

**BUSINESS
GROWTH
SERVICE**

Mindset of high growth report

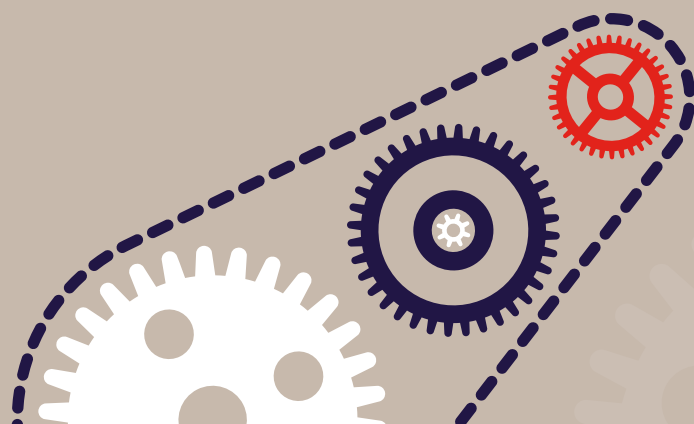


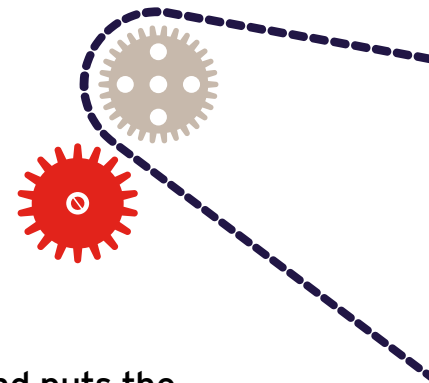
Manchester
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Working closely with thousands of growing businesses in England puts the Business Growth Service in a unique position to research and share insights about the nature of business growth and its challenges.

From previous research conducted by the Business Growth Service Growth Observatory we know that rapid growth is not the preserve of any particular type of business. Growth can happen for any business – regardless of sector or geographic location. We also know that accessing finance is not the primary barrier holding back business growth: development of business strategy is a far more pressing issue. Facts such as these evidence our belief that the overriding force behind business growth is people – specifically the people in charge.

Though there has been a significant amount of research into entrepreneurship, there is far less which explores

entrepreneurship specifically in relation to business growth. That's why we commissioned leading business growth research experts from the Centre for Enterprise at Manchester Metropolitan University to look into this topic. The Mindset of High Growth Study seeks to outline a clearer understanding of the attitudes and approaches taken by successful business leaders.

The people interviewed for this study are not only the leaders of businesses that are currently growing, many of them are serial entrepreneurs. Our hope is that, by offering a clearer picture of the mindset of individuals who lead businesses to high growth, this study will help to move the growth debate forward.

The Centre for Enterprise

The Centre for Enterprise is an established and professorially led team of enterprising academics within Manchester Metropolitan University.

The Centre for Enterprise is passionate about research – and even more passionate about taking that research and turning it into practical knowledge, which can be applied to improve regional businesses. Areas of expertise include growth, leadership, entrepreneurship and sustainability.

www.mmucfe.co.uk

The Business Growth Service

Backed by the Department for Business, Innovation and Skills (BIS) the Business Growth Service provides expert, tailored support for growing businesses; this includes advice for growth, export and finance. It brings together successful government-backed support services into one wider offer, making it simpler for businesses to access the support they need to grow.

The service is aimed at businesses with the potential to improve and grow, based in England, with fewer than 250 employees and a turnover of less than £40m.

The Business Growth Service brings GrowthAccelerator, the Manufacturing Advisory Service (MAS), schemes from the Intellectual Property Office (IP Audits) and the Design Council (Design Mentoring) together into a single service.

Export support is provided by UK Trade & Investment (UKTI) and UK Export Finance (UKEF), and the service is closely linked to InnovateUK, the British Business Bank and local growth hubs.

[www.greatbusiness.gov.uk/
businessgrowthservice](http://www.greatbusiness.gov.uk/businessgrowthservice)

Understanding the high growth mindset

Abstract

This report provides an overview of research undertaken by the Centre for Enterprise at Manchester Metropolitan University, supported by the Business Growth Service Growth Observatory. The objective of the study was to understand more about the personal factors associated with the processes of seeking and achieving growth. The research builds on the idea of an entrepreneurial mindset and aims to identify potential elements of a 'high growth' mindset. A mixed methods, exploratory sequential approach was used and involved two stages.

Stage one:

Qualitative data was collected from 30 business owners, using in-depth semi-structured interviews. Analysis pointed to four potential elements of a high growth mindset: **growth intention, transaction commitment, meta-cognition and innovating**. Findings from this stage of the study were used to develop a set of survey questions designed to further explore these four elements of the growth mindset at stage two.

Stage two:

Quantitative data was obtained from 111 business owners and Principal Components Analysis (PCA)¹ was used to explore the underlying structure of the data. The process identified six components that can be suggested as the building blocks of growth mindset:

- **Market expertise** involves expertise and enjoyment in selling products and services combined with the ability to effectively negotiate and exploit the market.
- **Business vision** involves an ability to visualise what the business will look like, possession of a clear strategy, belief in one's own ability to deliver and recognition that delivery depends on getting the right people in place.
- **Active decision making** involves self-awareness about thinking strategies and the ability to select how decisions are made without losing the ability to act and follow through on new ideas.
- **Growth drive** involves a strong desire to grow the business to its full potential.

- **Sales drive** involves a perception that the future of the business depends on future sales combined with current development of plans to increase future sales.
- **Innovation drive** involves a strong drive to generate new business combined with the ability to 'join the dots'.

These could be mapped onto the four components identified at stage one to some extent, but they also revealed a more complex and nuanced set of elements that contribute to the growth mindset. The results showed that the sales component of the original transaction commitment element made an important contribution to the mindset of the sample. Growth intention among the sample contained elements of business vision, a drive to grow the business and sales drive.

Implications

While there is a substantial body of research into entrepreneurship, much less explores entrepreneurship specifically in relation to business growth. This study makes significant steps forward in understanding the growth mindset. In doing so it provides a robust foundation on which scholars, practitioners and policymakers can build as they seek to understand more about the factors that drive business growth, barriers to growth and how growth-focused interventions might be shaped in response.

¹ A statistical technique that groups variables together into new 'components'.

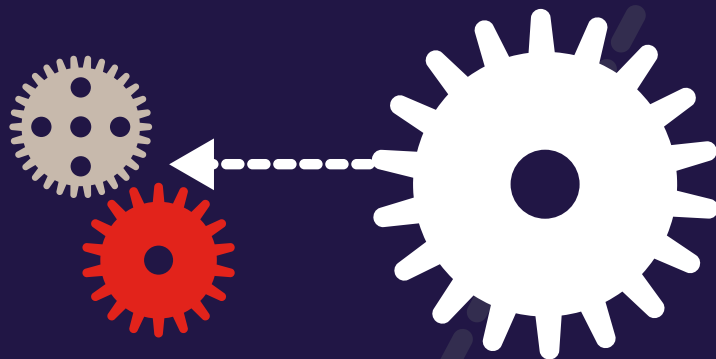
Introduction

The Centre for Enterprise is a professor led research team based within Manchester Metropolitan University Business School. Business growth is a specialist research area of the Centre and in July 2013 a partnership was established with the Business Growth Service to pursue a joint research interest in the role of the individual entrepreneur in the high growth firm.

Research into high growth businesses is not new. It has been of interest to researchers and policymakers for decades. For much of this time, the focus has been on locating growth in certain types of businesses, but recent research has been busting myths about business growth² and where high growth happens. What is beginning to emerge from new analysis of data in the UK is that, not only is wealth creation happening in more places than previously thought, but that growth can happen in any business, in any sector and in any region. This shift in emphasis is leading to new perspectives, including the role of the growth entrepreneur.

This study has explored 'growth mindset', building on the idea of there being an entrepreneurial mindset. It sought to find out what growth mindset comprises and to distinguish between growth mindset and entrepreneurial mindset. While the term 'mindset' is open to some interpretation, it is widely understood in common usage and therefore a useful concept. It is used here to capture a range of thinking processes, attitudes, beliefs, values and behaviours that determine why and how people make decisions. In short, the objective of this study was to understand more about the personal factors associated with the processes of seeking and achieving growth.

The study began with an extensive review of literature which identified a number of elements that, in theory, could define a growth mindset. These ideas were then explored through a series of in-depth qualitative interviews with growth entrepreneurs and a scale based survey to test them with a larger group. By cross-analysing both sets of data it has been possible to offer the composite elements as a growth mindset framework. This report provides an overview of the research and explanation of the growth mindset framework.



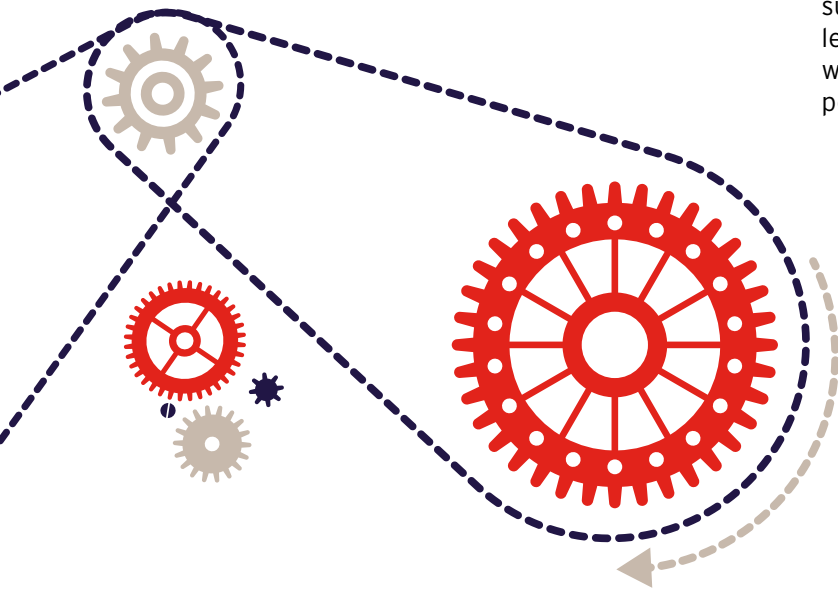
² Anyandike-Danes, M., M. Hart, et al. (2013). Firm Dynamics and Job Creation in the UK. ERC White Paper no. 6, Enterprise Research Centre.

Background

Why focus on mindset?

Firms that experience fast growth have long been of great interest to policymakers, entrepreneurs and researchers because of the contribution they can make to the economy. The term 'Gazelle' was coined in the 1970s by economic geographer David Birch to describe businesses thought to account for a very high share of job creation. Gazelles were typically small, young businesses concentrated in high-tech industries. However, lack of a universally agreed definition of 'high growth' hindered understanding of the phenomenon³ and was the rationale for development of the OECD definition of high growth – "an average of 20% annual growth in either turnover or employment over three consecutive years."⁴ While useful as a consistent standard, the obvious limitation is that this metric reflects policy objectives rather than those of businesses themselves⁵.

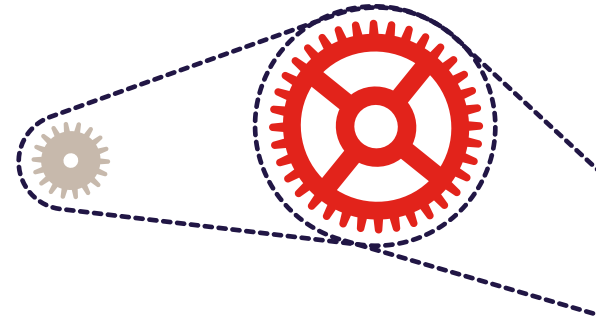
In 2009 NESTA argued that just 6% of businesses (High Growth Firms (HGFs) under the OECD definition) accounted for 54% of UK job creation, seeming to support the idea of the Gazelle business. However, more recent research challenges this and paints a rather different picture of the importance of HGFs, showing that they account for 1% of businesses and less than a quarter (22%) of new jobs (ERC 2013). Without question HGFs are still important job creators but the new analysis highlights the contribution of smaller and slower growing businesses, also questioning attempts to profile the growth firm by sector. Furthermore, the NESTA Geography of Growth Map and the GrowthAccelerator report 'Where High Growth Happens' (2013) have shown that growth can be found in firms in all sectors, and that high-tech firms are not particularly likely to be high growth compared to, for example, companies in the service sector. Growth is found in all areas of the country and, while there are concentrations of high growth firms in some cities, over 40% are found outside urban areas. The significance of these findings is to suggest that growth may be less determined by firm level characteristics and more down to what happens within the firm itself. A new focus is forming on the people within the business.



³ European Commission (2011). Gazelles-High-Growth Companies. Final Report (Task 4) Consortium Europe INNOVA Sectoral Innovation Watch. DG Enterprise and Industry. Brussels.

⁴ OECD-Eurostat (2007). Manual of Business Demography Statistics.

⁵ Leona Achtenhagen, Lucia Naldi, and Leif Melin. "Business growth"—Do practitioners and scholars really talk about the same thing? Entrepreneurship Theory and Practice 34.2 (2010): 289-316.



What does research tell us about growth mindset?

The following paragraphs summarise the existing research base that was drawn upon to develop some working theories about what a growth mindset might include. One of the initial considerations concerned the influence of genetics and of past experiences and background. In other words, the nature versus nurture debate and the topic of on-going fascination: are entrepreneurs born or made? The idea of the entrepreneurial personality underpins arguments for a genetic predisposition to entrepreneurship and this attracted a great deal of interest in the 1960s and 1970s as enterprise researchers searched in vain for a definitive set of entrepreneurial 'traits'.

Importantly, personality traits lead people to behave similarly across a variety of situations. They are also enduring and tend to be stable over time⁶. This branch of research identified entrepreneurs as having a high need for achievement, being highly motivated, risk taking, and possessing a strong internal locus of control^{7, 8}. However, studies in this area failed to reach clear conclusions and the late 1980s saw a shift in focus to behaviours. Bill Gartner, an eminent entrepreneurship scholar, concluded that the reality is that entrepreneurs are a mixed group and that "entrepreneurship is something one does, and not who one is"⁹.

It is also interesting to consider some recent research in the area of entrepreneurial genetics where a small number of studies have sought to explore the 'who' from a different angle. There are no very clear findings from these but the most recent and compelling suggests that there are "hundreds or thousands of genetic variants that individually have a small effect". In simple terms, there is no evidence of an entrepreneurial gene or clear genetic pattern associated with entrepreneurship^{10, 11}. Overall, the traits and genetics research do not shed a great deal of light on the growth entrepreneur and provide a thin evidence base for exploring business growth processes. Therefore, the approach taken in this study has been to explore growth mindset as psychological and dynamic rather than genetic and fixed. Two main areas of study into entrepreneurship are relevant for this study, both based in psychology:

- Entrepreneurial cognition research, which is concerned with decision-making.
- Research into entrepreneurial intention, which is concerned with motivational factors.

Entrepreneurial cognition research is based in cognitive psychology and concerned with "the knowledge structures that people use to make assessments, judgements or decisions involving opportunity evaluation and venture creation and growth"¹². These structures, or 'cognitions' are essentially mental frameworks often termed 'schema', mental maps or scripts, and the premise is that entrepreneurs think differently from other people such as senior managers for instance, in relation to business. Various studies indicate that entrepreneurs are subject to particular kinds of cognitive (thinking) bias and use heuristics (mental shortcuts, like rule of thumb) more than other people. It is interesting to think about entrepreneurs' attitude to risk as an example.

⁶ Rauch, A. & M. Frese (2007) Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success. *European Journal of Work and Organizational Psychology*, 16, 353-385.

⁷ McClelland, D.C. (1961), *The Achieving Society*, Princeton, NJ, Van Nostrand.

⁸ Someone with a strong internal locus of control views outcomes as being within their control and determined by their own actions.

⁹ Gartner, W. B. (1989). "Who is an entrepreneur?" is the wrong question." *Entrepreneurship Theory and Practice* 13(4): 47-67 (p62).

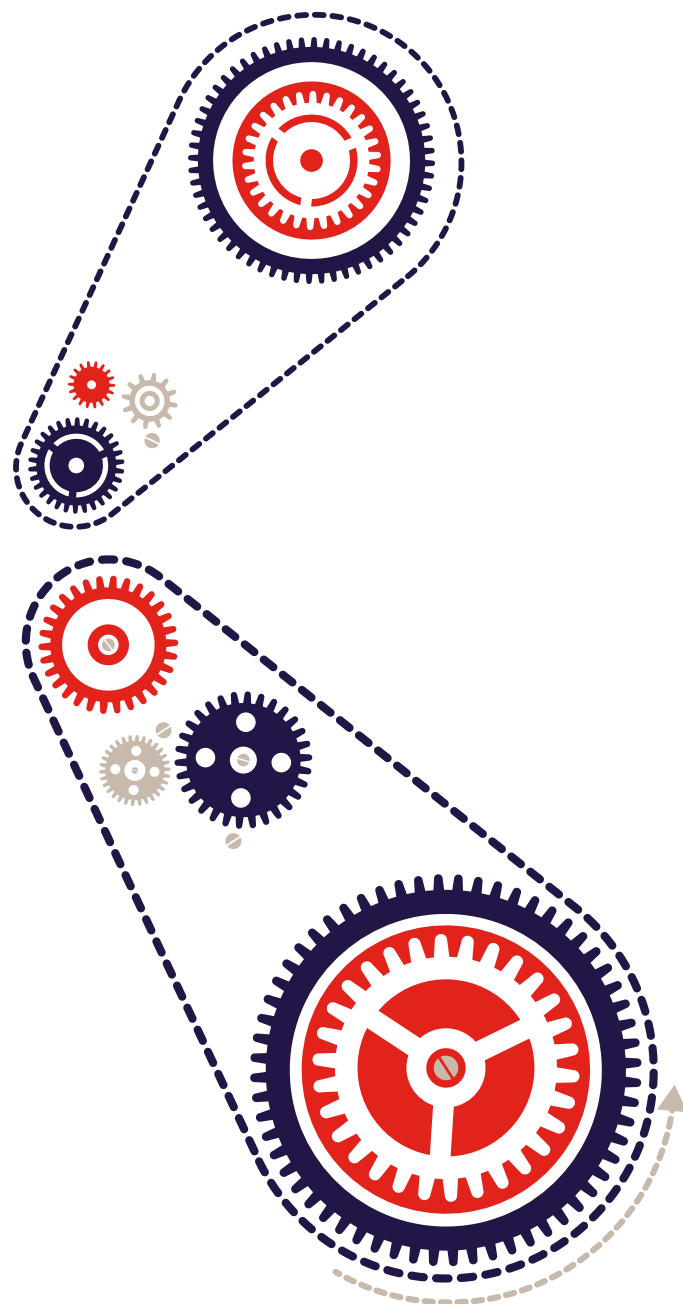
¹⁰ Loos M.J., H.M. van der, C.A. Rietveld, N. Eklund, P.D. Koellinger, F. Rivadeneira, et al. (2013) The molecular genetic architecture of self-employment, *PLoS ONE*, 8(4), e60542. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3617140/>

¹¹ Nicolaou, N. and Shane, S. (2014) *Biology, Neuroscience, and Entrepreneurship*, *Journal of Management Inquiry* 23(1) 98-100.

¹² Mitchell, R. K., L. W. Busenitz, et al. (2007). *The Central Question in Entrepreneurial Cognition Research*. 2007. *Entrepreneurship Theory & Practice*, January, 2007: 1 - 27.

The authors of a 1997 study into entrepreneurial cognitions remarked that “few themes are as synonymous with entrepreneurship as risk, and yet, remain so clouded”¹³. That research looked at decision-making among entrepreneurs and managers using two cognitive biases: ‘overconfidence’ and the ‘tendency to over-generalise’ and highlighted differences in decision-making between entrepreneurs and managers. Their findings led them to speculate that the use of heuristics leads entrepreneurs to perceive risk as lower, rather than it being about entrepreneurs being more ‘risk taking’ or ‘risk accepting’. A later study¹⁴ also looked at cognitive biases¹⁵ and found that they do indeed affect risk perception and that this makes people more likely to start a business. As they observed, “entrepreneurs do not need a greater willingness to take risks if they do not perceive the riskiness of their acts”¹⁶. There is another (albeit not mutually exclusive) possibility here too, which is that as entrepreneurs develop expertise they learn to reduce uncertainty. In other words, they manage risk more effectively so that potentially risky situations do actually become less risky¹⁷.

The idea of entrepreneurial expertise is also central to the research and relates to the idea of expert scripts. In simple terms, a script is an internal schema or set of instructions about how to behave in a particular situation. There is some evidence that entrepreneurs develop more ‘expert’ entrepreneurial scripts as they gain experience¹⁸. This suggests that, through growing their businesses, entrepreneurs will develop growth expertise and specific scripts.



¹³ Busenitz, L. W. and J. B. Barney (1997). “Differences between Entrepreneurs and Managers in Large Organizations: Biases and Heuristics in Strategic Decision-Making.” *Journal of Business Venturing* 12: 9-30. (P24).

¹⁴ Simon, M., Houghton, S.M. and Aquino, K. (2000). Cognitive biases, risk perception, and venture formation: How individuals decide to start companies, *Journal of Business Venturing*, 15(2) 113-134.

¹⁵ ‘illusion of control’, ‘over-confidence’ and the ‘belief in the law of small numbers’ (or over-generalisation).

¹⁶ Page 126.

¹⁷ Mitchell, R., Smith, B., Seawright, K., Morse, E., 2000. Cross-cultural decisions and the venture creation decision. *Academy of Management Journal* 43 (5), 974-994.

¹⁸ Mitchell, R. and Chesteen, S. (1995). Enhancing entrepreneurial expertise: Experiential pedagogy and the new venture expert script. *Simulation & Gaming*, 26(3), 288-306.

¹⁹ Ajzen, I. (1991). The Theory of Planned Behaviour. *Organizational Behaviour and Human Decision Processes* 50(2): 179-211

²⁰ Gaglio, C. M. and J. A. Katz (2001). The Psychological Basis of Opportunity Identification: Entrepreneurial Alertness. *Small Business Economics* 16: 95-111.

²¹ Gartner, W. & Liao, J. (2012). The effects of perceptions of risk, environmental uncertainty, and growth aspirations on new venture creation success, *Small Business Economics*, 39(3):703-712.

Proposed elements of growth mindset

The literature review enabled four potential elements of growth mindset to be identified. These are explained below.

Growth intention

Growth intention is a particularly interesting area of research that takes both a psychological perspective and looks at the role of the business leader in growth. Drawing on the Theory of Planned Behaviour¹⁹ and the Model of Entrepreneurial Event²⁰, researchers have developed strong evidence to show that intent to grow is key to whether firms will grow²¹. In other words, people grow their businesses because they want to. Of course there may be a big difference between genuine intention and stated intention and the theories help in understanding what motivates people to take action. As such, it is likely that growth intention is an important part of growth mindset.

Growth opportunity alertness

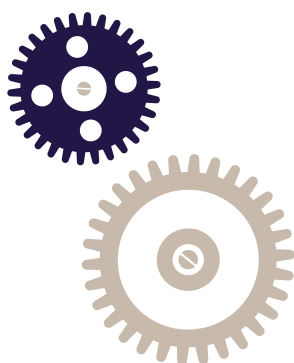
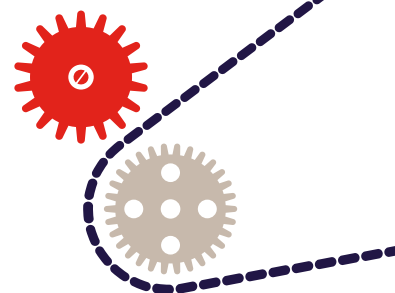
Opportunity identification is central to entrepreneurship and research suggests that distinct mental schema relating to 'alertness' are used and developed by entrepreneurs^{22,23}. New opportunities may be commonly associated with the pre-start phase but scholars working in this area are clear that alertness scripts can be equally present in larger, more established businesses and in non-commercial organisations. It seems logical that the ability to spot opportunities in relation to growing the business would contribute to growth mindset.

Transaction commitment

One group of researchers has explored the idea that a 'transaction commitment mindset' may be related to successful entrepreneurship²⁴. Transacting is essentially selling, something that is curiously almost absent from entrepreneurship research. This is strange given that selling is fundamental to any business. As growing a business will almost inevitably involve securing a greater volume of sales, it is reasonable to suggest that a commitment to selling and expertise in this area form a key element of growth mindset.

Meta-cognition

The term meta-cognition refers to higher order strategies for "thinking about thinking" – an approach used by some entrepreneurs to deal with the uncertain environments they operate in.^{25,26} Meta-cognitive processes enable the selection of different thinking strategies, for example, between heuristics and more rational, data driven approaches. While the use of heuristics could pose a risk to the business and jeopardise growth because biases like over-confidence and over-generalisation may lead to uncalculated risk-taking, the same kind of decision-making approaches also underpin entrepreneurship and lead to positive actions that could facilitate business growth. Therefore, meta-cognition might be an important part of growth mindset because it has the potential to moderate the risks associated with over dependence on heuristics while retaining the positive aspects of entrepreneurship.



²² Gaglio, C. M. and J. A. Katz (2001). The Psychological Basis of Opportunity Identification: Entrepreneurial Alertness. *Small Business Economics* 16: 95-111.

²³ Tang, J., Kacmar, M., and Busenitz, L. (2012). Entrepreneurial alertness in the pursuit of new opportunities. *Journal of Business Venturing*, 27, 77-94.

²⁴ Smith, J. B., J. R. Mitchell, et al. (2009). Entrepreneurial Scripts and the New Transaction Commitment Mindset: Extending the Expert Information Processing Theory Approach to Entrepreneurial Cognition Research. *Entrepreneurship Theory & Practice* July, 2009: 815-844.

²⁵ Haynie, M. J., D. Shepherd, et al. (2010). A situated metacognitive model of the entrepreneurial mindset. *Journal of Business Venturing* 25: 217 - 229.

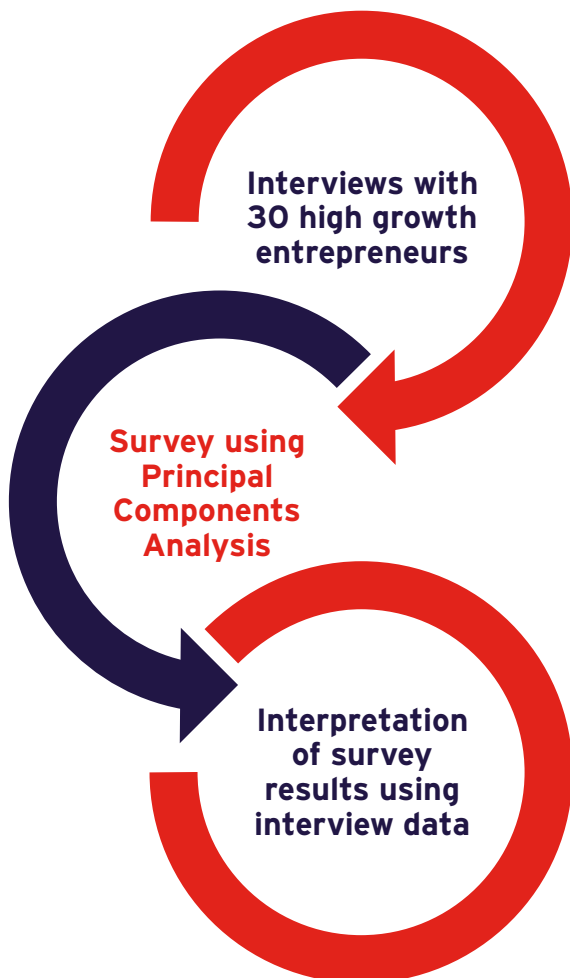
²⁶ Haynie, M.J., D. Shepherd, et. al. (2009). A measure of adaptive cognition for entrepreneurship research. *Entrepreneurship Theory and Practice* 33(3) 695-714

Methodology

To find out whether the working theories about growth mindset developed from the literature review reflect the thinking and behaviour of people who run growth businesses, a programme of primary research involving in-depth interviews and a survey was carried out. Questionnaires are often used to develop results that describe a wider population but in this case, the survey data was analysed in a different way and allowed exploration of the theories and the interview data in more depth.

Figure 1 illustrates how qualitative and quantitative data was combined.

Figure 1: Data collection and analysis process



Interviews

In total, 30 high growth entrepreneurs from across England were interviewed (including some Business Growth Service clients) to understand their motivations for growth, their experiences of growth and how they make decisions. Thirty is a large number for qualitative research, which aims to gain in-depth understanding rather than generalising results to a larger population. These were in-depth semi-structured interviews, mainly carried out face-to-face at the business premises and typically taking an hour each. The interview started by asking about participants' 'growth story' then progressed through a series of scenario-based questions designed to get underneath the initial (and often well-rehearsed) narrative to understand more about the interviewees' decision-making processes and experiences. Interviews were recorded and professionally transcribed before analysis using bespoke software for qualitative data.²⁷

Following analysis of the interview data, one of the theoretical elements, growth opportunity alertness, was changed to 'innovating' as this emerged as a strong and related theme.

Survey

Like the interviews, the survey element of the project set out to explore some potential constituents of a growth mindset. Using the analysis of the interview data, a set of 36 statements in a seven point scale format (where 7 = strongly agree and 1 = strongly disagree) were developed. The questions were grouped under four themes that emerged from the interviews and literature review.

1. Growth intention
2. Transaction commitment
3. Meta-cognition
4. Innovating

Most of the 36 questions were derived from the interview data and designed to reflect statements made in the interviews. Some questions were directly sourced from tools published in peer reviewed journal papers, others were adapted from existing tools²⁸.

²⁷ Nvivo Version 10

²⁸ Three questions under the 'innovating' theme were taken from Tang et al.'s (2013) entrepreneurial alertness scale. The questions under the meta-cognition theme were developed with reference to Haynie and Shepherd's (2009) 36-item inventory designed to assess cognitive adaptability and the same authors.

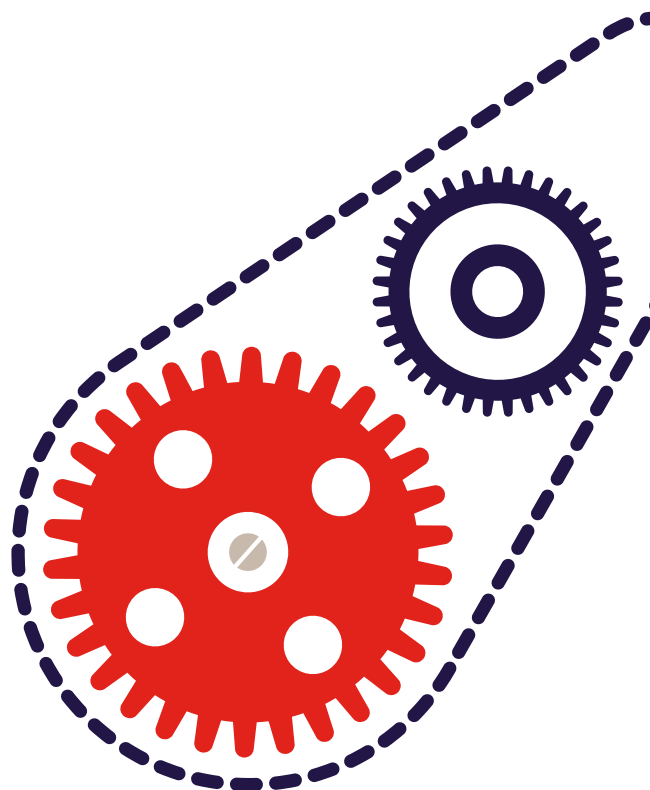
When implementing the survey, the aim was to target business leaders likely to have a growth mindset and the questionnaire was circulated to the interviewees and the wider GrowthAccelerator, part of the Business Growth Service, client base. A link to the survey was included within the GrowthAccelerator newsletter and a further email sent out to members of the GrowthCommunity, an exclusive network for the leaders of high growth firms that the Business Growth Service supports. In total 111 people participated in the survey.

Principal components analysis (PCA) was used to analyse the survey data. This is a statistical tool that aims to reduce a large number of variables to a smaller set of 'components' that reflect underlying dimensions in the data²⁹. PCA enables multiple relationships to be tested and groups related variables together into new 'components'. The purpose was to see whether these components would map onto the elements identified through the literature review, or cluster variables differently to allow new themes or theories to emerge.

Prior to conducting PCA it is important to run a series of statistical tests to ensure that the data is suitable for the process. At this stage it was necessary to remove one question from the analysis because it correlated too highly with another. A test of sample adequacy was then applied to check that the level of correlation between the remaining questions was sufficient for PCA. It is recommended that this is greater than 0.5. A further 13 questions were removed at this stage.

The PCA analysis identified six components across the 22 remaining questions. In the interests of clarity we report only those questions with a factor loading of 0.5 or above. The analysis identifies the remaining 20 questions as making an important contribution to the six new growth mindset components.

While PCA groups variables into components, interpreting what these mean and naming them is the work of the research team; a task that involves considering the wording and underlying meaning of the contributing questions. While PCA is often used as a standalone method, in this case the interview data provided a valuable resource which was used to interpret and name the components.



²⁹ Lowenthal, K.M. (2001) An Introduction to Psychological Tests and Scales (3rd edition) East Sussex:Psychology Press

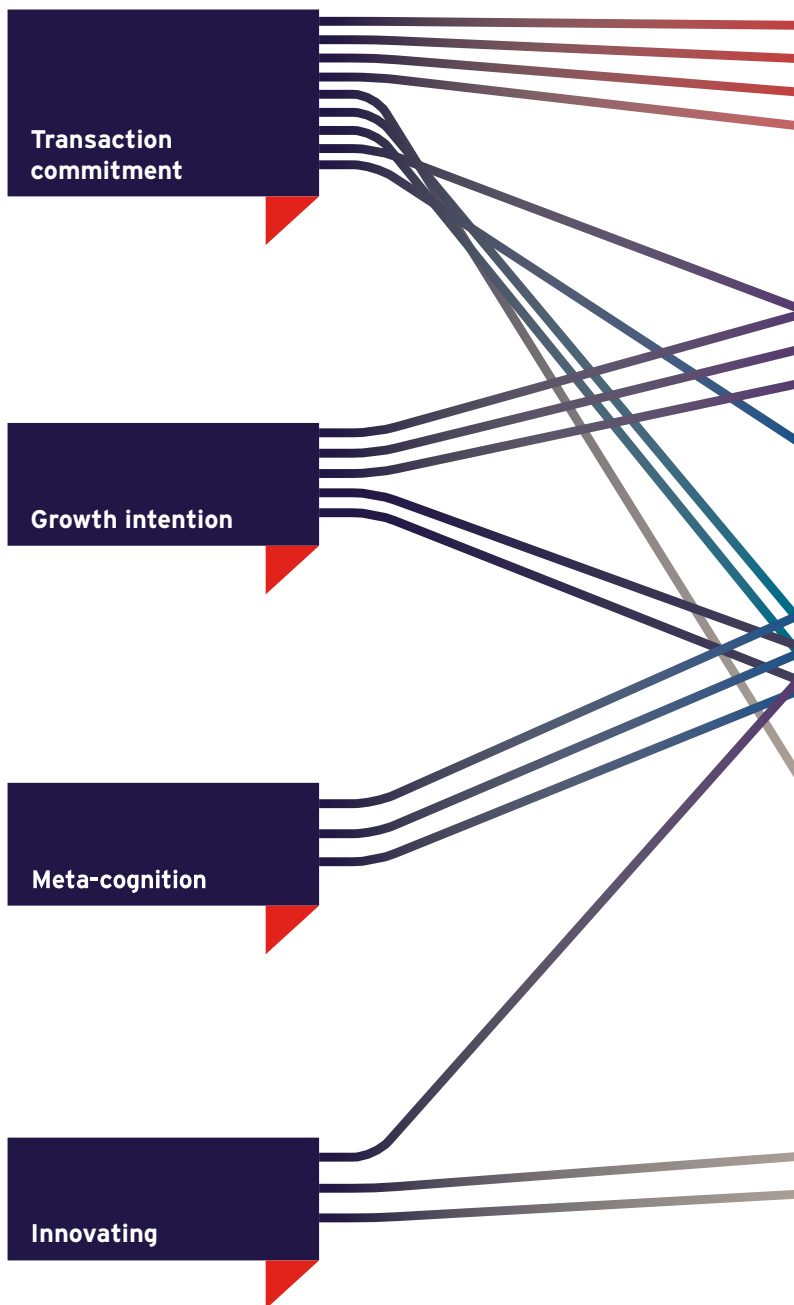
Figure 2 shows the relationship between the growth mindset elements identified through the literature review and the interview data, the questions and the new components.

The questions listed in Figure 2 are those that explain most of the differences in the responses and could be used to refine the questionnaire. This would ideally involve testing with a larger sample and this is discussed further in the conclusions.

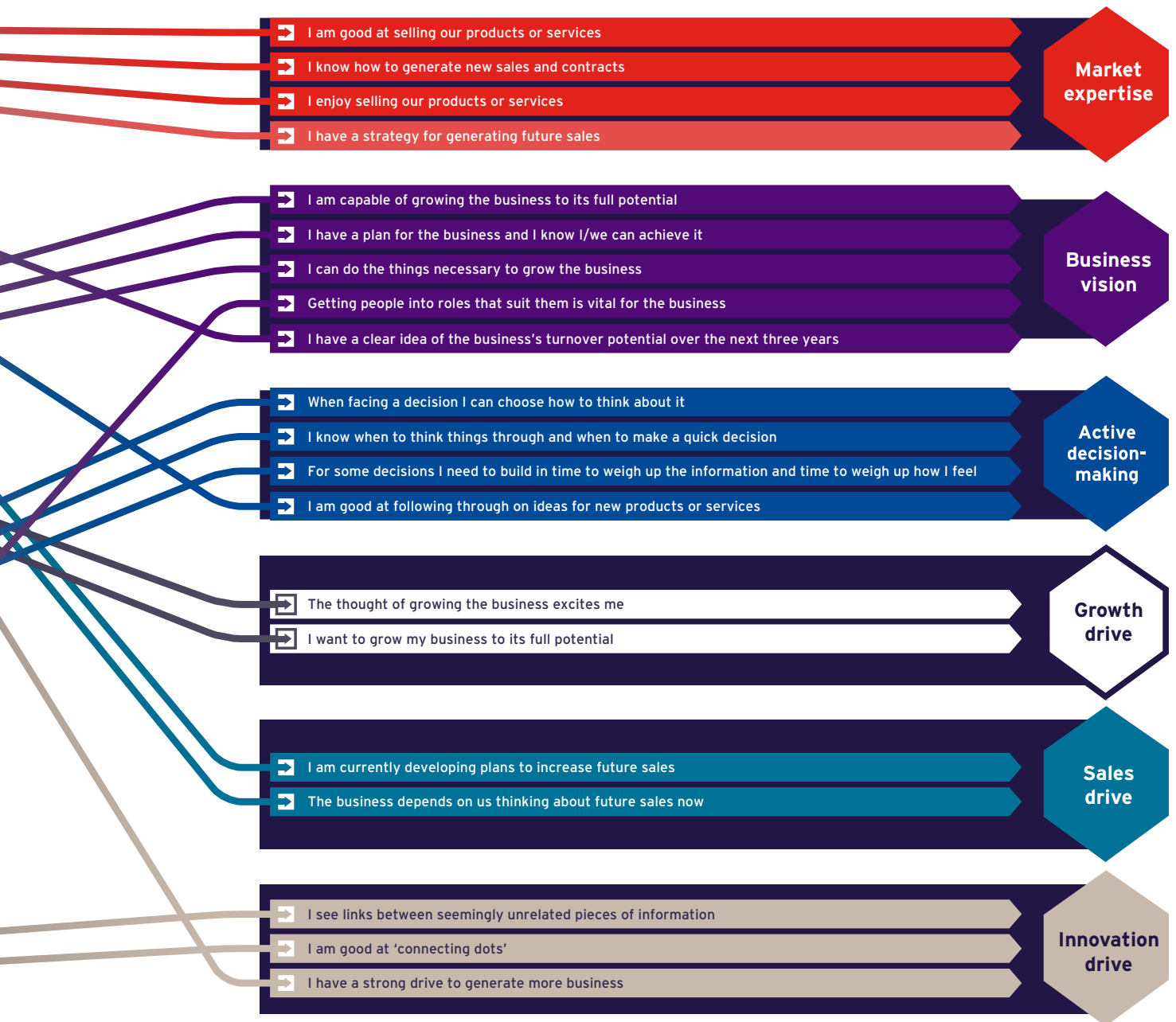
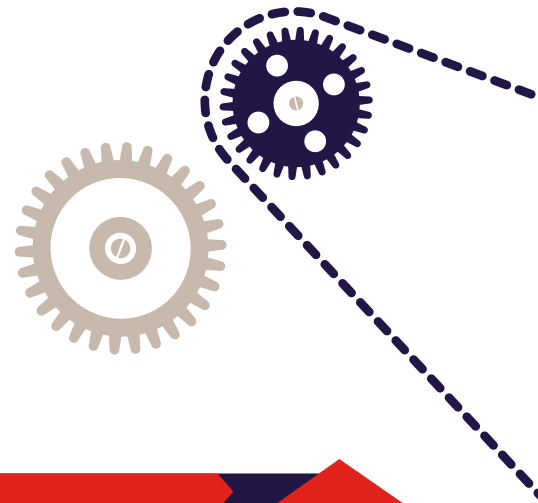
PCA differs from some other statistical techniques that aim to prove causality. For example, to say that different mindsets lead to different behaviours would suggest that the mindset is a cause of behaviour. Following the emerging study hypothesis that growth mindset is not fixed and can be influenced by experience, no assumptions about the direction of causality were made. PCA was used purely as an exploratory technique to better understand the structure of the data and help to reconceptualise the growth mindset.



Figure 2: Theories, questions and growth mindset components (relationships)³⁰



³⁰ One question "I have a strategy for generating future sales" loads onto both the Market Expertise and Business Vision components.

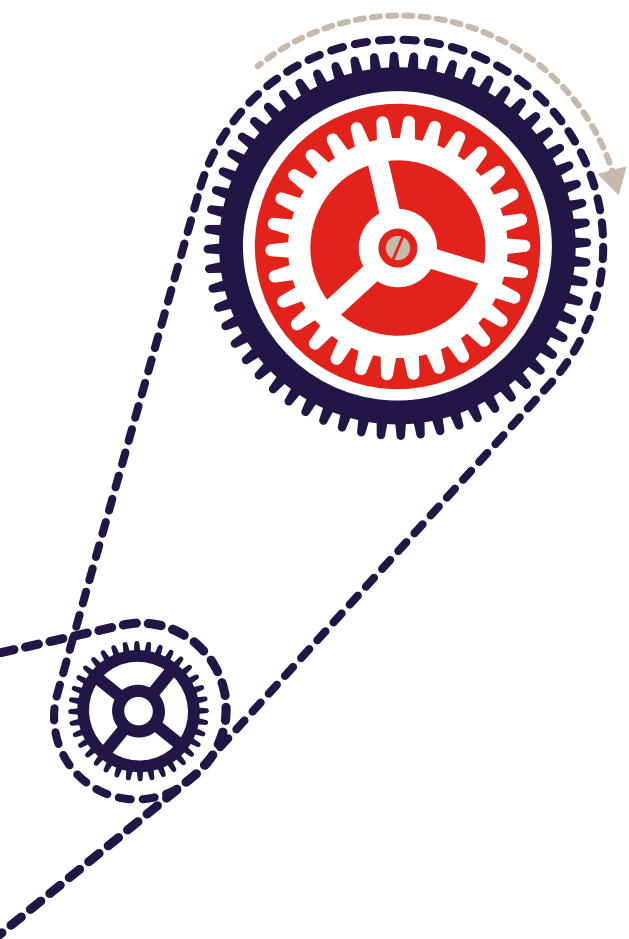


Findings

The study findings are presented here in an integrated format following the combined approach to data analysis. This section begins by exploring what the business growth process is like for business leaders.

One directional causality is not assumed in this study – i.e. that it is the growth mindset that leads to growth – and it is possible, even probable, that the growth experience impacts on mindset. It is therefore important to understand the nature of the growth process from the perspective of those driving it.

The section continues by unpacking each of the six growth mindset components in more detail before considering mindset development and the role and nature of learning.



Experiencing growth

What is the growth process actually like for those involved? While many interviewees talked about growth as exciting and most narratives were generally positive, the experience was also described as being “like a rollercoaster”:

“It was a bit like extreme highs and extreme lows. It was very hard to draw a plateau in-between where there could be periods of stability. As a result there were lots of things that we would celebrate in the business, but then there were lots of things that brought extreme lows and frustration. You could almost say that we took two steps forward and then two steps back.”

Another described the process as “brutally difficult” at times and compared it to rock climbing involving comparable tests of personal limitations.

“When you are hauling yourself up a rock face, quite often, every bit you climb higher is thanks to your fingertips, and you are having to use your legs to do that final push. It’s the same with a business really, in that you are never quite ready.”

Using a similar metaphor, another said “it was almost as if we thought we had got to the top of the hill but we hadn’t”. For some, the full extent of the task of growing the business remained hidden until well into the process.

All the interviewees’ growth stories were different but provided some insight to what makes business growth a difficult process. The main factors were:

- **The sheer amount of work** due to scaling up day-to-day work, recruitment of new staff, implementing new structures and processes, developing new products and services, and securing sales.
- **Negotiating cultural and people factors** – for example, others within the business being opposed to growth.
- **Anxiety and stress** often related to an increased sense of responsibility for the livelihoods of a growing workforce and also a sense of feeling ill-equipped in terms of skills and knowledge. This was particularly but not exclusively for those growing a business for the first time.

The impact that growing the business had on other aspects of life again varied but suggested differing degrees of extreme. It was never a ‘nine to five’ job and the time and emotional commitments involved meant that, for some, work almost entirely consumed their lives:

Between the ages of 18 and 20 all I was doing was going up and down the country for different meetings, so I didn’t socialise. I didn’t know anybody my age.

It was notable however, that people did not express resentment about this, but did sometimes harbour regret about time lost with family and friends when reflecting back on periods of past growth. When one participant was asked if he would do anything differently, he responded:

It depends on the day that you are asking me. On some days, I would say none of it. In that period of my life – for four years – taking [the previous business] from 1 to 500 was it. There was nothing else in my life at all. What keeps you going is the success and the euphoria at being successful at everything you touch, and the amount of money you are making. There was nothing else in my life at that time and I regret that side of it because I missed a lot of my daughters’ growing up. I missed a lot of their formative years.

From the interviewees accounts it is clear that growth is a difficult as well as hugely exciting process, often taking them on a lonely journey, and that it is carried out at great personal cost.

Mindset components

As well as grouping variables into components, PCA indicates the relative contribution of each component in explaining the range of responses to the survey questions. These are shown in Figure 3 below where the size of the circle represents relative contribution to growth mindset. The following paragraphs give a brief overview of how each of the components have been interpreted with reference to the interviews.

Figure 3: Contribution of growth mindset components



Market expertise

The items in this component cluster around the concept of selling, pointing to sales and marketing expertise as an important part of growth mindset. It was interesting that references to the process of selling in the interview data were understated although the importance of securing sales was a significant part of the stories told. In this context selling was not just about the process of making new sales but more broadly about understanding and navigating the market.



I can tell you exactly how many [products] I have sold on eBay. If we look at our model and compare our percentage of sales with eBay and Amazon, we know what market share we have on eBay and Amazon. We compare that to what our competitors have and because we actually know how many of these we have sold in the last 30, 60 or 90 days over the various channels, we know exactly what price to pitch at or to sell at.



However, it seems that the ability and need to sell are 'givens' not forming part of many of the interviewees' self-identity and consequently downplayed in their narratives.



We don't really go and sell our products, we go and have interesting conversations with our clients or our prospective clients... it feels less like we are going to sell them something and more like we are talking about other things we have done for other brands that might be of interest to them.



'Market expertise' implies a high level of skill and ease in the selling role, both of which are reflected in the contributing questions. This suggests the presence of an 'expert script' for capturing market value. In other words, growth entrepreneurs' cognitive processes are geared to making sales.

Case study

Janis Sinton

TasteTech

Activity: Manufacturer of controlled release food flavourings and functional ingredients

Location: Bristol

Staff: 54

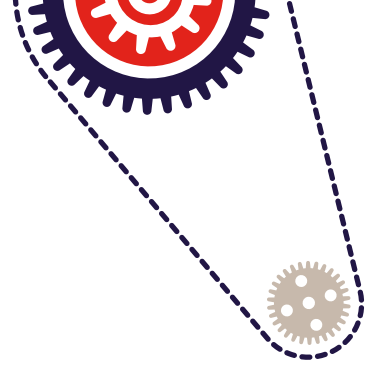
Janis founded TasteTech with her husband in 1992. A specialist food flavouring manufacturer, it was "a pioneer in the field when it started and understanding the market and finding a niche that could be developed has been key to our growth" Janis says.

However, actually selling their technically innovative food flavourings "was very, very difficult because we were a start-up business and had to educate our customers to use our products".

An early challenge arose when it transpired that the European company they had expected to do a significant amount of business with had stopped all their R&D to focus on increasing production for the newly opened Eastern European market. Consequently they had no need for new flavourings and "we had to find other ways of selling our products". An exporting company from the start, TasteTech now sells in 36 countries and "the potential for the business is enormous ... we are turning over £5m+ now but there's nothing to say we couldn't be turning over £20m-£30m because the potential is there. It's just keeping ahead of the competition and that is what you are always aiming for". The business now aims to double again in the next five years.

Janis also emphasises the legal complexities of trading internationally. "Just because you can sell a product in one country doesn't mean to say it's legal in another and that is something to be aware of – very much so – and I employ two people to just work on that, actually."

Janis's account illustrates clear ability to negotiate the market and expertise in delivering high volumes of sales. Employing legal staff to underpin their substantial export trade is a critical element of the sales strategy.



Business vision

Three of the six questions that contribute here reflect a clear view of what the business' growth potential is, specifically what the turnover potential is and broadly how this will be achieved (strategy for generating future sales). Three also reflect a high degree of confidence in achieving the vision and imply a relationship between self-efficacy and the ability to visualise and plan (although a plan in this sense is not necessarily formal or even written down).



When you start up the business you have to have a clear vision of what that business is going to look like in the future. I would say that I personally had a complete sense of clarity of what the business was going to look like once it was finished and I still do now – and it is still a work in progress.



The only thing I would say is, for me, the classic thing about growth is you have got to think about it, it's not just going to happen... It's not always the case that you have to plan down to minute details but you have to understand your business and you have to understand your market and react accordingly.



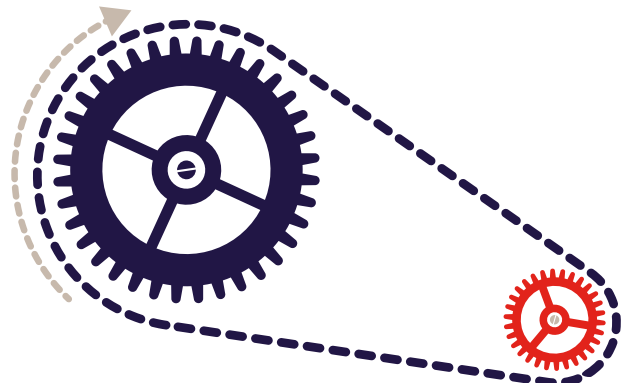
Having a vision and the confidence to achieve it may on the surface suggest a high level of expertise. However, while this was clearly evident in some cases the interviews also highlighted strong levels of conviction in the participants' own ability to deliver without necessarily knowing how this would happen in practice. Rather, their determination to achieve their vision would drive them to find out 'how' as they went along.



I think that if you start to think of something and you actually want it, then eventually stuff will start to happen which shows you how to make that happen... I will keep on going until I eventually find one little glimmer of hope that I can then latch onto, which then gives me that stepping stone to the next place.



Our motto is: if there isn't a way we will make one. We have never had an issue that we can't get around. If you start at that place – and add a good splattering of naivety – it helps you through some of the stuff that looks frightening at the time.



This component is deliberately called 'business' rather than 'growth' vision because it was clear from the interviews that although there is a clear 'growth' discourse which most businesses in the study engage in, it is essentially a construct of policymakers and economists. Driving the business forward is therefore often synonymous with growth but 'growth' demonstrably means different things to different people. For example, increased profit, improved market position or reputation and business sustainability can all mean growth. All of these will frequently result in the standard growth metrics of increased employment and turnover³¹ but for this component it is the forward vision for the business rather than growth for its own sake that is the important factor. 'Growth Drive' is different and explained later in the report.



Case study

Rob Jupp

Chief Executive Officer, Brightstar

Activity: Specialist distributor of financial products

Location: Essex

Staff: 30

The recession forced Rob to sell his original mortgage lending company. A subsequent period as an employee which ended in redundancy was the catalyst he needed to act on his vision for a new model of mortgage lending focused on accessibility and social mobility. As a result, Brightstar Financial was founded in 2011.

Rob had a clear vision for Brightstar. Initially this manifested in a six-month plan. The short time-frame was deliberate. Rob says, "if we didn't have any big contracts within six months then the people I owed money to would be let down."

Getting the right people was a vital element of Rob's six-month vision and his first priority was to recruit. He says, "I hired two cornerstones, guys who had worked within my [previous] businesses for lots of years." From day one Rob had a strong belief in his capability to grow the business to its full potential.

The business grew rapidly, but in 2012 Rob felt Brightstar needed to evolve. He identified four key markets that Brightstar operated in: specialist mortgages, second charge loans, bridging finance and commercial lending, and he established four corresponding divisions.

Rob said: "This organisational structure started to give Brightstar much greater market exposure as we now get people coming to us because we have four specific brands in our four key markets."

Rob's account illustrates clear strategic vision for generating future business, underpinned by foresight in recruiting people to the right roles. This strategic vision has enabled Brightstar to grow into one of the UK's leading lending distributors. Reflecting on how he has achieved this Rob said: "It happened because that was my single-minded strategy for what I could deliver and it was achievable."

³¹Achtenhagen, L. Naldi, L. Melin, L. (2010) "Business Growth"—Do Practitioners and Scholars Really Talk About the Same Thing?, *Entrepreneurship Theory and Practice* 34(2) 289-316.

Active decision-making

This links closely to the reasoning that meta-cognition will be important for business growth. Three of the questions that contribute here indicate the use of meta-cognitive strategy – in other words, choosing how to think. There was also evidence of this in the interviews where a series of scenario-based questions were used to understand participants' decision-making processes. There were clear examples of meta-cognitive awareness and some evidence of meta-cognitive strategy and ability in assessing opportunities and minimising risk. 'Gut feel' or 'gut instinct' were commonly used to describe heuristic and emotionally driven decision-making, in contrast to more rational approaches typically involving research and systematic use of data.

I am more analytical now and I think I plan more. I look at the financials more now, whereas before it was just gut instinct. I would just go for things if I thought they were right, whereas now I do some maths and do a spreadsheet and I talk to people and I plan. So yes, I think I am different now to previously.

Interviewees themselves identified the pitfalls of "entrepreneurial" decision-making and explained how they had learnt to moderate this. In some cases this was by learning to select their thinking strategy, in others by drawing on the moderating influence of other people and formal strategies, structures and processes.

The other dimension to this component relates to 'following through on ideas' and reflects a commitment to decisions once made supported by the action necessary to operationalise them. Together the contributing questions and interview data suggest this component is about active decision-making.

I like to make the assessments with reasonable information and then just rely on something called 'gut feel' when I just want to do it, end of story. I want to do it, let's get on with it! There comes a point where you just have to step off and say you are going to do this or you are not, and you know what your risk factor is.

Case study

Chris Francis Managing Director, Meech Group

Activity: Electrical engineering specialising in the development of electro-static control solutions

Location: Oxfordshire

Staff: 80 (half are UK based)

The Meech Group is a family engineering firm established by Chris's grandfather in 1907. Chris has played a pivotal role in refocusing the business; taking it into a new era of product development and growth.

Chris joined the business in 1980 when it had around 300 employees. He says: "The business was making very little profit." He quickly saw potential in a small subsidiary business making static eliminators, a little-known technology at the time. This part of the business expanded rapidly, driven by development of new products and (mainly international) markets. The core engineering business was sold in 1987 leaving just 12 people to take the new business forward.

While there were many successes, Chris admits, "We occasionally got it wrong. An unsuccessful attempt to move into the electronics industry in California being a case in point." This failed venture led Chris to recognise that some constraint needed to be exercised over his decision-making. He says "The danger with gut feeling is you have to be very careful it doesn't take you down."

The experience led to the involvement of external services to help the management team develop a clear business strategy and to guide more robust decision making processes. The business is now implementing its ambitious growth plans, underpinned by a strong drive to keep developing and marketing new products.

Reflecting on the value of gut feeling in decision-making Chris says, "It cuts both ways. It got us to where we were in most respects and it wasn't all bad, it was just that occasionally I might have not made the best decision."

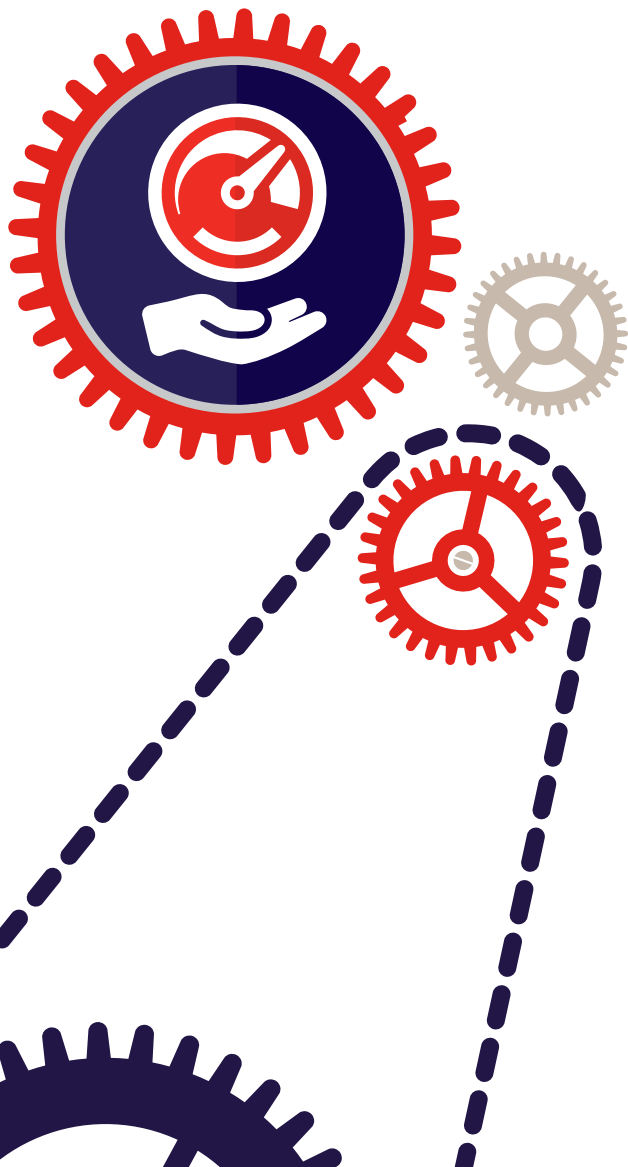
Chris's account illustrates a keen awareness of both the value and pitfalls of "entrepreneurial" decision-making as well as the value of implementing decision-making processes that minimise risk without losing the ability to act.

Growth drive

While the business vision component has been interpreted explicitly as not embodying a desire to grow the business for the sake of growth, the growth drive component does more obviously express a desire for the business to 'grow'. Of course, 'growth' is also open to interpretation here, but the contributing questions indicate that increasing the size of the business is a distinct and important aspiration. This might be driven by a need to achieve or a sense that growth itself is a measure of success, perhaps reflecting expectations and values held within entrepreneurs' networks and by entrepreneurs themselves. It seems implicit in this component that growth is positive in its own right.



You can't stand still. If you are not growing you are going backwards. It's true that you go through phases where you have to cut back – not through any fault of your own – just because of the market changes, but you are always looking to grow.



Case study

Nina Khade Simano Foods

Activity: Producers of commercial and retail curry paste

Location: Lancashire

Staff: 20

Nina's main role is sales and commercial strategy at Simano Foods, responsible for taking new ideas forward and growing the business. For her parents, who started the business 21 years ago, Nina says it was "a way to make a living and it was just survival for them."

As the second generation in the family business, Nina and her sisters want to achieve higher growth. "We have learnt from watching our parents run the business. We want to do something a little bit different; diversify and achieve more growth." Nina is ambitious. She wants to expand the current staff from 20 to 75 and increase turnover by £10m over three years. Plans include new product development, diversification and exploring new markets.

Nina's growth drive was sparked following GrowthAccelerator coaching. She said: "Coaching helped me realise that our margins were being squeezed. The market we were in was saturated and we needed to do something quickly otherwise we wouldn't be in business in the next five years." She now feels much more aware of how other businesses operate which has helped change her perception of Simano Foods' potential for growth.

Nina's growth aspirations for the business are closely linked to her personal ambitions. She said: "When I get to 30 I would like to be in a certain position. If I want to get there then the business needs to get there as well!" She also explained how there is potential for her sisters' ambitions for careers in the restaurant and fashion industries to be accommodated under the Simano umbrella.

Nina's account reflects a drive for growing this family business that was triggered by external intervention, specifically growth coaching programmes. Now, looking forward, Nina and her sisters can each see roles for themselves in the business that would fulfil their varied career aspirations but are intrinsically linked to the successful growth of their business.

Sales drive

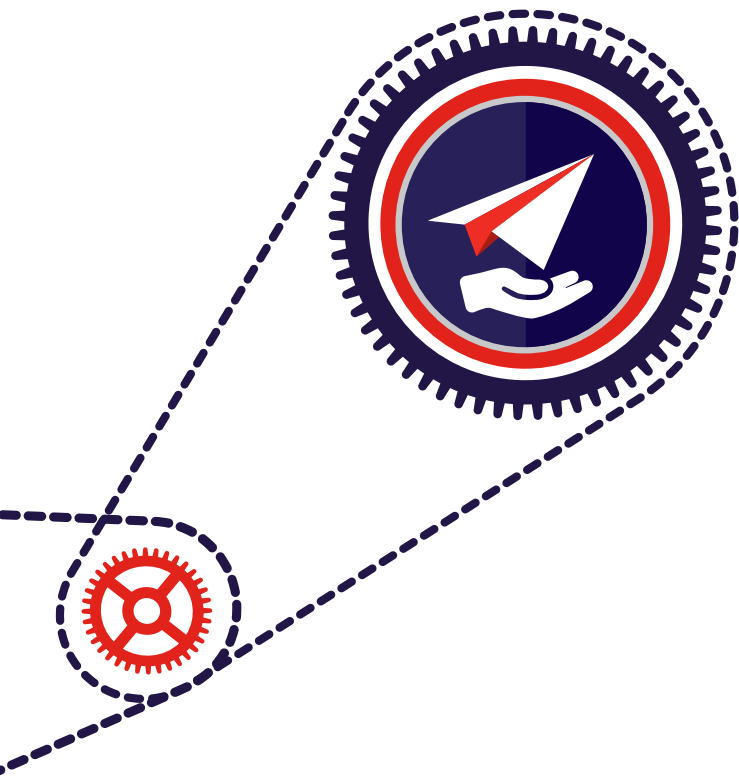
This component is distinct from market expertise, by being less reflective of current expertise and more indicative of a recognition that it is important to plan for and achieve sales in the future. This drive to achieve sales came through very strongly in some interviews, unsurprisingly especially from those with retail businesses.



This year we are anticipating sales of circa just under £6m, so another £1.5m this year. And then the year after that we are looking at £8m to £9m. Within three years we are doing £10m and I think these are big numbers that we have always achieved.



Others talked much less about this and there may be similar explanations linked to self-identity and sales being 'a given'. It may also be that sales drive exists more as a precursor to market expertise than as a critical part of growth mindset in its own right.



Case study

Adam Patel Managing Director, Ghost Bikes

Activity: Retail motorcycles, clothing and accessories

Location: North West

Staff: 50

Founded in 2004 Ghost Bikes has a showroom and a distribution warehouse in Lancashire. The majority of the company's sales are online. In 2009 the company expanded sales into Europe and Ghost Bikes currently sells in 25 European countries. Adam says, "in the next year I plan to develop country-specific websites so we can translate what we're doing in the UK for Germany, France, Italy and so on."

At first the business grew steadily year on year, but in the last three years it has experienced a period of rapid growth – achieving a turnover of around £5.45m in 2014 with a projected turnover of £10m within the next three years. Adam attributes this to a strategic plan to develop a range of own-branded items. He reflected: "The rapid growth in sales was achieved primarily by concentrating on our own branded products which now equate to 45% of our turnover. This is something that we are going to increase in the future." Adam explained, "The problem with branded items is that a lot of the manufacturers and distributors are trying to control the prices. By introducing own brand ranges, Ghost Bikes will be in the right position to control its prices."

Looking to the future Adam articulates a clear strategy for increasing sales, including worldwide distribution and also a local collection network to support 'click and collect'. At the same time, he is developing a new microsite within the main website dedicated to selling crash helmets.

Adam's story illustrates in-depth knowledge and strong analytical skills in identifying future developments in online retailing. His account exemplifies a recognition of the need to plan for future sales and achieve them.

Innovation drive

Two of the contributory questions here reflect the ability to sense new opportunities and, with insight from the interviews, this was conceptualised as innovation drive. Across the board, interviewees emphasised the importance of innovation in their past and planned growth trajectories. Often this related to new products and services but frequently to new markets.



We have a massive technology road map, that's the thing. A lot of businesses have the idea and everything else but aren't entirely sure what their future consists of. We have all of ours out to the back wall – we know everything we need to do, everything that we need to develop from a technology point of view to get from where we are now to a finished business, and our major challenge right now is how we can do that quickly enough.



I think it's two things: the first one is innovation, so we are very strong at coming up with new ideas; and I think the second thing is technology innovation and market innovation. So it's about how we find new customers, how we attack new market sectors and go after new markets.



As the importance of innovation was one of the strongest themes to emerge from the interviews it is interesting that it has emerged as the component apparently making the least contribution to growth mindset. One possible reason for this is that innovation may play a much stronger role in the interviewees' identity than other factors such as selling do.



Case study

Julian Bambridge

Managing Director, MPM Products

Activity: Pet food manufacturing

Location: Cheshire

Staff: 51

MPM was formed in 2002 and Julian joined the three original founders in 2008 to help open up new markets and bring innovative products to the marketplace. MPM achieved sales growth of over 80% in the years between 2010 and 2013. Julian explained, "We are bringing new products to the market every day and we are entering new territories all the time as well."

MPM manufactures pet food made from high quality ingredients. The business is expanding geographically into fast-growing overseas markets including Russia and China. Exports represent more than half of the £25m annual turnover and the company was recognised in the HSBC FastTrack 200 awards for 2014 as one of the fastest growing exporters in the UK.

New products and new markets are key to past and planned growth trajectories. MPM's brands are unique. Julian said: "In effect what we did was take high quality ingredients that would be used in food for people, developed them as pet food and introduced the product to the consumer market. Initially we set out to prove the business model in the UK and once we had achieved that we just re-applied the same model to the biggest pet food markets we could identify."

The MPM culture values doing things differently, challenging norms and embracing change. Julian said, "If you like change, come to us – and if you don't like change it's not for you." Julian believes he has led MPM to excel at "changing the game" by constantly pushing boundaries.

Julian's account highlights a strong drive to generate new business, combined with the ability to 'join the dots' and make links to develop new products and markets.

Developing mindset

The different components of growth mindset are now much clearer but the research has also helped provide a better understanding of its plasticity – the extent to which it can change. Existing research suggests that growth mindset was unlikely to be dependent on genetics, although genes could play a role. Scholars from the field of cognition broadly agree on the importance of context. The idea of entrepreneurial expertise depends on accepting that learning is central to successful entrepreneurship.

Through the interviews and survey carried out for this research it has been possible to gain some insight into influences on mindset in relation to business growth. One interviewee who was very clear about the importance of having a vision for the business was equally so about the development of his capacity for vision over time and as a result of experience:

When I first started in business 20 years ago I did not have that sense of vision that I now have. I think some of it is forced upon you with the failures that you encounter and each of those failures becomes a massive learning experience.

For others, changes in circumstances were influential, for example moving the business out of the home helped inspire a vision of how it could evolve. In one case, the death of a husband and business partner led to new thinking on what the business needed to do to survive. Targets were set for 100% growth “in everything” over five years and these were “smashed”.

The research also identified the capacity to drive innovation, changing over time in tandem with growing awareness about the business’s potential and the resources at its disposal as key factors in the entrepreneur’s ability to develop.

Now we are starting to open up about new ideas and new sources of funding, new ways of doing things, new opportunities. Previously we thought, “this is what we do... and that is all we are going to do.” ... [Now] I think we say “okay, let’s look at the opportunity.” We can do that because we have the capabilities but we had just never looked at it before. I think purely because we were conservative.

The idea that entrepreneurs make decisions differently to other people is central to the study and there is clear evidence here of people starting to change the way that they think. The component analysis has shown the importance of active decision-making to growth mindset, which involves active choice in thinking approaches to protect creativity and risk taking while moderating negative impacts. This growth entrepreneur’s analysis of decision-making, biases and experience is particularly illuminating:

My one biggest piece of advice is to understand your own psychology inside out because you’ve got to know yourself completely to be able to make sense of your decisions... If you get a gut feel, that gut feel hasn’t come from the ether, that gut feel has come from the way you have been programmed... So you have to understand that in any situation the first thing you are going to have is an emotional response – and why did that emotional response happen? Should it have happened? Once you understand that then you can actually act appropriately.

The role of learning

It seems clear that growth mindset can change over time and this research has touched on some of the things that have the capacity to affect it. While the research found that experience is important for learning, an important question is how this happens in practice. People do not necessarily learn from their successes and failures. Experiential learning theory³² says that taking time to reflect is key and to varying extents this was evident within the interviews. Reflection time can be very informal or more structured:

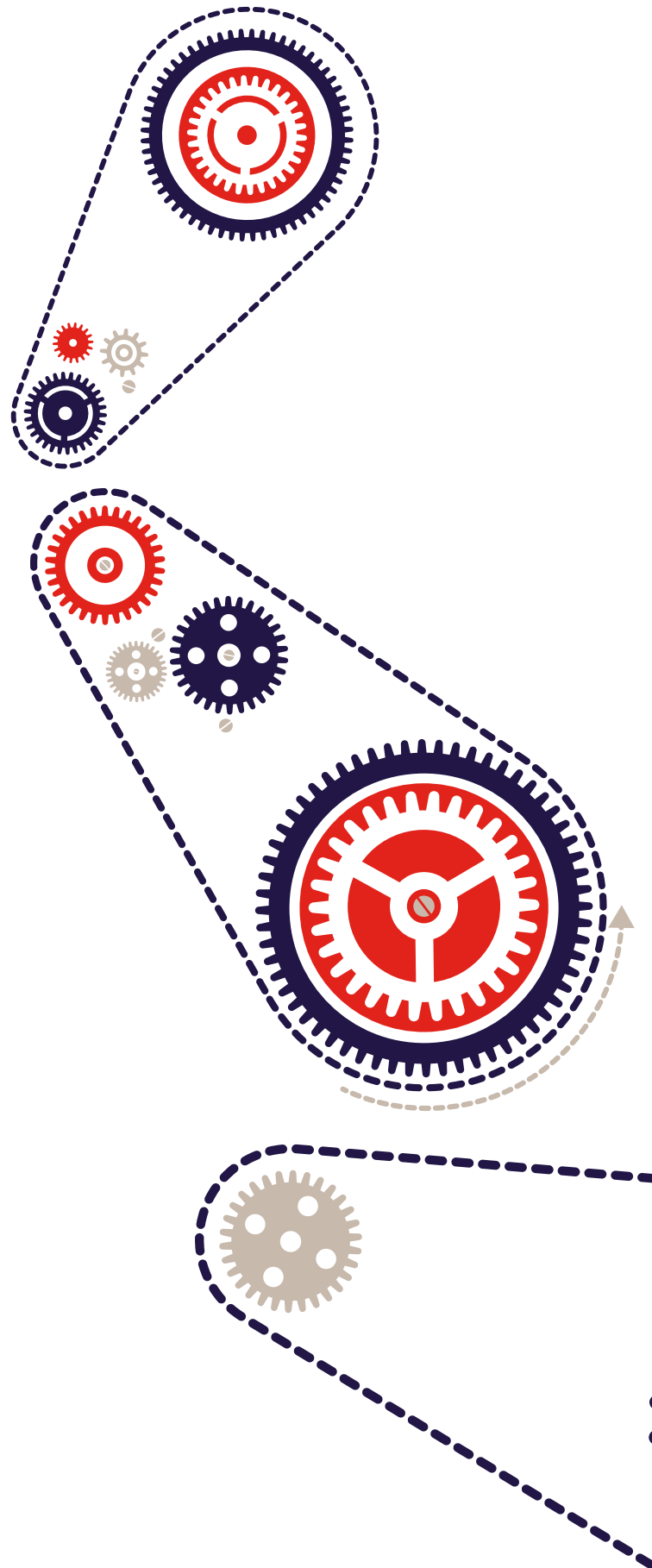


I have a journal that I keep [on my iPhone] where at the end of the day I will make notes and have a little bit of a reflection on what has worked well, why it has worked, what I did today that worked well, and how I can do more of it. What hasn't worked well and why hasn't it worked, too. ...That's a really, really valuable document for me and has been for a number of years.



Social learning is another way of learning from experience and involves observing others and modelling behaviour.³³ The interviewees emphasised the importance of role models to their own learning. Sometimes they were high profile entrepreneurs³⁴ but more often they were interviewees' own mentors, peers, family, employees or other people who had demonstrated qualities like courage, tenacity and diplomacy. Role models were not always positive and observing how not to behave could be equally powerful.

The interviewees also talked about the value of more formal learning through short courses and MBAs and the key message here was not about the value of one form over another but the complementarity between them.



³² Kolb D. (1984) *Experiential Learning*, Englewood Cliffs, Prentice Hall.

³³ Bandura, A. (1977) *Social Learning Theory*, Englewood Cliffs, Prentice Hall.

³⁴ In fact, one interviewee had worked with both Richard Branson and Alan Sugar and cited them both as influential in different ways.

Conclusions

This research points to a complex combination of elements that can contribute to a high growth mindset. These include a mixture of expertise, vision, drive and active decision-making.

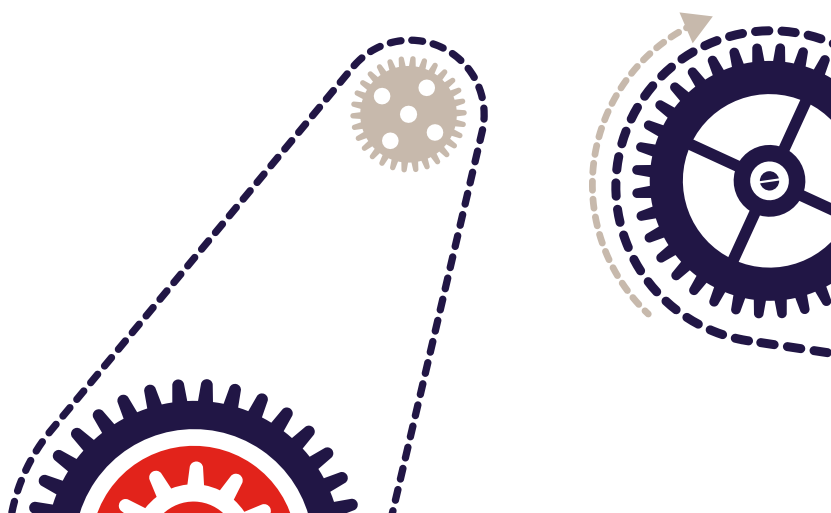
Market expertise has emerged from the survey as the component that may make the most contribution to explaining growth mindset. This was followed by business vision and one of the key things to emerge is that while intention to grow is clearly critical, this is far more complex than it initially appears. Unpacking growth intent using PCA shows that having a vision for the business and wanting to achieve it is not the same thing as wanting to 'grow' the business although that is also a contributing factor. The value of meta-cognitive awareness and ability was borne out by the interviews and supported by the PCA which linked this to 'following through' on decisions and points to the role of active decision-making in growth mindset. Sales drive and innovation drive emerged as making a smaller contribution but it is important to note that the analysis stripped out questions that did not register as significant through the process. These smaller contributions are therefore still important and innovation was a prominent theme in the interviews.

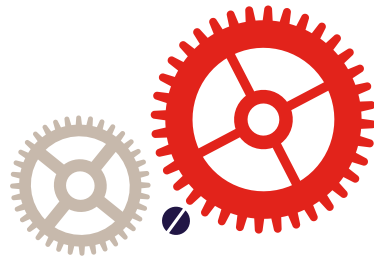
The interview data illustrates considerable diversity among high growth entrepreneurs. While there were clear themes and some similarities in experience, each person's growth story was different. The substantial variation in terms of decision-making processes, operational style, conception of what 'growth' is and motivations suggest that the relative importance and contribution of the elements that make up growth mindset are likely to vary between individuals. Moreover, the growth mindset is not a static concept and the relative contribution of the elements is likely to vary over time. Influential factors will include experience but might also be external changes, for example in product markets, technology or the wider economic climate. Equally, they may be critical incidents within the business.

These points emphasise an important role for active decision-making – an ability to identify when it is necessary to stop, think and plan without losing the ability to act. This may be a vital overarching constituent of the high growth mindset providing the means by which other elements can be reconfigured.

The growth mindset framework presented here is based on a very rich set of qualitative data and a highly thought provoking set of survey data enabling some powerful insights into what growth mindset involves for the participants of this study. However, the survey does not provide representative results allowing generalisations about all growth entrepreneurs to be made. What this research has done is move understanding of the growth mindset forward and provided a basis for more informed debate about the personal factors that drive business growth and how growth focused interventions might be shaped in response.

As always, there is substantial potential for further research on this topic and the set of scale based questions that were reduced through the PCA process provide one potentially useful outcome that it would be valuable to test with a larger population. Ideally, a sample that is more representative of the small business community, one that was, for example, being drawn from a comprehensive database such as the Interdepartmental Business Register.





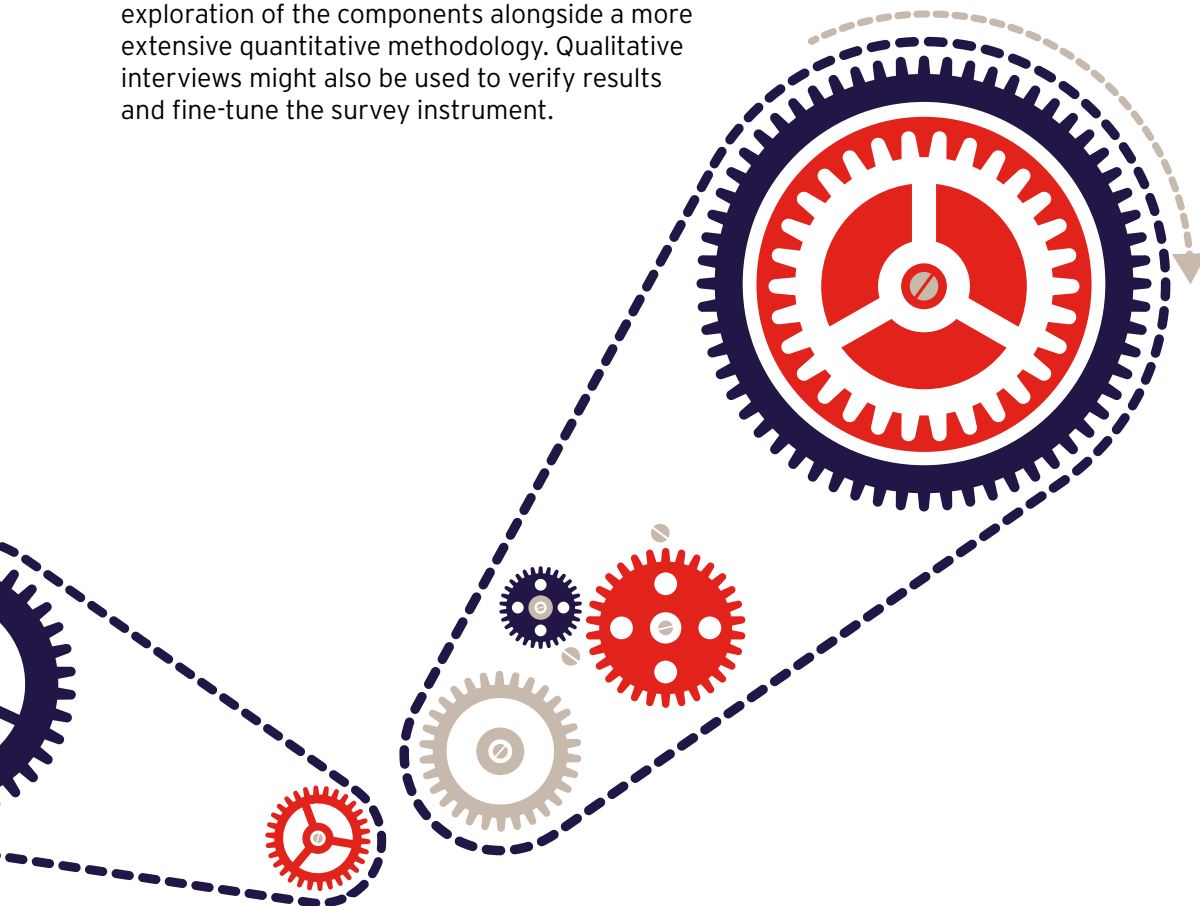
A larger sample (in excess of 1,500 for instance) would enable disaggregation to different groups and would allow variables such as business sector, size, age, legal form and geography to be controlled to isolate the impact of mindset on growth. It would also allow comparison of the mindset of high growth entrepreneurs with 'other' entrepreneurs. A further benefit of a larger sample would be to enable exploration of the possibility of different growth mindsets, each potentially driven by a different component or combination of components.

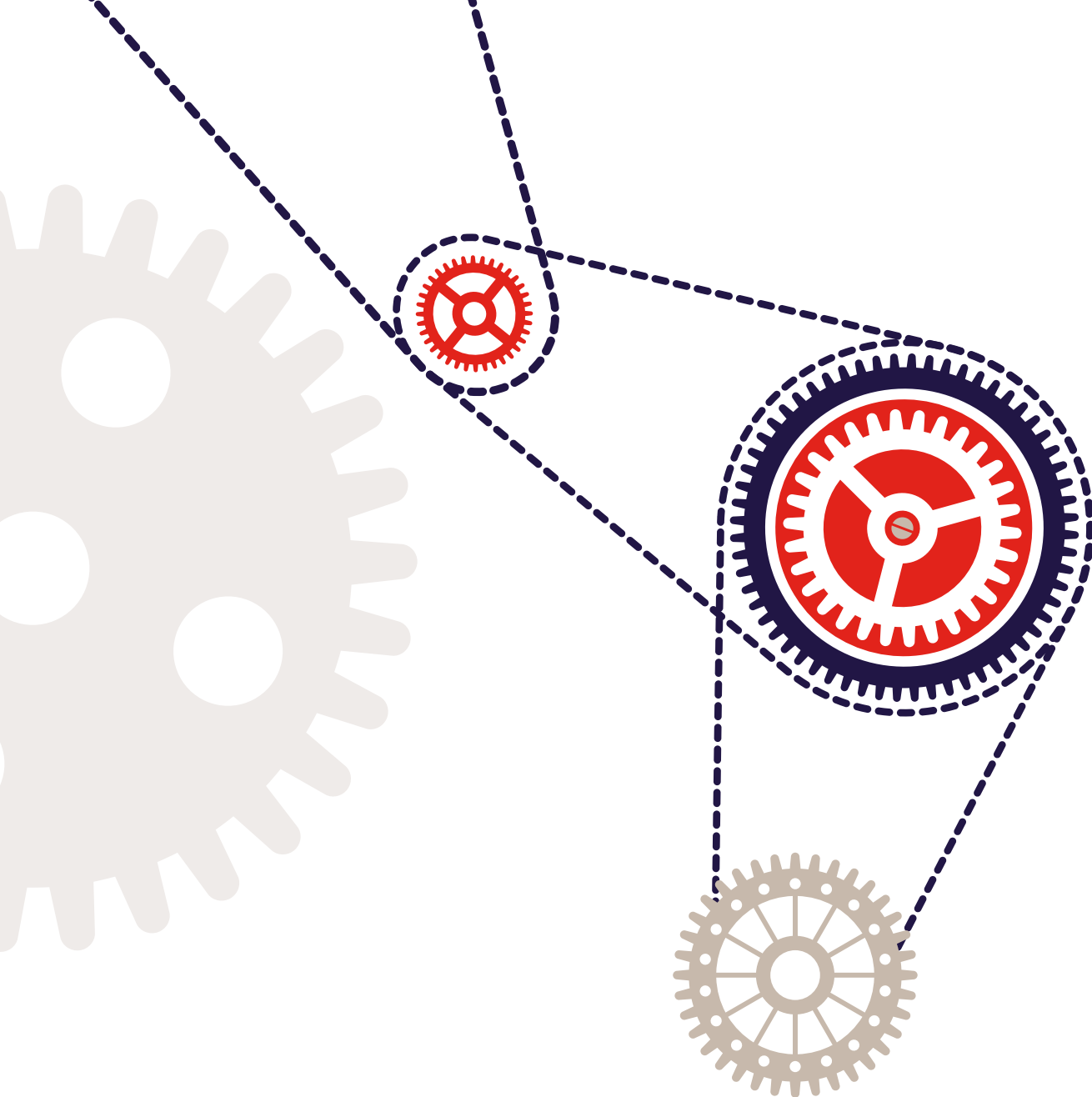
Sample size is not the only issue, however. Cross-sectional studies will always be limited in this context and a longitudinal methodology would be valuable to better understand causality and the almost certainly nuanced relationship between business growth and growth mindset. In addition it would allow mindset dynamics to be explored over time.

There would also be value in continued qualitative exploration of the components alongside a more extensive quantitative methodology. Qualitative interviews might also be used to verify results and fine-tune the survey instrument.

Acknowledgements

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