

# **The ‘additional costs’ of being peripheral: developing a contextual understanding of micro-business growth constraints**

## **Authors:**

Cristian Gherhes, Tim Vorley, Chay Brooks

## **Abstract**

**Purpose** – Despite their economic significance, empirical evidence on the growth constraints facing micro-businesses as an important subset of SMEs remains scarce. At the same time, little consideration has hitherto been given to the context in which entrepreneurial activity occurs. The purpose of this paper is to develop an empirically-informed contextual understanding of micro-business growth, beyond firm-level constraints.

**Design/methodology/approach** – The paper draws on 50 in-depth interviews with stakeholders and micro-business owner-manager entrepreneurs (OMEs henceforth) in a peripheral post-industrial place (PPIP henceforth).

**Findings** – The paper shows that, beyond firm-level constraints generated by their OME-centric nature, there are ‘additional costs’ for micro-businesses operating in PPIPs, specifically limited access to higher-skilled labour, a more challenging, ‘closed’ business environment, and negative outward perceptions stemming from place stigmatisation. All of these ‘additional costs’ can serve to stymie OMEs’ growth ambition.

**Research limitations/implications** – The paper is based on a limited number of interviews conducted in one region in England. However, the contextualisation of the findings through a focus on PPIPs provides valuable insights and enables analytical generalisation.

**Originality/value** – The article develops a context-sensitive model of micro-business growth constraints, one that goes beyond the constraints inherent in the nature of micro-businesses and is sensitive to their local (socio-institutional) operating context. The implications serve to advance both how enterprise in the periphery is theorised and how it is addressed by policymakers and business intermediaries to support the growth of micro-businesses.

**Keywords** Micro-businesses, Business growth, Entrepreneurship, Periphery, Local economic development, Regional economic development, Enterprise policy, Context

## Introduction

Small and medium enterprises (SMEs) are engines of economic growth, and therefore the factors that drive and constrain their growth have been objects of academic and policy interest for decades (e.g. Davidsson, 1989; Davidsson *et al.*, 2002; Morrison *et al.*, 2003; Kelliher and Reinl, 2009; Peck *et al.*, 2018). However, the evidence on SME growth remains fragmented, with little consensus around the phenomenon (Wright *et al.*, 2015). In particular, much less is known about micro-businesses as a significant subset of SMEs with fewer than 10 employees, which are homogenised under the SME umbrella (Gherhes *et al.*, 2016). Despite accounting for 70-95 percent of all firms in OECD economies (OECD, 2013), and for a significant proportion of jobs (Criscuolo *et al.*, 2017), there is little research on the challenges faced by micro-businesses beyond those associated with SMEs more generally (Perren, 1999; Gherhes *et al.*, 2016).

Indeed, despite the economic significance of the small business sector (Beaver and Prince, 2004; Wright *et al.*, 2015), empirical evidence on constraints on the growth of micro-business, and on micro-businesses more generally, remains scarce (Faherty and Stephens, 2016; McCormick and Fernhaber, 2018). These businesses are overwhelmingly led by OMEs, which aside from employee count is another factor that distinguishes this class of SMEs from other (McCormick and Fernhaber, 2018). However, there are considerable gaps in the literature about how the OME-centric nature of micro-business affects their growth (Gherhes *et al.*, 2016). Additionally, little consideration has hitherto been given to the context in which entrepreneurial activity occurs (Welter, 2011; Zahra and Wright, 2011). As highlighted by Mason (2016, p.39), “[b]usinesses do not evolve in a vacuum” but are embedded in specific contexts which shape their development. Nevertheless, while there is growing interest in the influence of context on entrepreneurial activity (e.g. Mason and Harvey, 2013; Wright and Stigliani, 2012; Mason *et al.*, 2015), there is still an underemphasis on how different contexts influence entrepreneurial activity at different scales (Zahra *et al.*, 2014). Therefore, the two main research questions informing this paper are ‘how does the OME-centric nature of micro-businesses affect their growth?’ and ‘how does the local operating context affect micro-business growth?’, which are addressed through a focus on micro-businesses operating in a PPIP.

This paper therefore focuses on two important issues: first, micro-businesses are economically important yet poorly understood; secondly, being located in a peripheral place

also matters and likely has an important impact on entrepreneurial activity in those places. The paper contends that micro-businesses operating in PPIPs, places outside of major urban centres experiencing persisting effects of deindustrialisation (Gherhes *et al.*, 2018), face additional challenges. It argues that there is a need to develop a contextual understanding of micro-business growth beyond firm-level factors to account for external factors which can influence the growth potential of micro-businesses as a subset of SMEs. The implications of the research serve to advance how enterprise in the periphery is theorised, but also how it is addressed by policymakers and business intermediaries to support the growth of micro-businesses.

The paper makes two key contributions to the theory and practice concerning the growth of micro businesses. First, the findings serve to highlight how the local (socio-institutional) operating context imposes an additional layer of growth constraints in peripheral places. More specifically, micro-businesses operating in PPIPs face ‘additional costs’ including limited access to higher-skilled labour and a ‘closed’ business environment, factors that are compounded by the negative perceptions stemming from a stigmatisation of PPIPs that can further stymie growth. Building on Gherhes *et al.* (2018) the paper explores how these ‘additional costs’ facing established micro-businesses manifest as a product of institutional hysteresis that is constraining entrepreneurial ambition in PPIPs. Second, the findings emphasise that micro-businesses growth is contingent on the ambition and capabilities of the OME, and therefore developing leadership and management capacity is essential for the growth of micro-businesses. The paper thus contributes to a better understanding of micro-business growth, one that goes beyond the constraints inherent in the nature of micro-businesses and is sensitive to their local (socio-institutional) operating context. This has implications for policymakers and business intermediaries, nationally and locally, in rethinking the local nature of business support. As a subset of SMEs, micro-businesses may experience different growth challenges, which in the case of PIPPs relates to developing the ambition, capabilities, and opportunities for OMEs.

The paper is structured as follows: section two examines the literature on the key factors influencing micro-business growth, highlights the importance of contextualising entrepreneurship research, and reviews the challenges of peripheral entrepreneurship; section three introduces the empirical focus and methods; section four presents the analysis of the findings; section five conceptualises the findings and discusses the policy implications; and section six concludes.

## Literature Review

### *Previous research on micro-business growth*

Morrison *et al.* (2003, p.423) highlight that growth-oriented small businesses achieve a balance between owner-managers' intention, the abilities of the business and the opportunity environment, and argue that the three factors are intrinsically interdependent as "with no opportunity, the intention cannot be applied; lacking the intent ... opportunities will not be translated into business growth, and without the ability, entrepreneurial intention and opportunities are unlikely to be realized". Nevertheless, the particular nature of micro-businesses distinguishes them from their larger SME counterparts (Kelliher and Reinl, 2009). Given the dominant role of OMEs in micro-businesses (Perren 1999), growth in such small firms can hardly be separated from their motivations and actions, making business growth "a very different affair" (Beaver and Prince, 2004, p.35).

A systematic literature review conducted by Gherhes *et al.* (2016) distinguishes micro-businesses from SMEs and highlights the OME-centric nature of micro-businesses, with their growth potential largely dependent on business capabilities and the OME's growth ambition. Indeed, businesses can grow rapidly at any stage in their development, yet there are "no common triggers other than of course the ambition of the entrepreneur(s)" (Gibb, 1993, p.21). Thus, growth ambition is "vital in such small firms, being an essential growth driver" (Perren 1999, p. 369). However, ambition can manifest in different ways and not necessarily through a willingness to increase in size by employing others, a desired outcome and key objective of SME policy (Wright *et al.*, 2015). Importantly, there is a lack of understanding of the influence of contextual factors on growth ambition. Previous studies have highlighted that OMEs are more likely to be concerned with non-economic aspects such as independence and customer satisfaction as opposed to pursuing growth actively (e.g. Perren, 1999; Fielden *et al.*, 2000; Reijonen and Komppula, 2007), with micro-businesses tending to be growth averse in general (Gray, 2002). Nevertheless, previous work has largely ignored contextual inflections in growth ambition in micro-businesses, failing to contextualise the findings.

Furthermore, business growth depends inherently on the strategic capability of the main actors (Beaver and Prince, 2004). Given the OME-centric nature of micro-businesses there is an argument to be made that business capabilities are indistinguishable from the OME's capabilities, as in most micro-businesses "the owner-manager is the company" (Lean, 1998, p.

233), meaning that they are primarily responsible for all decision roles and for planning and implementing the business strategy (McCormick and Fernhaber, 2018). Previous studies have highlighted the importance of managerial skills, such as marketing, sales, business planning and financial management skills in larger and high-growth SMEs (e.g. Richbell *et al.*, 2006; Brush *et al.*, 2009; Barbero *et al.*, 2011). Developing such expertise can help micro-business OMEs avoid becoming immersed in day-to-day operating issues and shift their efforts towards managing the business (LeBrasseur *et al.*, 2003). The challenge of stimulating growth among micro-businesses is compounded by a lack of capability and capacity in the firm, even if there is an ambition and willingness to grow, which by definition changes the nature of support required to support growth.

However, the empirical evidence on leadership and management practice in micro-businesses remains scarce at best (Gherhes *et al.*, 2016). More specifically, while the aspect of managerial skills in micro-businesses is significantly underexplored, it is also challenging to discern from the extant SME literature the implications for micro-businesses. This is due to previous studies including micro-businesses under the SME umbrella and failing to distinguish the implications for them in particular. Additionally, given OMEs' central role and the numerous functions they need to accomplish, how the OME-centric nature of micro-businesses impacts on their ability to develop such capacity remains a key question in the literature. Beyond the OME's growth ambition and capacity, the context in which micro-businesses operate ultimately shapes what Morrison *et al.* (2003) refer to as the opportunity environment, and this is the focus of the next section.

### *The importance of context in entrepreneurship research*

Entrepreneurship research has largely focused on the individual features of entrepreneurs (Alvedalen and Boschma, 2017), with less emphasis on the influence of contextual factors on entrepreneurial activity. However, a growing number of studies are highlighting the context-bound nature of entrepreneurial activity, calling for the contextualisation of entrepreneurship research (e.g. Atterton, 2007; McKeever *et al.*, 2015; Smallbone, 2016). The debate emphasises the heterogeneous nature of entrepreneurship and the multifaceted nature of context, implying that the generalisation of findings across all contexts renders itself futile (Welter, 2011; Wright and Stigliani, 2012; Zahra *et al.*, 2014). By situating phenomena, research questions, theories and findings in their natural setting, contextualisation fosters novel analyses and explanations, generating richer and more accurate insights and helping advance new theoretical frameworks

(Zahra and Wright, 2011; Zahra *et al.*, 2014). Peripherality, here, represents a distinct context that is under-researched as a setting of entrepreneurial activity.

Welter (2011, p.165) explains that accounting for context, as defined by its historical, temporal, institutional, spatial, and social dimensions, is critical for understanding “when, how and why entrepreneurship happens”. Indeed, decision-making in entrepreneurship does not happen in isolation from entrepreneurs’ local operating context (Acs *et al.*, 2014), making contextual factors just as important as individual entrepreneurial action (Mason and Brown, 2014). Not only do individual actions reflect the attitudes, aspirations and opportunities of the context in which entrepreneurs operate (Wright and Stigliani, 2012), but the local context can influence the nature of entrepreneurship, thereby shaping the growth potential of businesses and how fast they grow (Mason and Brown, 2014). As such, context influences the nature, pace of development, and extent of entrepreneurship as well as entrepreneurial behaviour (Welter and Smallbone, 2011). Consequently, entrepreneurship can only be fully understood in relation to the context within which it occurs (Mason and Harvey, 2013).

Economic action is indeed embedded in local social and institutional contexts (Rodríguez-Pose, 2013; Lang *et al.*, 2014). As shown by Audretsch and Keilbach (2007), the capacity of a place to generate entrepreneurial activity is locally embedded, making entrepreneurship a local phenomenon and its outcomes locally contingent. For example, urban areas, characterised by higher levels of economic growth and greater diversity of economic activity, enjoy higher levels of opportunity-motivated entrepreneurial activity compared to peripheral areas where the institutional context does not foster similar outcomes (Bosma and Sternberg, 2014). This suggests that businesses operating in more challenging socio-institutional environments face additional growth challenges.

Indeed, “entrepreneurs are embedded in networks, places and communities which socially frame resources and opportunities” (McKeever *et al.*, 2015, p.50), with entrepreneurial activity both constrained and enabled by social context. Importantly, entrepreneurship takes place in “intertwined social, societal, and geographical contexts, which can change over time and all of which can be perceived as an asset or a liability by entrepreneurs” (Welter, 2011, p.176). While previous research has emphasised how different institutional contexts are conducive to new venture creation and growth (Zahra and Wright, 2011), less is known about how context may stymie entrepreneurial activity by limiting or constraining the ability of entrepreneurs to operate within a community (McKeever *et al.*, 2015). Indeed, Welter (2011) emphasises that

the spatial, social and institutional contexts remain ‘somewhat neglected’. Many of the previous studies on micro-business growth generally do not critically consider the role of context in their findings and implications, and as we argue below developing a more contextual understanding of growth challenges facing micro-business is essential. We do so by focusing on micro-businesses operating in a post-industrial periphery.

### *Entrepreneurship in the post-industrial periphery*

Post-industrial places represent a particular peripheral context that has attracted the attention of entrepreneurship researchers (e.g. Anderson, 2000; Johnstone and Lionais, 2004; Gherhes *et al.*, 2018). Transformed from primary production zones (Anderson 2000) to “marginalised and near-bust peripher[ies] by the end of the 20th century” (Hudson, 2005, p.581), many peripheral places in formerly industrialised regions face “prolonged challenges involving long-term and uneven processes of de-industrialization and transition towards service-dominated economies” (Pike *et al.*, 2010, p.2). The presence of large-scale industries in formerly industrialised places was associated with low-skill jobs, a reduced need for educational attainment and entrepreneurial skills, and fewer start-up opportunities, which left “a long-term imprint” nowadays reflected in “a vicious cycle of low entrepreneurship and weak entrepreneurship culture” (Stuetzer *et al.*, 2016, p.18). As a result, many such places have, and continue to, underperform economically.

Legacies such as lower aspirations, lower skill levels and generational unemployment create a more challenging context for pursuing entrepreneurial activity in post-industrial peripheries (Gherhes *et al.*, 2018). Indeed, such places exhibit lower start-up capabilities, lower levels of entrepreneurship, and underdeveloped entrepreneurship culture, less qualified human capital and low levels of entrepreneurial skills (Felzensztein and Gimmon, 2012; Amoros *et al.*, 2013; Stuetzer *et al.*, 2016), and firms in peripheral places are significantly less competitive than those operating in core regions (Bürcher *et al.*, 2016). Critically, Anderson *et al.* (2001) suggest that businesses operating in the periphery are likely to face ‘additional costs’, such as more limited access to skilled labour, yet why this is the case remains poorly understood beyond more generic explanations of geographical distance.

Indeed, research on entrepreneurial dynamics in peripheral places remains far less prominent (e.g. Benneworth, 2004; Bürcher *et al.*, 2016), and while this has focused on the characteristics of firms in such places (e.g. Mason *et al.*, 2015; Brown and Mawson, 2016),

little consideration has been given how the local operating context in a periphery affects the growth potential of firms. Moreover, while much of the research on peripherality has been carried out at the regional level, the local, intra-regional level remains less explored (Trettin and Welter, 2011; Huggins *et al.*, 2017). For example, Gherhes *et al.* (2018) have shown how, in PPIPs, institutional hysteresis at the local level constrains entrepreneurship by limiting entrepreneurial ambition and aspirations. However, how such a local socio-institutional context influences established businesses is yet to be explored. For example, Cox and Longlands (2016, p.35) highlight that many formerly industrialised places are portrayed within the public imagination as “undesirable places to live, with empty and decaying town centres and poor job opportunities”. Wakefield and McMullan (2005) argue that place images, particularly the stigmatisation of formerly industrialised places, can compound the challenges facing them. Nevertheless, how such perceptions influence entrepreneurial activity remains unexplored. As Benneworth (2004, p.455) highlights, “[e]ntrepreneurship in peripheral places is complex, contingent and uncertain”. Given the particularly challenging nature of this context, further research is required to understand the dynamics of entrepreneurial activity in post-industrial peripheries. The remainder of the paper explores the conceptual and practical implications of our research into micro-business growth as is exemplified by Doncaster as a PIPP.

## **Empirical focus and method**

The empirical focus of this paper is Doncaster, a post-industrial town located at the periphery of the Sheffield City Region (SCR) in the North of England (see **Figure 1**). Like many other formerly industrialised towns in developed economies, Doncaster has experienced a decline in traditional manufacturing industries from the mid-1970s, which has led to a prolonged period of economic decline and stagnation (Williams and Vorley, 2014). As a PPIP, Doncaster continues to face significant challenges as the local economy continues to experience persisting effects of deindustrialisation.

[**Figure 1** at end]

A concerted institutional response in Doncaster has been to foster entrepreneurship as an economic renewal and growth strategy. As illustrated in Table 1, micro-businesses are central

to Doncaster's economy, yet more than three quarters of them employ less than five people. As such, the local economy is 'weighted towards micro-enterprise' (DMBC, 2013). However, as illustrated in Table 2, newly born enterprises in the post-industrial periphery experience significantly lower survival rates compared to those in Sheffield as a core city in the SCR but also compared to wider city-regional and national averages. This suggests that new enterprises experience more challenging conditions in Doncaster than elsewhere in the region. In addition, Table 3 highlights a greater concentration of smaller sized businesses, as measured by turnover, in Doncaster compared to the core city of Sheffield, suggesting that a significant proportion of the businesses operating in the locality are very small and stay small.

Moreover, a key issue facing Doncaster is that of the poor skills profile coupled with low skill levels, with the locality having the highest proportion of jobs in 'elementary' professions in the SCR (DMBC, 2013). In fact, Doncaster is among the 10 UK cities with the lowest percentage of high qualifications (Centre for Cities, 2017). This challenge is also reflected in the lower educational attainment levels. As highlighted by The Independent Commission on Education and Skills in Doncaster (2016), the town lags 9% behind national averages and 4% behind regional averages in terms of residents in highly skilled occupations. Moreover, the town underperforms in terms of educational attainment in comparison with national and regional averages. Specifically, in terms of achievement of a Level 2 qualification by the age of 19 it lags 6% behind national averages and 5% behind regional averages, and in terms of achievement of a Level 3 qualification by the age of 19 it lags 12% behind national averages and 8% behind regional averages (by The Independent Commission on Education and Skills in Doncaster, 2016). All these indicators suggest more challenging conditions facing businesses operating in the post-industrial periphery.

[Table 1 at end]

[Table 2 at end]

[Table 3 at end]

To examine the influence of the local operating context on micro-business growth in PPIPs, a qualitative methodology was employed. This involved 50 in-depth interviews: 14 interviews

with city-regional and local stakeholders involved in economic development and 36 interviews with OMEs of micro-businesses operating in Doncaster. In-depth interviews are appropriate in this context as entrepreneurs are keen to share their experiences and enjoy telling stories about them (McKenzie, 2007). The interviews followed a semi-structured format, hence ensuring a degree of flexibility (Rowley, 2012), while enabling a personal focus and facilitating the exploration of OMEs' 'lived experiences' and of the 'everydayness' of entrepreneurship (Berglund, 2007). The interviews were guided by a combination of closed and open-ended questions focused on aspects such as the strengths and weaknesses of the local business environment, current enterprise support initiatives, the place's history, especially the decline in traditional industries, the nature of the day-to-day running of the business in a micro-business, growth ambition and aspirations, and perceived barriers to growth. Some of the questions targeted specific gaps identified in the micro-business growth literature, such as the importance of and/or challenges around managerial skills, recruitment, availability of skills, networking, and business planning. The semi-structured format enabled the researchers to identify new issues not previously considered, such as perceptions of place, which were included in subsequent discussions.

In the stakeholders' case, a combination of positional, reputational and snowball sampling was employed to ensure that key individuals are interviewed (Tansey, 2007). Specifically, research on the organisations and the stakeholders' positions and roles was carried out initially by the researchers. The sampling process started with key individuals who acted as gatekeepers (Berry, 2002), and who possessed knowledge about the remit of others within the same institution, or a different relevant institution, and were therefore able to recommend other stakeholders. Purposive sampling is widely used in qualitative research to ensure that specific categories of individuals possessing knowledge relevant to answering the research questions are interviewed (Rowley, 2012). Representing institutions with the primary jurisdiction for economic development locally and city-regionally, the selected individuals were able, collectively, to provide accurate accounts of the challenges facing Doncaster as a PPIP.

In micro-businesses' case, 5 of them were identified initially through contacts at the local council, specifically through stakeholders involved in business support at the local level, thus helping form an initial sample and establish legitimacy. Thereafter, entrepreneurs were selected using snowball sampling, with the process also guided by theoretical sampling. While snowball sampling is not fully random and is subject to selection bias, this technique also allows the researchers' high level of attentiveness to the focus of the study as they become immersed in

the research area (Biernacki and Waldorf, 1981). The aim was to develop a rich understanding of the nature of micro-businesses and of their operating context, rather than just results that support the generalisability of the findings (Onwuegbuzie and Leech, 2007). As such, given the exploratory and qualitative nature of the study, the selection criteria in micro-businesses' case were kept broad, namely businesses with 0-9 employees operating in Doncaster. Therefore, the study did not target specific individual or business characteristics.

However, the researchers analysed the sample of respondents as the interviews unfolded, identifying general characteristics such as industry/sector, number of employees and business age, and ensured that the sample did not become skewed but captured a diverse range of micro-businesses. The table in Appendix A provides more details about the profile of participants. At the time of the interviews, 75 percent of those selected employed fewer than five people and more than half had no employees, with only the OME running and managing the business. Additionally, one third had been operating for 6-10 years, half of them for one-five years, while three of them had been in business for less than one year and another three for more than 10 years. The sample of owner-manager entrepreneurs also includes 22 individuals born in Doncaster who started their business in the locality. The characteristics of micro-business respondents, collectively, enabled the examination of the OME-centric nature of micro-businesses as well as the exploration of the influence of the local operating context. Participating individuals remained anonymous, and therefore stakeholders are abbreviated to S and micro-business OMEs to OME.

The interviews were conducted between November 2015 and November 2016, lasted for approximately 1 hour on average, and were recorded with the respondent's consent and transcribed before assuming a grounded approach towards thematically analysing and coding the data to explore emergent themes. The interviews were coded following an open-coding strategy to ensure that potentially relevant insights are not overlooked (Gale et al., 2013). The data analysis technique used to inductively 'make sense' of the interview data was the constant comparative method, which involves coding the data while continually comparing newly analysed data with previous codes with the aim of identifying recurring themes (Thomas, 2011). The initial codes were grouped based on similarity (Elo and Kyngäs, 2008), while being revised and refined through constant comparison with the data and the key literature, thereby leading to the development of second-order concepts (Thomas, 2011). Examples of initial codes include 'no ambition to employ others', 'time constraints', 'multiple roles', 'OME-centric', 'lacking managerial skills', 'recruitment is challenging', 'higher skills are scarce',

‘challenging business environment’, ‘brain drain’, and ‘perceptions of place’. These were grouped into individual/firm level constraints and context-related constraints and were subsequently revised and labelled as the final themes as presented in the next section.

This approach ensured that the knowledge generated from content analysis “is based on participants’ unique perspectives and grounded in the actual data” (Hsieh and Shannon, 2005, p.1280). This coding scheme was applied by the authors, with results compared to ensure inter-coder reliability. A consultative approach was adopted to discuss and address any potential discrepancies which involved constant reflection and negotiation between the members of the research team. This allowed us to refine codes to ensure the consistency of coding within and across themes. In most cases there was consensus on the main areas of exploration, and these responses can therefore be considered representative of the views of the majority of the respondents.

## **Findings: a contextual understanding of micro-business growth**

The findings are presented in relation to the key overarching themes identified through thematic analysis. The first part highlights individual/firm-level constraints around the OME-centric nature of micro-businesses, also showing that the OME and the firm are virtually interchangeable. The second part complements the insights from the first part and examines the ‘additional costs’ of being peripheral, showing how the challenges of micro-business growth are compounded by the local operating context in PPPs. The findings are informed by the perspectives of both OMEs and stakeholders.

### *Individual/Firm-level constraints: an OME-centric story*

As a departure point it is useful to understand how growth, more specifically high growth as a desired policy outcome, is perceived and identified at the policy level. The policy-level interpretation of high-growth potential reinforces the key factors identified in the literature review, with one of the city-regional officials explaining:

‘There are three main areas which we use to identify a high-growth business. There’s capacity, the capacity for a business to be able to grow, the opportunities that are available to that particular business, whether they are local opportunities or international opportunities, but also ambition. It’s like the fire triangle. If you take one of those away

how much potential does that business have to grow? Ambition is fundamental to business growth.’ (S6)

This ‘growth potential triangle’ is employed by city-regional actors to structure their approach to business support provision and resembles the three areas identified by Morrison *et al.* (2003) as critical for small business growth, namely intention, ability and opportunity. While there is an emphasis on ambition at the policy level, the OME interviews highlighted that the ambition of many OMEs manifests in different ways. This is not to say that local micro-businesses are unambitious or have no intention to grow. Rather, there are different understandings of growth ambition and unique challenges which reflect the OME-centric nature of micro-businesses as well as local business realities. These are the focus of the following sections.

**A different kind of growth ambition.** When asked about their growth intentions, a small number of OMEs stated that they had no intention to grow their businesses beyond a personal income target level, in line with previous studies (e.g. Greenbank, 2001; Reijonen and Komppula, 2007). For example, one OME explained: ‘I’ve got my own income targets that I want to maintain ... it’s not essential that I grow but it is essential that I maintain what we’ve already got’ (OME26). However, the great majority of OMEs intended to grow but expressed their ambition in relation to turnover and profitability, as opposed to employment growth, with many having no ambition to go beyond employing ‘one or two others’ (OME22). This, however, contrasts with some of the previous studies such as Greenbank (2001, p.108) who found “no drive to improve the business in terms of growth, sales and profitability”. The OMEs explained:

‘I’m looking at growing the turnover of the business, but that doesn’t necessarily mean I’ll be looking to employ [others].’ (OME23)

‘Growth for me is growing profitability. I’ve not grown in any other way.’ (OME13)

‘I’d like to grow the business, definitely! Not to any grand scale where we’ve got lots of employees, but just probably in terms of growing the client base.’ (OME31)

Moreover, as previous studies highlight (e.g. Fielden *et al.*, 2000; Reijonen and Komppula, 2007), non-economic objectives are central to micro-business OMEs and influence their

growth ambition. Many OMEs mentioned aspects such as independence, flexibility, product or service quality and customer satisfaction as important determinants of their growth ambition:

‘[If employing someone] allows me to grow and have the freedom to do the things that I love to do then great, but it’s not the drive to have 10 staff working ... It’s more about growing the product ... and knowing [clients] become a success because of it.’ (OME11)

‘Maybe an extra person would be useful ... but I don’t have any plans to reach five members of staff ... For me it’s more about servicing the clients correctly, so if we get too busy and I can’t service my clients then I’d want to take on another person.’ (OME24)

As such, the growth ambition of many micro-business OMEs does not translate into a pursuit of employment growth, which diverges from policy objectives. As a local stakeholder highlighted: ‘all policy is around recruiting more staff ... but when you speak to business ... [their goal is] to become more profitable’ (S2). Indeed, the OME interviews have shown that micro-businesses are not after ‘growth for growth’s sake’ (Brown and Mawson, 2016), especially when it comes to employment growth. The next section emphasises the importance of capabilities in the context of OME-centric micro-businesses.

**Growth capacity: a reflection of OME’s capabilities.** Beyond OMEs’ ambition, micro-business growth is also influenced by their capabilities, which define their capacity to grow. The interviews highlighted that OMEs generally lack the capabilities essential for growing a business. Many OMEs explained that they started their business out of frustration with employment, and while the skills or technical knowledge they accumulated provided the foundation for starting-up, they lack the skills required to manage and grow a business. As a local stakeholder emphasised, ‘They’ve got a skill in whatever it is that their business has come out of but they’re not a leader. They’re not a manager’ (S4). Indeed, one OME explained ‘I can talk all day about [the product]. I know it inside out, but the day-to-day running of a business was a steep learning curve’ (OME14).

Hence, more than the OME’s education (e.g. Johnson *et al.*, 1999), it is their capabilities, particularly their expertise in managing growth and the business, that shape micro-businesses’ growth potential. The interviews confirmed managerial capabilities as essential to supporting growth because without them the business can lose focus and direction (Perren, 1999). An OME highlighted their role in planning for growth:

‘[We would need] some support around running a business, and maybe the financial side, and perhaps the planning and management side. What I always find a little bit difficult to understand is, if we were to look at getting a member of staff, how would that impact on the business? How does that impact on basically paying that person?’ (OME31)

Critically, the lack of managerial skills reduces growth capacity and can significantly delay or stifle growth in a micro-business. One OME highlighted the key role that managerial capabilities can play in speeding up business development:

‘Operationally we’re very good, but we’re not very good at sales and marketing, and it’s taken us a long time to get to even where we are now. I do generally feel that, with what I know now, if I’d have known that three years ago, we would have gotten to where we are now quicker.’ (OME21)

Therefore, managerial skills are critical in developing the expertise required to plan and manage growth in a micro-business. It is here, however, where the OME-centric nature of micro-businesses creates further constraints.

**Time constraints.** The OME-centric nature of a micro-business means that OMEs undertake multiple responsibilities and often must learn to do everything by themselves (Smallbone 2016). As one highlighted, ‘you tend to have multiple hats’ (OME12), while another explained that ‘because it is such a small business, you have to be everybody, from an MD [Managing Director] to a tea boy’ (OME15). Nevertheless, a main barrier to developing those capabilities is time constraints, with OMEs struggling to balance their efforts between the day-to-day running of the business and managing the business. A business development manager explained:

‘They’re so busy doing the job that they can’t take time out or don’t traditionally take time out to look and focus on their business and grow ... They’re just embroiled on that hamster wheel of “Oh God, I’ve got to deliver on the next contract and I can’t turn that down” ... They don’t have a HR department. They don’t have a finance department. They are everything so it’s reliant on those skills.’ (S4)

As such, OMEs often become immersed in the day-to-day operations (LeBrasseur *et al.*, 2003), which detracts from managing the business, thereby stymieing or delaying growth. This makes running a micro-business very much a ‘juggling act’:

‘I do spend too much time within the business and not enough time on it. Finding the time to juggle with various different roles is quite challenging.’ (OME12)

‘I do everything. I do all the cash flow, I do HR ... I literally get up at seven in the morning and I do not stop with my business until about nine-ten o’clock at night.’ (OME18)

Therefore, the lack of time, a reflection of the OME-centric nature of micro-businesses, becomes a key growth constraint. Working between running the business, which generates the monthly income, and growing the business, which requires managerial capabilities and time away from the day-to-day operations, is challenging. As a result, many micro-businesses become constrained by their own nature. Two OMEs emphasised the detrimental impact on their businesses:

‘You almost have to become a master of everything, but what actually happens is you become a master of none and you almost take a shotgun approach to everything ... so what happens is you end up spending a lot of time trying to figure everything rather than spending concentrated time on specific targets.’ (OME21)

‘Everyone within the business is maxed out ... and that then prevents us from having thinking time and time to look at the growth of the business and to explore that properly.’ (OME35)

As a corollary, OMEs are unable to engage in many of the business practices identified as growth-driving, such as marketing, business planning and networking (Gherhes *et al.*, 2016). Indeed, ‘time is money’ in a micro-business, hence why many remain focused on operations:

‘I don’t really do a lot of [networking] ... The probability of me getting a decent contact that will turn into work is not high enough to justify my time.’ (OME6)

‘You’re too busy trying to get the money in than trying to make things work to bother with [planning].’ (OME19)

**The need to increase growth capacity.** As business growth requires a transition from the day-to-day running of the business to managing the business, there is an argument to be made that employing others can increase micro-businesses’ growth capacity by freeing up time for OMEs to focus on managing the business. Indeed, an OME explained that ‘in order for me to stop working 70-80 hours a week, then perhaps I do need to start looking at growth.’ (OME36). A

such, employing others and delegating the day-to-day operations can free up time for business development while adding growth capacity. Two OMEs emphasised:

‘If you’re going to go from just being an entrepreneur to be an actual business then you do need to go through that step change of bringing people on board to do the things that you don’t need to be doing so that you can concentrate on actually going out and getting more clients or growing the business.’ (OME 26)

‘The sooner I can get other people to do what I do, which would allow me to concentrate more on the sales side, the better.’ (OME21)

Recruitment, however, is a key challenge that often arises due to the lack of time and resources (Fielden *et al.*, 2000; Gherhes *et al.*, 2016). The interviews highlighted that the availability of resources in particular plays an important role in shaping recruitment decisions:

‘With the amount of money that I’d have to outlay, it’s just a massive decision. It’d take quite a chunk of the money that I’m making to bring somebody in ... so it’s a big decision.’ (OME16)

‘It’s what we call “chicken and egg”. It’s about if you wait until you’ve got the business and then employ more people, or do you employ more people and take the risk of whether or not the business will come along?’ (OME35)

While highlighting the inherent challenges generated by the OME-centric nature of micro-businesses, such firm-level constraints do not provide a complete picture of the growth constraints facing micro-businesses. It is here where the ‘growth potential triangle’ of ambition, capabilities and opportunities misses an important element, namely the context in which micro-businesses operate.

### *The ‘additional’ costs of being peripheral*

The interviews highlighted that the local operating context in PPIPs adds an additional layer of growth constraints for micro-businesses. The following three sections analyse in detail the ‘additional costs’ for micro-businesses operating in the post-industrial periphery.

**A shortage of higher skilled labour.** The local stakeholders underlined that Doncaster’s capacity to support entrepreneurial-led renewal and growth is limited, as one of the most

prominent challenges facing the locality is its low skills equilibrium, with a lower proportion of the local workforce in higher skilled occupations. This sees local businesses facing ‘a real inability ... to access skilled labour’ (S3), with fewer high-skilled people to employ. This, in turn, also fundamentally shapes the opportunity environment. As an OME emphasised:

‘In Doncaster it depends what you want to do as a business. If you want to set up a haulage company or a manual labour company, it’s fantastic because the skill set in Doncaster is not particularly high and you get a lot of unskilled people ... but if you want high-skilled people you’re not going to attract them in Doncaster.’ (OME7)

Therefore, beyond firm-level constraints, the growth of many micro-businesses operating in PPIPs is stymied by the challenge of finding the ‘right people’, which is compounded by the peripheral post-industrial context. As Coad, Nielsen and Timmermans (2017, p.38) highlight, “the first hire may well be the most daunting and difficult growth event that a firm will ever undertake”. For micro-businesses operating in PPIPs, this is compounded by limited availability of higher skilled labour, one of the main barriers to growth:

‘The main barrier is being able to recruit the right staff to enable that growth ... There must be a skills shortage because a lot of the CVs that I’m getting across my desk are not necessarily from Doncaster.’ (OME1)

‘[The main barrier is] finding the right person with the right skills in the local area ... It’s finding the right people.’ (OME24)

‘For me to attract the staff that I need, with all due respect to Doncaster, I’m not going to find that in Doncaster.’ (OME28)

Moreover, the reasons that underpin the shortage of higher-skilled people in the locality are connected to the impact of institutional hysteresis shown by Gherhes *et al.* (2018) to constrain entrepreneurial activity in PPIPs. On the one hand, the locality is characterised by lower educational attainment levels manifesting as a legacy of the past (Stuetzer *et al.*, 2016). On the other hand, the ‘brain drain’ that results from a combination of institutional hysteresis and negative perceptions of place and opportunity not only diminishes the local stock of potential entrepreneurs but extends into a more general ‘skills drain’, with graduates leaving to find work in core cities where they perceive to have better opportunities:

‘The problem is the brightest will always be attracted to perhaps Leeds or London, and so to get a bright candidate... they’re probably not going to want to work in Doncaster for a particularly skilled professional position.’ (OME25)

Indeed, Swinney and Williams’ (2016) report shows Doncaster among the minority of cities with a negative net inflow of graduates. However, the challenge is compounded by low aspirations reflected in a persistence of lower levels of educational attainment in the locality. As a stakeholder explained, ‘one of the problems is that learning is not always seen as providing sufficient benefits for people or certainly not linked to longer-term aspirations’ (S7). As a result, ‘there is quite a gulf between what businesses need and the perception of a lot of young people as to what’s possible and how they need to shape their education accordingly’ (S8). Part of the issue is that ‘there’s no university here, so the highest level of education that one can achieve is A-Levels ... The majority of the population is A-Level or GCSE qualified’ (OME19). As a corollary, the skills available locally are inadequate to support the growth of local businesses:

‘The people that do remain are the ones that obviously haven’t gone to university or haven’t done as well at school – this is a big generalisation – because there’s not been anything to keep those more aspirational or those people with those skills in Doncaster.’ (S12)

Consequently, and critically, many micro-businesses prefer to remain small and orientate their ambition away from employment growth, finding different ways to cope with the difficulty to recruit people:

‘It’s easier for me to pay more money to a subcontractor, because I know that they’re very good at what they do and that’s what I’m paying for, whereas with the [local] students or someone similar there’s a barrier to break through, and that barrier is: is the work that they’re going to produce good enough?’ (OME9)

Therefore, institutional hysteresis in PPIPs like Doncaster not only hinders the creation of a more entrepreneurial and resilient economy (Gherhes *et al.*, 2018), but also stymies the growth of established local businesses as aspirations and educational attainment levels remain low, and negative perceptions of place drive the higher-skilled towards economic cores. As a result, Doncaster as a city-regional periphery is being ‘emptied’ of the talent that could otherwise support growth in the locality. The perceived lack of opportunities has transformed

Doncaster into a 'dormitory town' for Sheffield and other nearby core cities, while imposing an 'additional cost' for the micro-businesses operating at the periphery.

**A challenging business environment.** Another aspect of the local operating context that makes growth more challenging in PPIPs is the business environment itself which, as emphasised by many OMEs, reflects the fact that the local economy is still in its infancy and recovering after the collapse of traditional industries. While Doncaster provides many opportunities for business around its connectivity and natural infrastructure, it is still a difficult place to do business:

'I know you've got to work for everything but as an individual business owner [in Doncaster] you've got to really work in order to make it.' (OME18)

'You do have to go out and door-knock and you actually have to go out there and put yourself out there. It's not a place where you can say "Right, we're in business. Where are all the customers?" It doesn't happen like that in Doncaster.' (OME21)

A particular aspect highlighted by many OMEs is that the local business community is rather 'closed' and difficult for new businesses to penetrate. Specifically, competition 'seems to be between a select few' (OME8), with many local businesses being not only inward-facing but also reluctant to engage and do business with other new businesses. This apparent lack of trust reflects the parochial attitude of the local communities, as many 'tend to keep themselves for themselves' (OME27), with business being hindered by what an OME highlights as a 'small town mindset' (OME31). This reflects the strongly localised character of informal networks in peripheral places (Atterton, 2007), highlighting how difficult it is for new businesses to penetrate such close-knit environments:

'I find the Doncaster business area to be quite incestuous. People tend to stick to what they know ... A lot of business is done off the back of friendships and personal connections rather than business decisions.' (OME21)

'Doncaster suffers massively from a very cliquy business environment ... everyone knows each other very well and it's difficult to break through that, so it's just easier for me to stay on the periphery and not really actively look for work in Doncaster.' (OME9)

**Negative outward perceptions.** Many micro-businesses highlighted the impact of negative outward perceptions of Doncaster as a PPIP. The locality is perceived as a deprived area and a rundown community with a ‘coal mining stigma’ (OME29) attached to it, and it is seen often regarded as ‘the poorer relation of Sheffield’ (OME28). Critically, these negative outward perceptions of place have a detrimental impact on the way businesses operating in the locality are also perceived from the outside:

‘There’s a perception externally that Doncaster and links to Barnsley are the worst areas of South Yorkshire ... and people don’t think that businesses in Doncaster are any good because of that perception ... It doesn’t have a positive image attached to it and it does make it hard work.’ (OME21)

‘Further afield, the perception of dealing with a Doncaster business... I think people would rather deal with something like Sheffield with a more entrepreneurial reputation.’ (OME33)

Moreover, this has made location itself a constraint for micro-businesses operating in the post-industrial periphery, stymieing the growth ambition of many of the local micro-businesses:

‘It’s the mood and how Doncaster’s perceived ... I’m being rejected because of where I am. That’s the thing that can hold a business such as mine back, exactly where I am located.’ (OME28)

‘Generally, big clients tend to go for big cities to get the big agencies involved so it is a probably tougher market than most.’ (OME11)

Critically, the detrimental impact of such negative outward perceptions extends to attracting and retaining talent from outside of Doncaster, with the higher-skilled less likely or willing to seek employment in the post-industrial periphery. This highlights the negative impact of the skewed public perception of many UK northern towns on entrepreneurship at the periphery (Cox and Longlands, 2016), as well as the ways in which the stigmatisation of such places can stymie entrepreneurial activity (Wakefield and McMullan, 20105). An OME explained:

‘Doncaster [is] associated with the mining industry, and I think that’s perhaps why professional people are not coming to Doncaster itself. I think they’re in places like Sheffield.’ (OME35)

Therefore, micro-businesses operating in PPIPs are constrained not only by the negative effects of institutional hysteresis (Gherhes *et al.*, 2018), which makes recruitment more challenging due to the limited local availability of higher-skilled labour, but also by a ‘vicious circle’ of a ‘closed’ local business environment and negative outward perceptions.

## **Discussion and policy implications**

The paper advances the understanding of micro-business growth and contributes to the scarce extant literature on the topic. In particular, the findings identify two sets of growth constraints facing micro-businesses in PPIPs. Importantly, these suggest that each set impacts micro-business growth in different ways. Specifically, the first set relating to individual/firm-level constraints, which stems from OME-centric nature of micro-businesses, is likely to have a direct impact on both turnover and employment growth. For example, both turnover and employment growth can be limited by the lack of ambition to grow in any respect, the lack of managerial skills and time constraints in both running the business and managing growth. Even where the OME has the ambition to grow the turnover, there are limits to this without increasing growth capacity by taking on (more) employees.

The second set, which relates to the local operating context, is likely to primarily impact employment growth negatively as high skill labour shortages and negative outward perceptions make it challenging to find or attract the ‘right person’. However, this additional layer of constraint can also, indirectly, affect turnover growth by limiting growth ambition and capacity, as without increasing growth capacity by employing others the micro-businesses will inadvertently remain small and constrained by their OME-centric nature. This is also illustrated in OMEs’ perception of the local environment as being particularly challenging.

### *A context-sensitive model of micro-business growth constraints*

The paper enhances the understanding of micro-business growth constraints, advancing knowledge in this area by demonstrating the critical role of the local operating context, which comprises the social and institutional contexts, in shaping micro-business growth. The diagram presented in Figure 2 seeks to conceptualise the findings, specifically the relationship between micro-business growth and the local operating context, presenting a context-sensitive model of micro-business growth constraints. The inner circle contained by the triangle represents the

OME while the triangle represents the firm, as defined by its ambition, capacity and opportunities.

By showing how the circle relates to the triangle, the figure illustrates the OME-centric nature of micro-businesses, with the ambition, capacity and opportunities of the firm being inseparable from the ambition, capacity and aspirations of the OME. Moreover, and critically, it illustrates micro-businesses as embedded within their local operating contexts. This can significantly constrain their growth potential and ambition. as highlighted in the case pf Doncaster as a PPIP. This is represented in the figure by the outer dotted circle. The outer square represents the wider institutional context in which the locality is embedded and is meant to illustrate the nested character of institutions and contexts.

[Figure 2 at end]

There are two important ways in which the diagram advances knowledge on micro-business growth, as its design provides two levels of analysis. First, there is the OME/firm level of analysis represented by the inner circle and the triangle that comprises it, that is the micro-business. While the diagram reflects a conceptualisation of the relationship between the OME and the firm where the circle touches upon all three sides of the triangle, in reality, the configuration will vary with every micro-business. As such, the triangle will not always be equilateral, that is the firm/OME does not always balance the three sides, which will hence vary in length. For example, if the circle touches upon ambition, but not on capacity and opportunities, this means that, while there are growth opportunities available to the firm and capacity can be further developed, the OME's, and implicitly, the firm's growth ambition is maximised. Here, the issue is not necessarily the capacity of the firm/OME, nor the growth opportunities available, but the ambition of the OME. While the OME has the capacity necessary to growth the business, and there is scope for pursuing more/new growth opportunities, the OME lacks the ambition required to realise those opportunities. Such a configuration applies, for example, in the cases of OME33 and OME36, for whom the decision to not grow the business is simply a personal choice.

There is also the case, rather often as highlighted by the OME interviews, where the OME has the ambition to grow the business, and there are growth opportunities available to do so, but they lack the capacity, that is the skills, necessary for this. In this case, the capacity side would be shorter than the ambition and opportunities sides to reflect the reduced capacity of the firm. The circle, however, may not touch either side of the triangle, reflecting the capacity for further development in each area. Such a situation, for example, applies in the cases of OME21, OME29 and OME31. As the paper has shown, managerial skills are critical to growing micro-businesses. It is here where business support programmes can intervene to unlock the growth potential of micro-businesses through development and training programmes.

In addition, regardless of the type of triangle and the size of its sides, the circle can grow to a size where it becomes fully constrained by the triangle, which means that the micro-business has reached its potential given the OME's ambition, capacity and the growth opportunities available in a given context. In this case, there is a need to grow the triangle, that is the firm, in order to further grow the micro-business, and this means employing other people, that is adding more circles within the triangle. In doing so, while the opportunities available to the firm may not change, the ambition and capacity, and thus performance, of the firm can be significantly increased by the employment of others. Indeed, Coad, Nielsen and Timmermans (2017) show that solo entrepreneurs, which represent 53 percent of the OMEs interviewed, experience higher sales growth in subsequent years after hiring their first employee.

However, here is where the outer dotted circle, representing the local operating context, provides a further level of analysis that enhances the understanding of micro-business growth. The growth of the triangle, that is the micro-business, is influenced by the local context in which the micro-business operates. As the findings demonstrate, growing a micro-business in Doncaster as a PPIP is challenging as institutional hysteresis impacts negatively on the availability and nature of local skills, which makes employing others difficult, as well as due to the additional costs to being peripheral. These translate into barriers to doing business locally and negative outward perceptions of place, which makes location itself a constraint for businesses operating at the periphery. Therefore, just as in the case of the inner circle, that is the OME, and triangle, that is the firm, there are different possible configurations in terms of how the triangle may relate to the outer circle. Such configurations relate to the extent and ways in which the local operating context constrains the growth of the firm. In Doncaster's

case, the local operating and socio-institutional context is constraining the growth of micro-businesses in the locality.

Therefore, micro-business growth depends not only on the OME's ambition and capacity, and the opportunities available to the firm, but also on the characteristics of the local operating and socio-institutional context. Through this conceptualisation of the findings, the figure highlights the tensions between micro-business growth and the local operational and socio-institutional context as well as that micro-business growth is highly context-dependent. While this model is based on insights drawn from the case study of Doncaster, which limits the generalisability of the findings, its analytic relevance is broader and warrants further research.

Specifically, while micro-businesses operating in the PPIP of Doncaster are facing particularly acute and localised growth constraints stemming from the local operational and socio-institutional context, micro-businesses in other localities may face a lower level of constraints or may even be fostered to grow by the local operational and institutional environment. However, further research in other local contexts is required to untangle the context-dependent nature of micro-business growth. This study has demonstrated that contextual factors can compound the constraints inherent in the OME-centric nature of micro-businesses as highlighted in the case study of Doncaster as a PPIP. Other PPIPs may exhibit similar constraining characteristics, but how they play out at the local level may vary.

The paper therefore contributes to the extant but limited literature on micro-businesses. First, while Morrison *et al.* (2003, p.423) refer to capacity as the abilities of the business, the findings highlight that these are virtually undistinguishable from the abilities of the OME, reinforcing the argument that the owner-manager is the company (Lean, 1998) in micro-businesses. Second, the findings provide empirical evidence on the importance of managerial skills in micro-businesses, specifically how the lack of managerial skills reduces growth capacity and can significantly delay or stifle growth in a micro-business (Gherhes *et al.*, 2016). Third, the paper advances the understanding of how the hitherto 'somewhat neglected' (Welter, 2011) local spatial and socio-institutional context (Trettin and Welter, 2011; McKeever *et al.*, 2015; Huggins *et al.*, 2017) shapes micro-business growth in a previously underexplored context, namely that of PPIPs (Benneworth, 2004; Bürcher *et al.*, 2016). In our case study location, the local operational and socio-institutional context imposes an additional layer of growth constraints through limited access to higher-skilled labour, a challenging and 'closed' local business environment and negative outward perceptions and stigmatisation of place

(Wakefield and McMullan, 2005; Cox and Longlands, 2016). These further stymie growth ambition in micro-businesses operating in the PPIP of Doncaster.

Therefore, the paper demonstrates that additional costs in the form of limited access to skilled labour are explained by more than geographical distance (Anderson *et al.*, 2001), namely by legacies of the past manifested through institutional hysteresis at the local level that in PPIPs translate into lower educational attainment levels and result in a more generalised ‘brain’ and ‘skills drain’. Collectively, the findings also provide valuable insights into why PPIPs like Doncaster and other similar places have less qualified human capital (Felzensztein and Gimmon, 2012; Amoros *et al.*, 2013; Stuetzer *et al.*, 2016) that stymies the growth of established (micro-)businesses and therefore why (micro-)businesses operating in peripheral places may be less competitive than those operating in core regions (Bürcher *et al.*, 2016).

### *Policy implications*

The findings generate a number of important policy implications. First, the findings have important implications in the current context of UK enterprise policy which has seen a transition towards supporting businesses with high-growth potential (Mason *et al.*, 2015). Besides the already documented issues with ‘picking winners’ (e.g. Hölzl, 2014; Satterthwaite and Hamilton, 2017), by focusing on businesses with high growth potential, the assumption of policy makers is that such businesses are distributed relatively evenly and display similar characteristics across places, as well as that growth ambition manifests in a relatively similar manner across localities.

However, as highlighted in this paper, the growth ambition of micro-businesses does not necessarily match policy objectives of job creation. The implication is that micro-businesses can become marginalised through the prioritisation of support provision based solely on high growth potential. As emphasised by Coad, Cowling and Siepel (2017), high-growth oriented policies that focus on stimulating employment growth are inappropriate if the underlying conditions are not favourable, which is the case in PPIPs where the local operating context generates additional challenges. Nevertheless, building managerial capacity is critical to enabling micro-business growth, and it is here where enterprise policy can intervene to unlock the growth potential of micro-businesses.

Second, it is critical for policy to acknowledge that “there are considerable differences between places and the extent to which they can generate growth and private sector jobs will

vary” and thus “[p]olicy making needs to reflect these complexities” (BIS, 2010, p.27). Enterprise policy needs not only distinguish between the challenges facing micro-businesses from those facing larger SMEs but to also be sensitive to local social and institutional contexts. The findings thus resonate with recent criticism that a ‘one-size-fits-all’ approach to supporting business growth is inappropriate (Mason *et al.*, 2015; Smallbone, 2016), as given the significant influence of the local operating context on micro-business growth, there is no guarantee that policies that work well in one particular place will achieve the same results elsewhere. Thus, as Wright and Stigliani (2012, p.16) conclude, there is a “need to adapt growth policies to local environmental contexts”.

While the majority of micro-businesses are not high-growth and thus appear less attractive for public support, these play an essential role in the local economies of PPIPs by bringing economic activity to the area and providing employment opportunities. In this context, the paper resonates with the comment that policy makers should acknowledge that “area disparities can arise both because of different characteristics of firms and people within an area and because of different outcomes for the same types of firms and people in different places” and thus “the focus should be on developing a specific understanding of what prevents firms and people within a place from realising their full potential” (BIS, 2010, p.24).

Importantly, the paper shows that micro-business growth constraints can be accentuated by the local operating context which in the case of PPIPs creates additional challenges that are acutely localised. This not to say, however, that the local operating context is constraining across all types of contexts. While the findings of this paper are highly contextualised given the specific focus on PPIPs, these provide valuable lessons for policymakers more broadly. In particular, business support initiatives need to be sensitive to the specific needs of micro-businesses as a subset of SMEs. As the paper highlighted, micro-businesses face specific challenges related to their smallness and dominance of the OME.

Moreover, given the additional constraints that can arise by operating in a challenging environment, promoting place-sensitive enterprise policy by adapting the approach and objectives of support initiatives to local circumstances is critical. Importantly, further work is required to examine the local and national policy response, specifically how enterprise policy, often nationally-conceived, is translated and implemented at the local level and the ability of local policymakers to tailor initiatives to local circumstances.

## Conclusion

The aim of this paper was to develop an empirically-informed contextual understanding of micro-business growth, beyond firm-level constraints. The findings highlight that micro-business growth is inherently dependent on the OME's ambition and capabilities. Ambition, however, can manifest in different ways, with most OMEs showing a drive to increase turnover or profitability rather than to grow the business by employing others. Moreover, the lack of managerial skills acts as a significant constraint on the growth capacity of micro-businesses, while time constraints raise further challenges as OMEs become caught between making a living and long-term strategic planning. In addition, the local operating context, comprising the local social and institutional contexts, adds an additional layer of constraints. Micro-businesses operating in PPIPs face 'additional costs' reflected in limited access to higher-skilled labour, a challenging and 'closed' local business environment and negative outward perceptions of place, which impose significant growth constraints and can stymie their growth ambition.

Therefore, the paper contributes to a better understanding of micro-business growth, one that goes beyond the constraints inherent in the nature of micro-businesses and is sensitive to their local (socio-institutional) operating context. In this context, it is critical that enterprise policy is sensitive to the nature of different types of businesses and their unique challenges and needs, as well as to the local context in which these operate. By showing how the local institutional context in particular constrains the growth of micro-businesses operating in PPIPs, the paper demonstrates how the negative impact of institutional hysteresis at the local level extends beyond stymieing entrepreneurial ambition and aspirations to constraining the growth of established (micro-)businesses. Moreover, by highlighting how the local social and institutional contexts can be a liability for entrepreneurs operating in PPIPs, the paper provides an empirical example of a case where the local operating context constrains the ability of entrepreneurs to operate within the local community by imposing 'additional cost'.

While this paper focused on micro-businesses operating in a PPIP, which as the paper demonstrates represents a more challenging context, future research could explore how different other contexts at different scales influence micro-business growth. For example, future studies could focus on localities or regions, both peripheral and core, where the operating context is favourable and facilitates growth or is leveraged by micro-businesses positively to support their growth. Similarly, comparative case studies of micro-businesses operating in peripheral and core localities or regions could help deepen the understanding of how contextual

factors shape micro-business growth in different places. As such, the paper calls for a greater contextualisation of research on micro-business growth.

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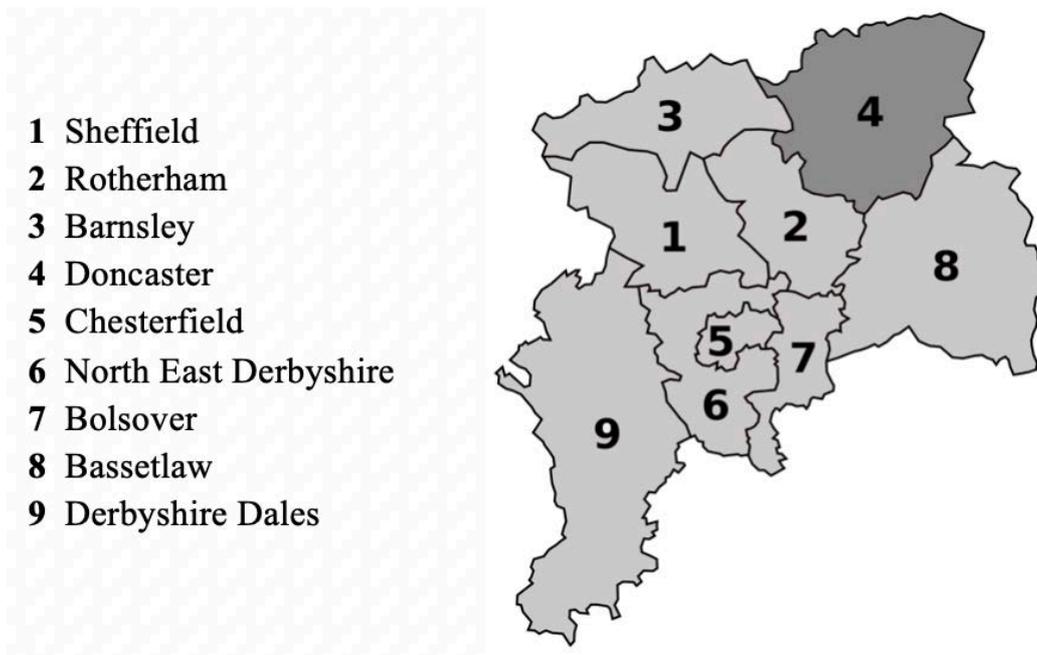
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**Figure 1.** SCR map

Source: adapted from <https://commons.wikimedia.org/w/index.php?curid=6417846>, CC BY-SA 3.0

**Table 1.** Doncaster Business Stock by Employment Size 2015 and 2016

<b>Employment Size Band</b>	<b>2015</b>	<b>% total 2015</b>	<b>2016</b>	<b>% total 2016</b>
Micro (0 to 9)	7,180	88.8	8,260	89.8
0 to 4	6,115	75.6	7,235	78.7
5 to 9	1,060	13.1	1,025	11.1
Small (10 to 49)	740	9.1	765	8.3
Medium-sized (50 to 249)	135	1.7	135	1.5
Large (250+)	40	0.5	35	0.4
Total	8,090	100.0	9,195	100

*Source: UK Business: Activity, Size and Location, 2015; 2016, ONS*

**Table 2.** Survival of newly born enterprise 2011-2016

<b>Local authority</b>	<b>Births (2011)</b>	<b>1-year survival*</b>	<b>2-year survival</b>	<b>3-year survival</b>	<b>4-year survival</b>	<b>5-year survival</b>
Doncaster	805	92.5%	71.9%	54.4%	43.8%	37.5%
Sheffield	1,460	92.8%	73%	58.6%	49.5%	42.3%
SCR average*	3,705	93.8%	74.6%	59.2%	49.0%	42.1%
England average	232,460	93.1%	75.5%	60.4%	50.8%	44.0%

\* Sheffield City Region (Sheffield, Doncaster, Rotherham and Barnsley)

Source: *Business Demography 2016: Enterprise Births, Deaths and Survivals*, ONS

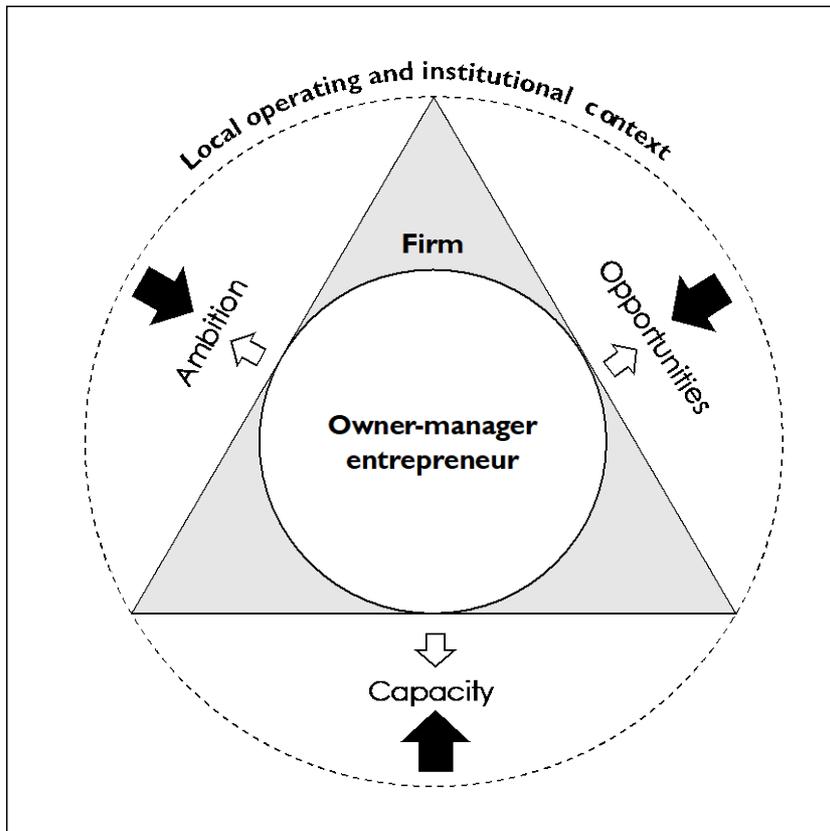
**Table 3.** Enterprise by turnover size band

Local authority	£0-49*	£50-99*	£100-249*	£250-499 *	£500-999*	£1000-1999*	£2000-4999*	£5000-9999*	£10000-49999*	£50000+*
Doncaster	27.8%	20.5%	26.4%	11.1%	6.1%	3.6%	2.3%	1.1%	0.8%	0.2%
Sheffield	15.4%	23.4%	30.2%	12.5%	7.8%	5.1%	3.1%	1.3%	1.0%	0.3%

\* £000's

Source: *UK Business: Activity, Size and Location 2016, ONS*

## Wider Institutional Context



### Key

➤ Institutional Dynamic    ◁ Firm Dynamic

*Size of the arrow reflects growth/growth constraint*

**Figure 2.** A context-sensitive model of micro-business growth constraints

## Appendix A. Profile of micro-business respondents

<b>Respondent</b>	<b>Industry/Sector</b>	<b>Size of business (number of employees)*</b>	<b>Age of business*</b>
OME1	Professional services	5–9	6–10 years
OME2	Healthcare	0	2–5 years
OME3	Education	1–4	2–5 years
OME4	Commercial cleaning	1–4	<1 year
OME5	Marketing/media	0	2–5 years
OME6	Advanced manufacturing	0	2–5 years
OME7	Financial services	5–9	2–5 years
OME8	Financial services	5–9	2–5 years
OME9	Marketing/media	0	6–10 years
OME10	Hospitality	0	<1 year
OME11	Marketing/media	0	2–5 years
OME12	Telecommunications	1–4	2–5 years
OME13	Manufacturing	0	2–5 years
OME14	Retail	0	2–5 years
OME15	Energy	5–9	1–2 years
OME16	Marketing/media	0	2–5 years
OME17	Education	1–4	1–2 years
OME18	Catering	5–9	2–5 years
OME19	Marketing/media	1–4	2–5 years
OME20	Professional services	0	6–10 years
OME21	Professional services	0	2–5 years
OME22	Professional services	0	<1 year
OME23	Marketing/media	0	6–10 years
OME24	Marketing/media	1–4	6–10 years
OME25	Property management	5–9	6–10 years
OME26	Professional services	0	>10 years
OME27	Professional services	0	>10 years
OME28	Marketing/media	0	6–10 years
OME29	Marketing/media	0	1–2 years
OME30	Marketing/media	1–4	>10 years
OME31	Marketing/media	1–4	6–10 years
OME32	Marketing/media	5–9	6–10 years
OME33	Professional services	0	6–10 years
OME34	Professional services	5–9	2–5 years
OME35	Professional services	5–9	6–10 years
OME36	Marketing/media	0	6–10 years

\* As at the date of the interview

## Profile of stakeholders

<b>Respondent</b>	<b>Organisation</b>	<b>Position/Remit</b>
S1	Business Doncaster *	Business Support
S2	Doncaster Chamber of Commerce	Doncaster Chamber Officer
S3	Doncaster Chamber of Commerce	Doncaster Chamber Officer
S4	Business Doncaster	Business Support
S5	Doncaster Metropolitan Borough Council	Economic Development Policy
S6	SCR LEP	Business Growth
S7	Doncaster Metropolitan Borough Council	Planning Policy
S8	Doncaster Metropolitan Borough Council	Economic Development Policy
S9	SCR LEP	Economic Policy
S10	Business Doncaster	Business Support
S11	Business Doncaster	Business Support
S12	Doncaster Metropolitan Borough Council	Economic Development Policy
S13	Doncaster Chamber of Commerce	Business Support
S14	SCR LEP	Economic Policy

\* Business Doncaster is the business support department of Doncaster MBC (DMBC).