get interested in whatever W & M are interested in and also for OM 1, football and golf are majors say anything about type of business contacts he will get from these? In this case golf contact was important in getting him into the tendering procedure, then he believes it was down to the quality of his work & presentation)*

**N.A.**  
**N.B.**  
**N.C. : M/X**

E: OK, ehm we've talked about this again a little bit, but having just, the investment you've just went through, would you say that was just largely, you made your way to the investment company through informal contacts

*(from what I NB, A. S. introduced him in London)*

G: yeh, yeh

E: yeh, and..

G: most definitely, ah, to get, to arrive there the venture capital companies which we know are far to large to consider us

E: right

G: so it was very, it was informal chat with these guys over a beer to see who they'd recommend it was informal, lots of beers and it was a guy we'd just known thorough the 'company name' (*mentioned him before, knows him from time he did in newspapers*) by management buyout and who has experience of all sorts of venture capital organisations and I think there was 11 or 12 in their deal so, he made recommendations and suggested the type of approach I would need to take to get them and that eventually and actually was network bound because it came he suggested 'name' speak to them as a starting point, they put me in contact with another private individual, our investment was too big for the private individual but he put us onto another company which he was associated with, a venture capital organisation and that's where the deal came from.

**N.Q.**

**N.C. : I/C**

**N.C.: M/X**

**N.B.**

*(good illustration of network dynamics. OM 1 very much differentiates between "formal" and "informal" parts of the network so I speak to him in those terms: NB get definition of exactly what he means by this)*

E: OK, so very much over beers and things until you got there?

G: hey, until we got there, but there was at introductory stage sort of very formal sort of presentations and introductions.

**N.A.**

*(different ways of networking and doing business depending of formality of contact and situation)*

E: OK, what company was it that you worked for again, was it 'company name'?

G: no, I worked for 'company name'.....

**I.F. : P.E.**

E: I always get mixed up

G: so I worked for 'mentions various company names'

**I.F. : P.E.**

E: *(laughs.)*

G: a couple of them and a couple of new ventures in there between which never got off the ground, new titles...

E: just didn't come to anything?

G: nope

E: right, here we go, last 3 three questions, would you regard networking as being important for your business? *(OK to talk in these terms as they are his terms)*

G: crucial, without doubt

E: what would you say was the main benefit of it? or benefits?

G: well, again within our particular industry, the initial contact is all about personality, in my opinion, there is only one way to sell our company and that's on a one to one basis, so to get referrals, or introductions, or to meet people informally in any way, is the first step because really they have to like you, first and foremost and then after that you have to have the ability to deliver but if they actually like they in the first instance and I hate to say it but that is the first step to getting through the door. I mean if they meet you for the first time or you, you we actually in many, instances try to create 3rd party involvement with our own clients as well because it gives us another opportunity. And if you don't click with these people, your just, there's not way you'll get even the opportunity to present yourself to them.

**I.F. : I.S.**

**N.A.**

**N.Q.**

**N.C. : M/X**

**N.B.**

*(must explore this aspect of personality, as is one that has been mentioned by all involved : are personality types the criteria for getting work & therefore network in ways you both enjoy and out of that comes the business: a way of actually segmenting the market according to personality and subsequent types of networking that go one?)*

E: right, OK, ehm, so that's I suppose like one benefit of they like, OK, you meet the personalities and hopefully get the business from that *(looking for clarification)*

G: as, as the 'company name' story shows, its a long, long process

*(something about time of investments in relationships before you get a return?)*

E: what about, ehm, getting information? would networking help you do that?

*(remember this is the word he uses : networking)*

G: yeh, mhm, ah, the relationship with people and the relationship can be created if an the other end of the phone and very often its a better relationship than once you meet then, as *(he starts to smirk, I laugh)* no, I'll not go into that one

**N.C. : I/C**

E: sounds a bit of an ominous tale behind that...(?)

G: aye, what is it, Sleepless In Seattle or something?

E: have you seen it?

G: no I haven't

E: but eh, no because, I mean, just the way you treat people on the phone and the way you talk to them, you will get more from them ehm, in the majority of people, if, I think if you give them the respect and things, they'll always help.

**N.A.**

*(way of networking : dimensions of medium : on the phone and manner : respect)*

E: if you're nice to people basically?

G: yeh

E: would you describe yourself as a networker?

G: pause

E: *(coming in too salvage, such a tactless question)* that may be how you get most of your information and things as we've just said, just being nice to people basically

G: yes, eh, pause, yes but there's always personalities involved

*(dimensions of networking, regardless of medium or approach, personality always comes first)*

E: OK, right ....

G: *(interrupting me)* we have to *(I)* we have to

E: why would that be?

G: well, oh, in well the majority of work we get involved with there's enormous chunk of confidentiality

*(again defining relationships as those with clients, network then ultimately for the purpose of getting business?)*

E: right, OK so, could you trust them?

G: can I trust them the other way? *(looking for clarification)*

E: uh

G: eh, we have to trust suppliers every day

E: mhm, OK

G: but our clients, I mean our clients have to trust us A I

E: OK, that's fine is there anything else you want to ask/want to particularly ask me about anything?

G: don't think so, do you want to see somebody's new corporate identity?

E: yes, oh, yes

G: its in development

E: how's the 'company name' thing going? what I mean is that you've had a lot of work with them haven't you?

*(end of interview, now rounding off meeting with a conversation)*

G: well it has because in terms of networking that's been quite interesting because they have gone through other than the sort of very public personality changes, they have gone through yet more personality changes within the last 6 months, marketing department and as a result of that I had reduced their spend with us probably by 50% in my projections, in actual fact eh, they, to be honest with you at one time thought we were out the door and thought we were not going to get anything but they put 3 projects out almost to competitive tender and so we competed against in one of them 6 other agencies and we've won every bit of it so back in and now worth more to us than they ever have been

**N.B.**

**S.N. = F/T**

**N.C. : M/X**

*(comment on the link between having a friendship with a person in a particular network because of the role that they play at work that puts them in that position and what happens to the outcome of I in the relationship if the person changes job & therefore moves from that role at work and place in the network)*

E : and do you see that sort of continuing as well?

G: oh it is, its I mean its a long term project and I mean I've already, there's already evidence that, which is always the case of just being there, you get more, so the very fact that we're in there just now probably every day you get eh, other jobs from them

**N.Q. :  
REPEAT  
BUSINESS**

*(once doing a job & when actively involved & seeing/in contact with the other half of the relationship on a regular basis points to more steady work: convenience of location, & geographic proximity?)*

E: and what do you think about your 'company name' contacts is that going to get you anything from other 'certain types of companies'?

G: others? they're very difficult nut to crack ...

E: regulations and stuff, I suppose?

G: uh, and also, I think they take people that the type people of people that they are as well to be honest with you, but I see 'type of company' I shouldn't say things like this on tape should I? as an enormous growth area for our type of business - enormous, untapped

**N.P.**

*(going back to personality & type of client - status)*

E: I suppose

G: oh, and with the way that this developing into trusts and it may well be it could develop into the situation where the only thing the health departments will have is health promotion or the health boards will have.

*(strategic direction, objectives : links to network?)*

E: did you hear the radio today, the health minister, I can't remember their name, being very worried about eh suggestions about family planning etc that school children should have eh ...

G: because of the nature of the campaigns that we work for in 'location', which are predominantly '???' campaign, discussions become pretty personal and sensitive, and we did have a conversation today, as you'd expect about using condoms and there was a sort of embarrassed silence and one guy who will

remain nameless but he's 25, he's in a steady relationship with a girl but has been in numerous relationships has never used a condom, never, has only touched one once well apart from in here when we're throwing them at him, but in earnest has only touched on once.

*(We go on to discuss sex education in schools)*

G: so we then come on to the subject of, in my opinion, it should be compulsory within schools, that's peer education is crucial to the whole thing, I mean that's one of the reasons we're taking the project into sort of one-one promotions and taking into pubs and clubs and universities and colleges and to be honest I'm not quite convinced about this whole peer education role where what we actually do is we go in there and we take somebody out and we indoctrinate them, I'm not convinced, I'm concerned about it.

*(now discuss quantitative & qualitative approaches to market research & how to improve sex education).*

G: we work for, just about ever leisure and entertainment company in 'location' are clients of our, we are actively encouraging people to go and get pished and shag their brains out and at the same time we're working for 'company name' and just conducting the research for their planning services and we're promoting '???' awareness to, so..

E: they wouldn't ever ask you about that would they? that wouldn't be a concern of their's?

G: no, it was actually a plus point actually in getting the work, because we understood more about the area and that market, I mean we've told them in peer education, we know the people to go and talk to and we can wipe it out in, its only a handful of girls up there who, I mean its crazy, I know them all personally.

E: eh, do you ever attack it at all from the drug point of view?

*(Now go on to discuss AIDS in full, as well as all types of abuses)*

G: in many ways we could create work that would encompass all of that, but we can't

E: why?

G: because they have their individual budgets, its crazy and we are also actively trying to encourage them to promote hand and hand with others and what we should be trying to do is map the footprints of the media to maximise effectiveness rather than well be



restricted by what we can use within their area. And eh, let us go and do it, you we'll go and try and.. some think for instance the 'company name' we can only really use one form of media, we can use press and outdoor but the press is very limited.

*(now go on to discuss students' advertising projects)*

*Discusses the students' project and suggests that to win the competition they should select 'sexy' subjects e.g. AIDS,*

*(does he like to select sexy jobs? e.g. Lanarkshire - another way of segmenting the market according to status of client & type of job?)*

G: I got a member of staff out of it last time remember?

*(a return from his investment in my research etc)*

E: are you still lecturing at 'name'?

G: no haven't done anything at 'co. name' at all, they eh, the contact, its not went cold, again its all about relationships they involved us in a pitch with them within their sort of enterprise company and we spent quite a lot of time on it and in actual fact we got the contract. Really what their involvement in it was neg/ they could, they don't have the resources to handle you know the piece of business that was there but what they were really after was, they were after the sort of strategic marketing side of it which we could have done anyway and they were after their big training scheme, DELTA, £100,000 training scheme over 3 years I think. We actually got the business however the client went through all sorts of changes and have sort of temporarily postponed it and I think they are a bit embarrassed by all this. Don't worry about it, its all right, these things happen all the time, I had lunch with the guy the other week and he promised he would do some things for us but he hasn't come back to me so its gone a bit cold.

*(when a relationships stops producing its referred to as*

G: but it'll come back

E: Oh well that's great, thanks very much for your time that's been really helpful tonight, that'll be really good, I'll do, what I'll do is I've now got to go back and transcribe all of this eh, so I'll do that and get back in touch with you and let you know what's come out of it, I'll send you some stuff over but I'll phone you tomorrow and give you that man's name.

**N.Q.  
Reciprocity**

**S.N. = A.C.**

**END OF INTERVIEW**

## Appendix 3.4

### Families of Coded Data

As can be seen from the codes detailed below, the term 'family' is used loosely as some codes have many members while others have very few members.

#### Family 1 S.N. - Structure of Networks.

Data particular to participants perceptions about the structure of the relationships in which case-firms were embedded.

Members :

- |      |                       |   |
|------|-----------------------|---|
| A.C. | 'Abstract Constructs' | participants do not explicitly conceive of 'networks'.                                |
| F/T  | 'Fluctuate Over Time' | participants perceive that relationships in which they are involved change over time. |

#### Family 2 N.C. - Network Contents Family.

Data particular to the contents found within the social networks in which case-firms were embedded.

Members :

- |      |                       |  |
|------|-----------------------|--|
| I/C  | 'Information Content' | data about the information within case-firm networks.  |
| A/C  | 'Advice Content'      | data about the advice within case-firm networks.   |
| E/C  | 'Economic Content'    | data about the economic transactions within case-firm networks.  |
| B/E  | 'Bartering Exchanges' | data about the bartering exchange contents within case-firm networks.  |
| M/X  | 'Multiplex Contents'  | data about multiplex relationships within case-firm networks.  |
| N.B. | 'Network Brokers'     | data about the relationships which case-firms shared with individuals holding broker positions within case-firms networks. |

**Family 3      N.Q. - Network Outcomes Family.**

Data particular to the outcomes perceived to have resulted from the relationships in which case-firms were embedded. There are no individual members of this family.

**Family 4      N.A. - Networking Activities Family.**

Data about the ways in activities in which case-firms engaged for the purposes of creating, maintain and developing relationships.

Members:

H/Y	'Hospitality'	data about the hospitality directed towards design clients.
H/W	'Handling of Work'	data about quality and service of work.
£/s	'Pricing structure'	data about flexible pricing structures.
B/E	'Bartering Exchanges'	data about bartering exchanges.
N.P.	'Networking Policies'	data about owner-managers' control of networking activities.

**Family 5      L.F. -Influencing Factors Family.**

Data about the factors which were found to influence case-firms networking activities as well as the size and the contents and the outcomes of the social networks in which they were embedded.

Members:

P.E.	'Past experiences'	data about the influence of past experiences.
I.S.	'Industry Sector'	data about the influence of industry sector.
R.R.B.	'Restricted Resource Base'	data about the influence of case-firms' small resource base.
O.O.	'Owner-manager Objectives'	data about the influence of owner-managers objectives, including lifestyle objectives.
S.O.	'Staff Objectives'	data about the influence of staff's lifestyle objectives.
C/T	'Client type'	data about the influence of 'key accounts'.
S.B.D.	'Stage of Business Development'	data about the influence of the stage of case-firms development.

