Queensland Small Business Commissioner

Understanding the life cycle and mindset of Queensland small businesses

May 2024

Queensland Government

About the report

The Queensland Small Business Commissioner (QSBC) commissioned Central Queensland University (CQU) to undertake this study into the business life cycle and mindset of Queensland small businesses.

Further enquiries or feedback

For enquiries or feedback about this report, or to request a printed copy, contact the QSBC by phoning 1300 312 344 or email strategy@qsbc.qld.gov.au

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Interpreter

Foreword

From our metropolitan cities and regional centres to our most remote towns, we are focused on working together to enhance the operating environment for the more than 480,000 small businesses across Queensland.

We work collaboratively with industry and all levels of government to grow support networks, leverage opportunities, streamline requirements and raise public awareness of small business matters.

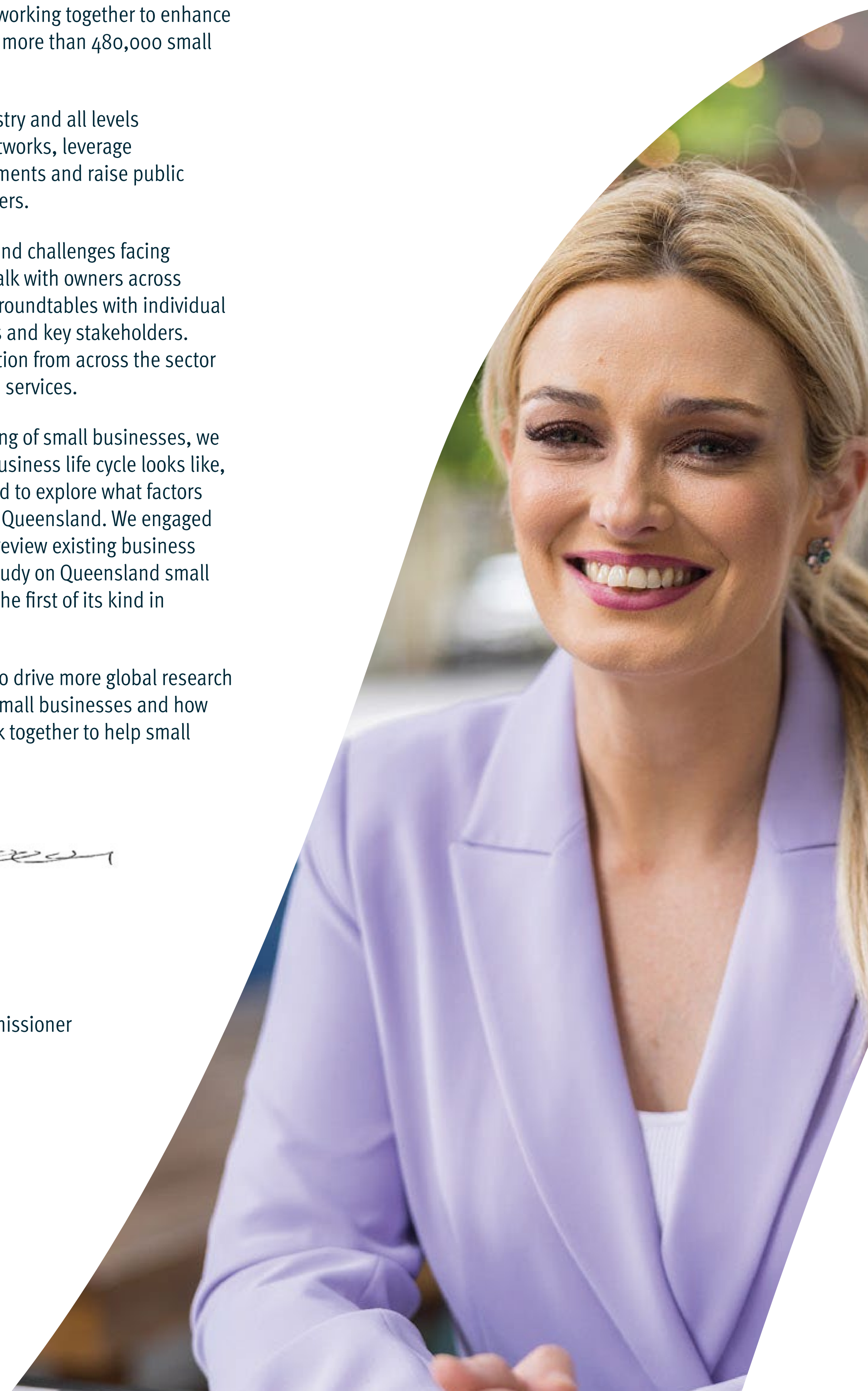
To understand the opportunities and challenges facing small businesses, we frequently talk with owners across Queensland. We facilitate regular roundtables with individual small businesses, industry groups and key stakeholders. We also explore data and information from across the sector including from our own assistance services.

To further bolster our understanding of small businesses, we wanted to clarify what the small business life cycle looks like, and we were particularly interested to explore what factors impact small business mindset in Queensland. We engaged Central Queensland University to review existing business research and conduct a primary study on Queensland small business life cycle and mindset—the first of its kind in Australia.

This research and our report aim to drive more global research to improve the understanding of small businesses and how government and industry can work together to help small businesses thrive.

Dominique Lamb

Queensland Small Business Commissioner



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Glossary of terms and acronyms

Acronym / term	Definition
CATI	Computer-aided telephone interview
Entrepreneurship	The process of conceptualising and executing a new business opportunity
FTE	Full-time equivalent (employees)
Liability of newness	The phenomenon where new businesses are at a higher risk of failing than older businesses
Liability of smallness	The limitations of smaller businesses, relative to larger businesses, in terms of resources and capabilities, and the vulnerability of smaller businesses to socio-economic changes
Life cycle / business stages	The progression or evolution of a business in stages over time
Mindset	The set of attitudes, expectations, and preferences of business owners in relation to operating their business
Small business	A business with fewer than 20 full-time equivalent (FTE) employees (applicable to Australia)
Owner	Collectively refers to small business owners, founders and managers
SWOT	Strengths, weaknesses, opportunities, and threats

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Executive summary

The idea that businesses evolve over a life cycle, and that each stage of business development is associated with certain challenges, has been the subject of business research for over 50 years. Understanding the life cycle and mindset of small businesses is crucial for government, industry groups and small businesses to help target opportunities and tailor interventions to appropriately support small businesses throughout the life of the business.

This study explored the stages of the small business life cycle and the mindset of small business owners, and considered these ideas in the context of Queensland small businesses. The aim of the study was to identify a simple model to represent the life cycle of small businesses, and to gain an understanding of the small business mindset and any changes to the mindset across the life of a small business.

This work is the first integrated study of the small business life cycle and mindset of small business owners. While much research has focused on what would be considered in Australia to be large ('big') businesses, there is almost no peer-reviewed literature about small businesses. This study contributes to bridging the gap between theory and practice by offering additional insights about Queensland small businesses.

Key findings

The approach taken by this study included a systematic literature review of the last two decades of peer-reviewed global research that explored business life cycle or stage theories and mindset. In examining the literature this study made several key findings. For example, small business owners:

- preference stability over growth
- with access to more resources (financial and human) at the initiation stage are more likely to succeed
- tend to take more risks and be more dynamic when the business is newer, whereas older businesses are more focused on maintaining the status quo
- who run family businesses are less likely to exit than other business types
- with a positive attitude towards stress are more resilient and more able to navigate challenges
- must be agile, competent across a range of skills, able to recognise gaps in their capabilities and astute at seeking help.

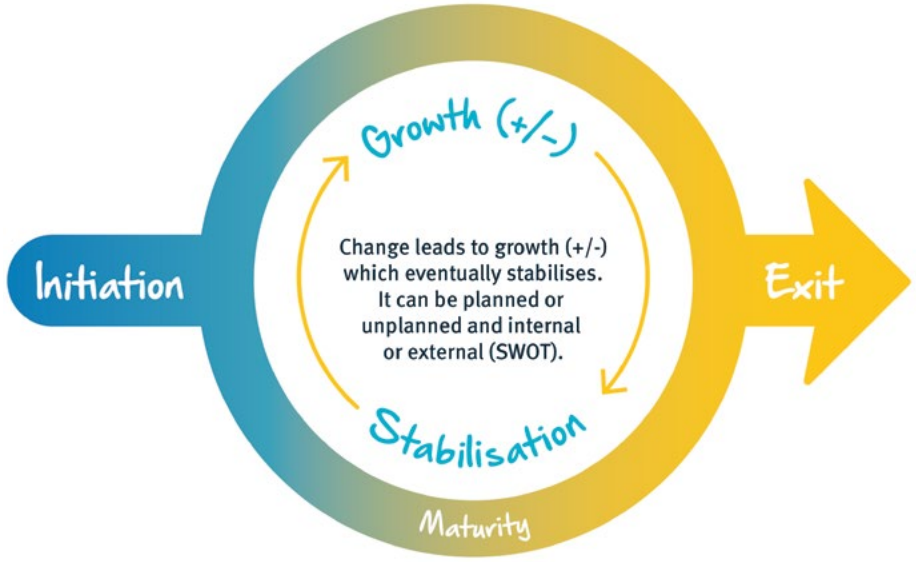
To test these theories and understand the specific life cycle and mindset of small businesses in Queensland, a quantitative survey and qualitative interviews with Queensland small business owners was undertaken.

In relation to the small business life cycle, this study found that Queensland small business owners:

- see business development as a cycle of growth (positive or negative) and stabilisation, rather than a sequential process
- do not necessarily equate age of business with life cycle stage
- seek to achieve and maintain a platform of stability from which they can choose to expand, diversify, step back or even exit from the business
- are driven to achieve stability due to the inescapabilty and intensity of running a small business
- believe exiting the business on their own terms can be a mark of success.

This study found that models of the small business life cycle do not need to be complicated to accurately reflect the lived experience of small business owners. The optimal small business life cycle identified by this study includes four stages: initiation—where the business is conceived, started, and becomes established; two oscillating stages of growth (positive or negative) and stabilisation—where the business fluctuates between periods of change and periods of 'business as usual'; and exit—where the owner leaves (through sale or succession), the business ends (through closure), or it is renewed (through restructure).

The small business life cvcle



In relation to mindset, this study revealed that Queensland small business owners exhibit a number of 'shared' characteristics including their attitudes towards customers, analytics and innovation. A greater variation in mindset is observed in relation to competition, risk-taking and proactiveness. Typically, Queensland small business owners:

- are highly customer-oriented with a strong focus on customer satisfaction and service
- are open to innovation but tend stay in their comfort zone and avoid risks
- are only somewhat proactive, with a reluctance to be early adopters of new products, services or technologies
- often monitor competitors, but are not inclined to respond quickly to competition
- have a low appetite for risk-taking, even with the prospect of high returns
- do not have a tendency to use research and analytics to inform their decision-making.

When other factors[1] were examined as a function of mindset, additional small business mindset findings emerged, including that:

- newer small businesses tend to embrace risk, innovation, and analytics—this attitude shifts in favour of gaining and retaining stability as the business ages
- regionally located small businesses are more likely to interact with government and external advisors, than those located in cities
- small businesses in the stabilisation or exit stage are less likely to interact with government agencies
- small businesses in the initiation stage are more likely to undertake market analysis and seek external advice, compared to businesses in the growth stage—this orientation decreases further in the exit stage
- non-profits are less inclined to take risks and be proactive, compared to other business structures
- motivation to grow or remain in business appears linked to stronger analytic, proactive, innovation and competitor orientations.

While there are some variations in mindset across the different life cycle stages, overall the study found that the individual mindset of a small business owner does not undergo a distinct shift as the business progresses from one stage to the next, instead remaining fairly 'stable' across the life of the business.

Analysis of the individual survey responses to the mindset variables[2] determined there are six distinct clusters of small business mindsets, which have been translated into small business personas.

1 Other factors examined as a function of mindset in this study included life cycle stage, business owner demographics, business structure, economic conditions, government support and interaction, and motivations to remain in business or grow.

2 The mindset variables examined in this study were customer orientation, competitor orientation, innovation orientation, risk-taking orientation, proactive orientation, and analytic orientation.

Small business personas

The Competitor actively takes on competitors; takes a proactive approach rather than focusing on product or service innovation; and is willing to take on a challenge while controlling risk exposure.

The Traditionalist focuses largely on satisfying customers, such as by changing products and services to respond to customer needs; and has a low appetite for risk or innovation.

The Soloist focuses on keeping their own counsel and minding their own business; believes that if they improve their own game the rest will follow; and, while similar to the Traditionalist, has an even lower risk appetite and is less externally focused.

The Entrepreneur embraces market information, seeking to understand and lead the market rather than follow; and is prepared to take calculated risks.

The Risk-taker is similar to the Entrepreneur but relies more on gut feel than analysis of market intelligence; and has a high risk appetite and often takes risks.

The Vigilant Operator is cautious; and examines the market but is unlikely to make sudden moves in response to perceived risks.

Considerations for action

Based on the findings of this study, a range of considerations have been identified for government and industry.

Policy and program design

- Services and support for small businesses need to be designed with an understanding that most small business owners seek stability over growth.
- Consideration should be given to the different small business personas when designing policies and programs for small businesses.
- Small businesses would benefit from access to intuitive tools that make quantitative information more accessible, and enable easy access to external advice.
- Resources for small businesses need to be tailored to facilitate easy access for time-poor owners, especially for newer small businesses who are more likely to seek support.

Service delivery and engagement

- Small businesses would benefit from government and industry actively promoting the value of networks and the value of using analytics in decision-making.
- Small business owners may not necessarily be receptive to government outreach when they need it most, so engagement approaches should be human-centred.
- Greater effort needs to be made to engage with established/older small businesses and those approaching exit, as these businesses are less likely to seek support.

Conclusion

In conclusion, this study identified that the life cycle of a small business is best described using a simple four-stage model, consisting of initiation, maturity (made up of two oscillating stages of growth and stabilisation) and exit. The primary driver for Queensland small business owners is stabilisation, which provides them with the flexibility to innovate, adapt or exit gracefully.

There are both shared characteristics and distinct differences in small business mindsets, influencing a small business owner's approach to challenges and opportunities. The differences in mindset have been translated into six small business personas—the competitor; the traditionalist; the soloist; the entrepreneur; the risk-taker; and the vigilant operator.

Understanding Queensland small businesses can aid government in tailoring policy interventions and support services to better meet the needs of small businesses, fostering collaboration and ensuring that small businesses continue to thrive.

Introduction

Small businesses are at the heart of our economy. Collectively, almost 98% of businesses in Australia are small businesses, contributing $500 billion, or one-third of Australia's GDP, in 2021–22.[3] Australian small businesses employ more than 5 million people and 42% of all apprentices and trainees—almost double the number employed by big businesses.[4] In that sense, they kickstart the wider workforce on behalf of the nation. In addition, they are often home to employees who may struggle to find roles elsewhere. Of the total 5.5 million migrant jobs in 2020–21, 1.6 million migrant jobs (29.2%) were in small businesses.[5]

In Queensland, there are close to half a million small businesses—the 482,836 small businesses represent 97.1% of all businesses.[6] Nearly half of them (46%) operate in the greater Brisbane area, and the balance is spread across the state.[7] The range of small businesses in Queensland in terms of industry, structure, employee size (less than 20 full-time equivalent (FTE) employees[8]) and turnover is very broad.

The small business sector is growing in Queensland. In 2022–23, the state saw an increase of 9,793 small businesses—the largest net increase of all states and territories.[9] This growth trend was seen throughout the COVID-19 pandemic too, with 42% of small businesses across all industries reporting that profitability rose despite inflationary pressures.[10] Small businesses provide 1,026,000 jobs for Queenslanders, which is 42.3% of all private sector jobs.[11] These jobs are concentrated in less than half of Queensland's small businesses, with 62.1% of small businesses in the state being non-employing and a further 28.04% employing between one and four employees.[12]

There are **482,836** small businesses in Queensland (97.1% of all businesses).

Queensland small businesses employ **1,026,000** people (42.3% of the private workforce).

Queensland had the **highest** small business **growth** (in net increase of businesses) across Australia in 2022–23.

3 Australian Small Business and Family Enterprise Ombudsman (ASBFEO), 2023.
4 ibid.
5 Australian Bureau of Statistics (ABS), 2021.
6 ABS, 2023.
7 ASBFEO, 2024.
8 ABS, 2005.
9 ABS, 2023.
10 Office of the Queensland Small Business Commissioner (QSBC), 2023.
11 Queensland Government Statistician's Office, 2022.
12 ABS, 2023.

About this report

While every small business is different, this study asks the question: What do they have in common? Specifically, we set out to explore: What are the common stages small businesses experience across their life cycle? What can we determine about the mindset of business owners, and does that mindset vary according to the stage of the business life cycle? In other words: What is the mindset of a small business owner across the life cycle?

While statisticians can (and do) report on employment, economic contribution, entries, exits and industry categories, such information, while useful, reveals little about the mindset of the business owner as they negotiate their way through starting, running and exiting a business—that is, the life cycle.

Generally, life cycle theory was developed by academics to explain how businesses evolve from 'conception' (the start of a business) to 'death' (the closure of a business). Using a biological analogy, the theory suggests that a business has the potential to grow and develop if it has access to sufficient resources to ensure its growth; however, that evolution may logically follow very different patterns and reach very different peaks across small businesses.

Given the impact of small businesses on Queensland's economy and wider community, it is imperative to understand the evolution of small businesses and the associated business owner mindset, so that government and industry can tailor interventions and target opportunities to support small businesses across the entire life cycle.

This study, undertaken by Central Queensland University on behalf of the Queensland Small Business Commissioner, contributes to the limited pool of small business research globally and to bridging the gap between theory and practice by offering insights and providing an understanding relevant to Queensland's small business community.

Study approach

This study used three approaches to identify a more realistic business life cycle model and explore small business mindsets:

1. A systematic review of global literature on the business life cycle and small business mindset, using a formal process and in-depth review of 49 papers; thereby offering the first systematic overview into what is known about the small business life cycle and small business mindset.
2. A large Queensland-wide structured computer-aided telephone interview (CATI) survey in which 331 small business owners were surveyed. The survey asked questions about perceived business stage, orientation towards a range of mindset characteristics, and factors which may influence mindset.
3. Extended semi-structured interviews with 20 of the 331 CATI participants. This third stage allowed the study to dive deeper into the mindset characteristics that exist and any correlations between mindset and the different stages of business development.

Collectively, the three aspects of this study offer an unparalleled insight into small business life cycle and mindset from a Queensland small business perspective.

Literature review findings

This section explores the results of a systematic review of the literature from across Australia and around the world. The review looked at studies examining the life cycle of the small business, business owner mindset, and any studies examining the overlap between the two.[13]

How are 'small' businesses represented in the literature?

'Small' is not a settled term and the concept of 'small business' in international research is inconsistent. In Australia, small businesses are often defined as those with less than 20 (FTE) employees; however, in the United States, where the bulk of business research is conducted, small businesses include businesses with up to 500 employees (with a common range of about 200 to 250 employees).[14] This international definition sets the bar for 'small' so high that almost all Queensland businesses would be considered small, as 97.1% of Queensland businesses employ less than 20 (FTE) employees.[15]

This large variation in definition means that the international literature on 'small' business may have limited applicability to the Australian and Queensland context. This is because there are key differences between small and large sized businesses, including:

Specialisation of roles and functions

- Small business owners must fulfill a variety of roles themselves, lacking the division of tasks seen in larger businesses.
- Large businesses encourage and benefit from specialisation in various institutional functions (e.g. procurement, finance, human resources, and product development).

Resource availability

- Small business owners operate with much smaller pools of resources—they have significantly less staff and limited financial options.
- Large businesses have access to extensive resources, including larger business networks and a wide range of financial instruments.

Liability of newness

- Small businesses face the 'liability of newness'[16] —they experience increased vulnerability at the earlier stages of the business due to less established business practices and shorter, less stable relationships with clients.
- Large businesses are generally less susceptible to the challenges associated with the liability of newness as large new businesses have better survival prospects than smaller ones.

Competition and barriers to entry

- Small businesses are more vulnerable to competition from other businesses that offer similar products and services, as there may be fewer barriers to entry in their market.[17]
- Large businesses, with their established market presence and resources, often present higher barriers to entry for potential competitors.

13 A separate report that details the systematic literature review process and extended results is available on request.
14 See Canto-Cuevas et al., 2019; Lawless et al., 2015; Lefebvre, 2021; Matejun & Mikoláš, 2017; Páez et al., 2022.
15 ABS, 2023.
16 See Singh et al., 1986; Wapshott & Mallett, 2022.
17 Singh et al., 1986.

Business researchers commonly focus on larger sized businesses, often due to practical reasons. For example, as 62.1% of Queensland small businesses are non-employing,[18] research questions like 'What does human resource management in small business look like?' become almost meaningless. Large businesses are also more visible, well-documented and easier to access, and there are fewer of them—making them much more convenient research subjects. Larger businesses are also typically used as case studies to examine one of the questions at the centre of this report: 'How do businesses evolve, and what characterises the stages of that evolution?'.

Much of the small business literature tends to conflate 'small business' with 'entrepreneurship'. While in theory these terms would go hand in hand, one of the defining characteristics of successful entrepreneurship is an ability to dynamically manage risk, whereas typical small business owners tend to engage in risk minimisation and avoidance. While risk deters many people from choosing to become self-employed,[19] there is still a substantial proportion of individuals who enter small business intent on avoiding risk and making decisions accordingly.

Entrepreneurs are also typically oriented towards growth, whereas Australian analyses confirm that as many as 40% of small businesses prefer stability to growth.[20] Although entrepreneurs are only a small segment of the small business population, there is a significantly disproportionate amount of research on the 'entrepreneurial' mindset compared to research on the 'small business' mindset (approximately 370 to 1).[21]

18 ABS, 2023.
19 Kan & Tsai, 2006.
20 Holmes & Schaper, 2018.
21 The result of a universal search of Google Scholar for the term "entrepreneurial mindset" (27,600 hits) versus variants of "small business mindset" (including "small business mindset", "small business leader* mindset", "small business management mindset", "small business unit mindset" and "small business owner* mindset"), which collectively produced 74 results on 1 September 2023.

The definition of a 'small' business in business research varies significantly.

A common definition for small business used in Australia is a business with less than 20 (FTE) employees.

There is limited research about small businesses.

Small and large businesses differ greatly in specialisation, resources, vulnerabilities, and competition.

Many small business owners tend to avoid risk and seek stability over growth.

Business life cycles

Why do we think in terms like 'life cycles' and 'stages'? In 1959, Edith Penrose published *The Theory of the Growth of the Firm*, the first substantial theoretical analysis of the growth cycles of (predominantly large) business, providing predictions on why some firms grow and others do not.[22] Her work and its assumptions remain influential and is one of the reasons why stage theories to this day tend to lean towards understanding the development of larger businesses.

Categorising businesses by stages means researchers, government, industry, and business owners can tailor their work to suit businesses at different times. For the small business owner, understanding what management crises or opportunities each stage might bring can help with planning, preparation and even prevention. If, for example, it is typical of a rapid-growth stage of a business that training represents a challenge, small business owners can plan and budget to address this by developing internal capability or outsourcing training.

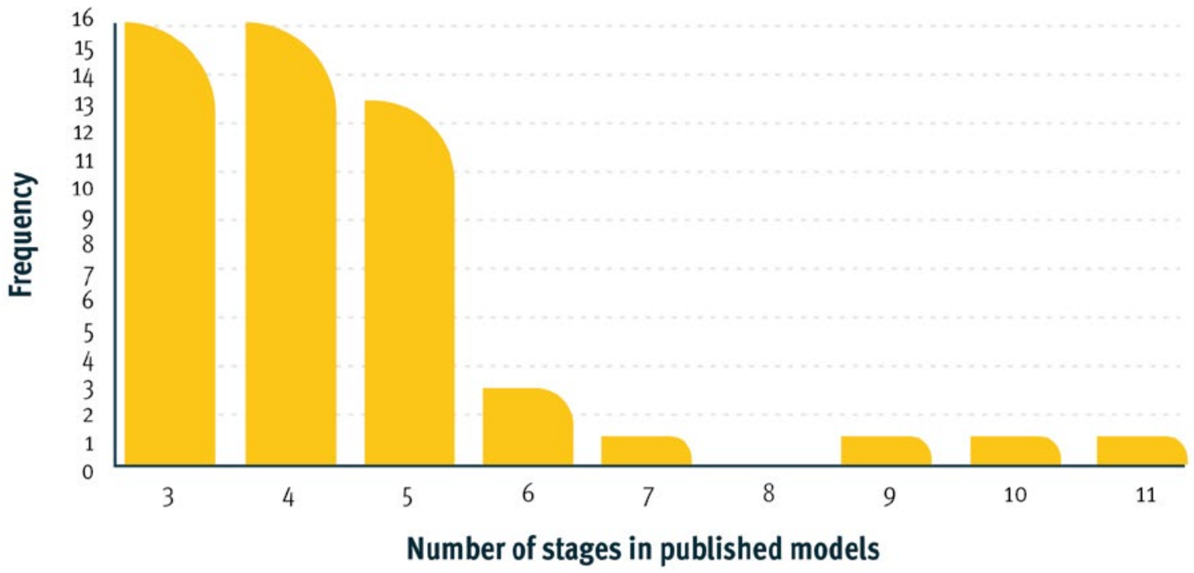
Yet, do such consistent crises or opportunities exist? Organisational researchers working within the context of business life cycle models certainly continue to build theory and practice on the assumption that they do.[23]

How many stages are there?

Penrose's work triggered decades of interest. By 2006, the number of stage models put forward had passed 100, with around half of them claiming to be universal,[24] but there was still little clear consensus on the preferred model.

Levie and Lichtenstein's comprehensive review of the literature around life cycle models is summarised in Figure 1. They uncovered that the most frequent number of stages found in life cycle models was between three or four stages, with the median number being four.[25] This study extends the work of Levie and Lichtenstein and addresses one problem with their review—that they conflate small business models with medium and large business models. Grouping businesses of all sizes together may offer a distorted view of the small business life cycle.

Figure 1: Examining life cycle models for the frequency of number of stages



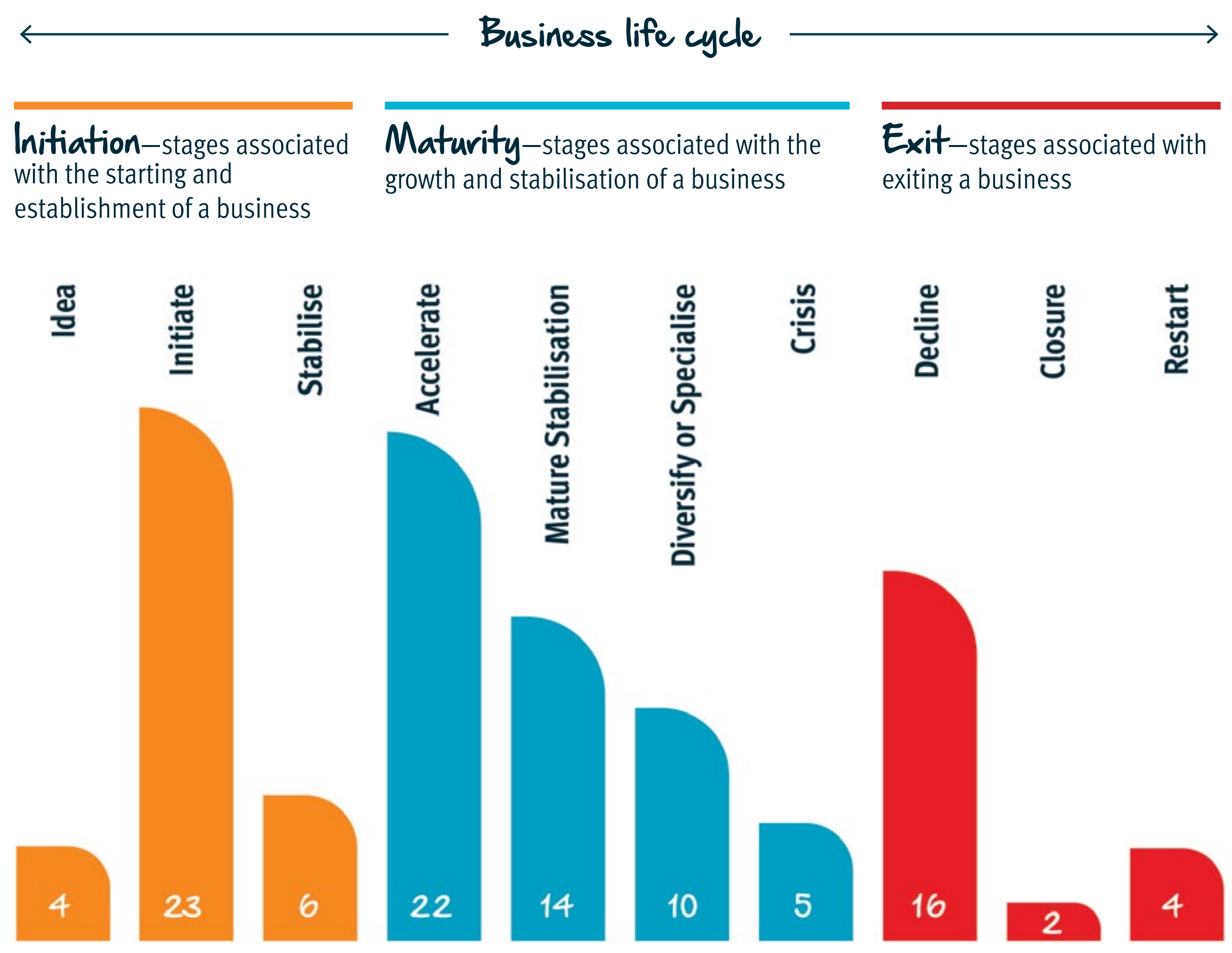
Source: Based on Levie & Lichtenstein, 2010.

22 Penrose, 1959.
23 For example, Lewis & Churchill, 1983; Shim et al., 2000.
24 Levie & Lichtenstein, 2010.
25 ibid.

The systematic literature review found that the most common stages mentioned in small business research from the last 20 years included initiation,[26] acceleration[27] and decline.[28] In addition to these common stages, a handful of papers included an inception stage—what one paper called a 'pre-emergence' stage. A group of papers was themed around stabilisation;[29] and several other studies focused on the post-growth opportunity for stability, diversification, and specialisation—but also the possibility of crisis or stagnation.[30] Finally, a few studies considered the opportunity of rebirth.[31]

As shown in Figure 2, these stages can be broadly grouped into initiation, maturity and exit.

Figure 2: Frequency of life cycle stage terms in peer-reviewed journals in the last 20 years



26 Other terminology included 'existence', 'emergence', 'baby' and 'birth' (23 studies in total).
27 Other terminology included 'success' and 'dynamic growth' (22 studies in total).
28 Other terminology included 'exiting' and 'ending' (16 studies in total).
29 Other terminology included 'survival', 'functional efficiency', and 'first success' (8 studies in total).
30 Other terminology included 'crisis' and 'conflict' (5 studies in total).
31 Other terminology included 'regeneration', 'revitalisation', and 'revival' (4 studies in total).

Generally, the papers determined the development stage using the age of the business, although occasionally age and business size were combined to establish a stage.[32] The combined age and size of a business infers growth, as does number of employees; however, most of the large American papers that examined the link between business age and life cycle stage found that growth, rather than age, better reflected the development stages.[33]

One of the best examples of a blended approach emerged in an Australian paper that predominantly drew on small and micro businesses for its sample.[34] The paper recommended that a combination of age, turnover, number of employees and rate of growth be used to determine business stage.

In summary, there is no consensus on the number of stages or how to determine business stage, as theories are based on logical or theoretical assumptions of how a business transitions through its life span rather than on a data-driven approach. That said, according to the literature reviewed in this study there are three general stages: (1) initiation; (2) maturity; and (3) exit.

Understanding the development stages of small businesses, and the associated threats and opportunities, is key.

Existing business life cycle research tends to be focused on larger businesses.

Business life cycle models have three general stages: initiation, maturity and exit.

32 Ling et al., 2007; Petković et al., 2016; Pirolo & Presutti, 2010.
33 See Rutherford et al., 2003; Hamilton, 2012.
34 Kiriri, 2005.

Impact of business stage on mindset

The general stages of initiation, maturity and exit consistently described in the literature are logical: every business has a beginning, a middle and an end. Every business owner seeking to delay exiting their business needs the business to grow to a viable point where they can stabilise it. From a theoretical as well as planning perspective, it is often useful to inspect both ends of the business life cycle. What predicts the initiation of a business, its maturity, and the exit from the business? And do these predictors offer some insight into the 'ideal' mindset of the small business owner across these stages?

Little research exists on the initiation stage, as analysing the initiation of a business is difficult for researchers to do. People who intend to start a business are often not visible until they are well established. Furthermore, significant churn in the small business sector means many businesses never grow beyond the initiation stage.

There are few papers that include an exit stage, examining the decline phase and closure of small businesses, for the obvious reason that not all businesses decline or close. The absence of research into businesses in the decline phase may also be due to shorter business closure timeframes in the small business sector, as larger businesses generally take longer to wind down. In addition, finding businesses that are active but in the decline phase is a challenge, given that their owners do not generally make themselves available to researchers.[35] However, one Australian study of small businesses did explore the exit stage and found little evidence for a decline phase in small businesses.[36] Rather, the study determined that while the majority of businesses progressed through life cycle stages, some regressed (i.e. returned to an earlier state)—a finding in common with other research studies.[37]

Initiation stage

Little of the life cycle literature on small businesses addresses the question of what predicts the establishment of a business. However, research into a sample of new small businesses in Western Australia uncovered several motivational factors that may trigger the initiation of a small business:

- Investment – including wanting to invest personal savings and fulfill the need for a job
- Creativity – including the desire to realise a dream and wanting to take advantage of talents
- Autonomy – including wanting to set own hours and the desire to be one's own boss
- Status – including the desire to increase perceived status and wanting to continue a family tradition
- Market opportunity – including the desire to take advantage of a market opportunity
- Money – including the desire to earn more money and keep profits.[38]

Financial-related motivational factors, such as the need for a job or higher income, were the most common initiation triggers amongst a group of rural Victorian women in small business that were the topic of another Australian paper.[39]

35 Matejun & Mikolas, 2017; Perenyi et al., 2011.
36 Perenyi et al., 2011.
37 Matejun & Mikolas, 2017.
38 Mazzarol et al., 1998.
39 Newton et al., 2003.

Maturity stage

Numerous papers had looked at maturity (including growth, stabilisation, and survival stages) of a business. It is important to note that some small businesses stay relatively static over extended periods,[40] or they experience episodic growth periods with alternate periods of stagnation (where the business is stable but not growing).[41] Growth during the life of the business is almost never constant, and consecutive years of growth might be the exception rather than the rule.[42] Fast-growing businesses may in fact be the outlier.[43] Size is perhaps the best predictor of growth—the smaller the business, the easier for it to grow exponentially.[44] However, businesses that start out with more employees were more likely to thrive in the short and long term.[45]

Studies in Australia and elsewhere found higher satisfaction amongst small business employees despite lower pay, less job security, and fewer ancillary benefits than larger businesses.[46] These high levels of satisfaction mean that not all those involved in small businesses, whether owners or employees, necessarily want to experience growth or evolve beyond what the business looked like when it was established.[47]

A large multinational European study found that certain factors and business owner characteristics were associated with expectations of high growth, including male gender (likely due to gender biases); personal acquaintance with an entrepreneur; and access to higher levels of start-up capital.[48] Another study on the predictors of business stabilisation, however, found that female-founded businesses were more likely to hit maturity earlier than male-founded ones.[49] Contextual factors, such as lower levels of competition and being based in less-developed European countries, also helped predict a business' ability to reach maturity.[50]

Long-term survival appears to depend on an interaction between the specific life cycle stage and other factors (e.g. the amount of capital available to owners, the strength of their networks, and industry factors). There is no one-size-fits-all strategy to ensure survival, so businesses must be flexible and adaptable. In fact, a problem-solving mindset is important regardless of the stage.[51] A variety of internal and external factors (e.g. degree of innovation, formalisation of business structure) can also predict stages of growth or stabilisation.[52] Research studies agree, for example, that innovation and novelty may be more important at the early stages of a business.[53]

40 Perenyi et al., 2011.
41 Hamilton, 2012.
42 ibid.
43 Birch & Medoff, 1995.
44 Dragnić, 2014; Ferreira et al., 2011; Hamilton, 2012; Terjesen & Szerb, 2008.
45 Terjesen & Szerb, 2008.
46 Barrett et al., 2009; Benz & Frey, 2008; Clark & Oswald, 1996; Considine & Callus, 2002; Forth et al., 2006; Kalleberg & Van Buren, 1996; National Federation of Independent Business (NFIB), 1997.
47 Clusel et al., 2011.
48 Terjesen & Szerb, 2008.
49 Lambertz & Schulte, 2013.
50 Terjesen & Szerb, 2008.
51 Ciemleja & Lace, 2011.
52 Dragnić, 2014.
53 Ferreira et al., 2011; Ling et al., 2007.

Exit stage

While the papers included in the systematic review are not comprehensive, they represent the small body of work that looks at business failure and exit in a life cycle context and offer insights into what predicts the decline or closure of small businesses.

For example, research has found that businesses in a stage of growth are less likely to fail,[54] and that family businesses are more robust than non-family businesses (reducing their likelihood of exit).[55] The review also found evidence that high-risk owner behaviour coupled with low human capital in the initiation stage is predictive of business exit,[56] and that business owners approaching the exit stage tend to wait too long to get advice.[57] Perhaps unsurprisingly, research on professional businesses in the Netherlands found that diversification of businesses increased as they matured but decreased as they declined.[58]

Transitioning between stages

The question of what triggers or facilitates the transition between one stage and the next was examined by a handful of papers. A large German dataset examined how long it took a business to reach a stage of consolidation (i.e. transition from initiation to stabilisation), and why. It found that, compared to employing businesses, sole traders at initiation took longer to consolidate the business—six years instead of five—and that consolidation length also depended on gender and industry.[59]

Another study examined the language of decision-makers in a company before periods of growth to identify 'trigger points' of a stage transition. The study was only able to identify a few generalisable results, suggesting that trigger points are contextually bound and that several triggers could be operating simultaneously.[60] For example, the emergence of new products or services can be a trigger for change, but these new products or services are often triggered by the availability of resources for research and development.

A review of life cycle models found that a distinction needs to be made between models based on sequential stages and those based on event-based stages.[61] Event-based stages might come about from the sale of a business or a shift of business model from a company to a franchise, for example; sequential models assume that each stage builds on, and transitions from, the previous one—much like a human life cycle theory.

Businesses that start out with **more resources** are more likely to thrive in the short and long-term.

Family businesses and businesses in a **growth stage** are less likely to fail and exit than other businesses.

Non-employing businesses tend to take longer to **transition** from initiation to stabilisation than other types of small businesses.

54 Çera et al., 2019.
55 Madanoglu et al., 2020.
56 See Korunka et al., 2010.
57 Dyer & Ross, 2007.
58 Masurel & Van Montfort, 2006.
59 Lambertz & Schulte, 2013.
60 Tunberg & Gaddefors, 2022.
61 Levie & Lichtenstein, 2010.

Impact of business characteristics on mindset

Small business owners clearly encounter various challenges across the life of their business.[62] Yet very few studies investigate these challenges,[63] the characteristics of the business, or the mindset of business owners. In fact, studies with an explicit focus on mindset in the life cycle literature on small business are rare and none offer an integrated view of mindset as a function of life cycle.

Numerous research studies examined strategy (e.g. in relation to innovation or risk—notably financial risk) and a few studies examined individual and social factors and their relationship with life cycle. Just six of the studies reviewed focused on the Australian context, and of these, most focused on a single aspect (usually finance), while only a few papers focused directly on mindset.

However, some insights into how certain business characteristics and challenges influence mindset across the business life cycle can still be gleaned from the available research.

Leadership

Four research studies looked specifically at managerial characteristics and their relationship with life cycle, but the findings are not particularly clear-cut. Likewise, researchers have examined the link between generic strategies and life cycle[64] and found little support for any consistent links.[65]

One of the better examples is a Portuguese study that explored the dynamic capabilities of business managers as their businesses passed through stages. It asked if managers were able to sense and seize opportunities and reconfigure their strategy to suit their circumstances.[66] The results indicated that in the early stages of development owners were quite dynamic, and as they matured, they placed greater emphasis on maintaining their gains, rather than targeting new opportunities.

Interestingly, a German study concluded that micro-management had no pronounced negative impact on performance regardless of stage.[67]

Resilience

While the stress placed on a particular sector (e.g. retail) during a crisis (e.g. rapidly rising interest rates) may be uniform, the response to that stress is not. For those adopting a mindset that stress triggers personal growth or performance, the response may be less negative.

An American study focusing on smaller businesses found that having a positive stress mindset triggered business owners to embrace, not avoid, challenges. It found that the perceived likelihood of business collapse deepened the negative impact of an avoidant or negative attitude towards stress.[68] This builds on a body of literature termed 'growth mindset theory', which suggests that a positive mindset predicts positive business outcome.

Those with a growth mindset will have more affirmative beliefs about the link between effort and achievement and will manifest positive effort-based strategies.[69] Both Australian and international[70] studies showed that the COVID-19 pandemic severely impacted the viability of small business, and those that survived have emerged with distinctly different profiles. In Queensland, businesses have emerged positively from this period of challenge.[71]

62 Achtenhagen et al., 2017.
63 See Kindstrom et al., 2022.
64 Lester, Parnell, Crandall & Menefee, 2008.
65 Kinghorn, 2018; Rizzo & Fulford, 2012.
66 Páez et al., 2022.
67 Brettel et al., 2010.
68 Paustian-Underdahl et al., 2022.
69 Burnette et al., 2020; Dweck, 2017.
70 NFIB, 2020.
71 QSBC, 2023.

Networks

Several papers explored social characteristics (such as business networking or networks) and the impact of individual characteristics on life cycle stage (and vice versa). The evidence on social capital in the business literature in general is clear: both weak and strong interorganisational ties help sustain or boost a business (i.e. even limited connection can benefit a business).[72] Businesses can offset shortages in resources by strength in knowledge networks.[73] Established businesses tend to have more advanced knowledge networks.[74]

An Italian study found these connections were equally present and important across the life cycle of a sample of IT firms[75]. A Dutch study reliant on a single case study tended to confirm these findings, showing that entrepreneurial networks were valuable to the firm both at the initiation and growth stages.[76] From this set of research it is clear that having a networking mindset—a willingness to seek out and engage with supportive networks—can be a positive for small business owners throughout the life of their business.

Risk

As most businesses in Queensland are small businesses, the implication could be that most business failures fall within this sector.[77] Failure may seem related to a characteristic of a business or an owner, but failure is often found at the crossroads between events and vulnerabilities.

This gives rise to the notion of business vulnerability—the degree to which a business is likely to experience failure due to exposure to a stressor or hazard.[78] Some estimates put the accidental (i.e. unpredictable) failure rate of businesses at around a third,[79] and some of these failure events are common to almost every business (such as the loss of an employee).

Attitude towards risk is logically likely to be a critical dimension of small business. It is a dimension that has been amply explored in a literature on the 'liability of newness'.[80] Research has found that scanning the environment for opportunity and risk is beneficial irrespective of the stage of the business.[81] The ability to embrace and manage risk appropriately is key.

72 For example, Korunka et al., 2010; McAdam et al., 2014; Perkins & Khoo-Lattimore, 2020; Tendai, 2013; Pirolo & Presutti, 2010.
73 McAdam et al., 2014.
74 ibid.
75 Pirolo & Presutti, 2010.
76 Tendai, 2013.
77 Clusel et al., 2011.
78 Turner et al., 2003.
79 See de La Bruslerie, 2006; Deminski, 2002.
80 Singh et al., 1986; Wapshott & Mallett, 2022.
81 Lester & Parnell, 2008; Klonek et al., 2021.

Finance

Eight research studies explored the financial aspects of small business. One of which identified that early rejection in accessing finance resulted in a reluctance to seek finance in the future.[82] Another found that if a business is formed during a financial crisis, it can have trailing effects on the ability to access affordable finance.[83] That is, early experiences can shape the way business owners tackle later challenges.

A set of research in the systematic literature review reveals that appetite for financial risk reduces as the business ages. For example, one research study examined the capital structure decisions of small businesses and reported a different hierarchy of financial decision-making through life cycle stages.[84] Newer businesses were more dependent on external debt to start and sustain their business compared to older businesses.[85] The study also found that mature businesses with increased growth and profitability seek to substitute external debt with internal capital.[86] This pattern was consistent over time and across industries.

Internal capital can be seen as a low-risk option, suggesting that business owners shift to safer forms of funding as the business stabilises. Two other research studies showed a similar pattern—a reliance on personal capital in the early stages[87]—while another showed that as small and medium businesses stabilised, they returned to their roots, showing a zero-debt approach.[88]

Skills

Sole traders or micro-business owners must be agile because it is complex to run a business and they may lack resources.[89] The degree to which they can master multiple skills influences what happens in the evolution of the business. It is challenging, if not impossible, to be able to undertake a variety of tasks or allocate sufficient time to all the varying demands of controlling and developing a small business amidst the various socio-economic pressures.

While few small business owners possess all the skills required for growth, successful owners know their weaknesses and when (and where) to ask for help. Businesses that become 'unicorns'[90] are exceedingly rare, but they offer a lesson in skill sets: start-ups with a team that has complementary rather than matching skills are more likely to succeed.[91] Knowing when and where to ask for help is the key to success.

82 Xiang et al., 2015.
83 Ylhäinen, 2017.
84 La Rocca et al., 2011.
85 ibid.
86 ibid.
87 Mac an Bhaird & Lucey, 2011; Canto-Cuevas et al., 2019.
88 Lefebvre 2021.
89 Formica & Hixson, 2019.
90 Private start-ups that grow to exceed US$1 billion. 'Unicorns' are more likely to be technology based. See Urbinati et al., 2019.
91 Amason et al., 2006; Beckman et al., 2007.

Innovation

Exploration of innovation in small business is very common in general small business literature—but not common in the small business life cycle literature. An American study involving seven companies suggested that an innovation strategy is critical during new business emergence,[92] and another study found that a positive attitude towards innovation was valuable early in the life cycle.[93] Meanwhile, a European study pointed to the strategic advantage of innovation in stimulating growth spurts in older companies.[94] The ability to innovate throughout the business life cycle is key.

Adopting a growth mindset and positive attitude makes businesses more resilient.

Trusted networks are important in sustaining small business.

Newer businesses tend to take more risks but become more conservative as they age.

Small business owners should be agile, competent and self-aware.

Early-stage owners are more dynamic, while mature-stage owners prioritise stability.

92 Kinghorn, 2018.
93 Ling et al., 2007.
94 Matejun & Mikolas, 2017.

Queensland primary study findings

This section explores the results of the primary study (quantitative and qualitative methods). By collecting the opinions and thoughts of Queensland small business owners, this study helps contextualise the small business life cycle and tackles the question of mindset in a far more comprehensive manner than previous research. Using this study approach, the researchers could look wider and—based on the business owners' views about the stage, age and size of their business—examine the role of various factors in life cycle and mindset. The factors included economic conditions, industry type, geographical location and business owner characteristics.

Additionally, the study has been designed to be a starting point for finding the best model for understanding the small business life cycle in Queensland. In the last two decades there have been just six research studies that have included small business life cycle analyses in the Australian context. This study begins to address the shortcomings in current research by offering new insights into the life cycle and mindset of the Queensland small business owner.

Quantitative study

The focus of the CATI survey was on the Queensland small business perspective about perceived business stage, orientation towards a range of mindset characteristics, and factors which may influence mindset. The survey sample of 331 small businesses was drawn from a list of Queensland businesses with fewer than 20 (FTE) employees.

The small businesses sampled:

- came from a variety of industries, from retail to mining to the arts
- ranged in age from a few months to over a century old, with an average age of 21 years
- were generally operating in a metropolitan location
- had an average of 4.3 employees
- were mostly structured as companies
- mostly sold goods or services to consumers.

The typical profile of survey respondents was an owner–operator who was male, Australian-born and between 45 and 54 years old.

While every effort was made to obtain a broad sample of Queensland small businesses, the sample underrepresented new businesses, non-employing businesses, and Indigenous-owned businesses. This may be because owners of smaller, newer business (e.g. sole traders and micro-businesses) are less likely to be identified or to have time to respond to telephone surveys.

Qualitative study

The semi-structured qualitative interviews offered the advantage of exploring the mindset of business owners without the use of structured questions, which may inadvertently influence that mindset. Twenty qualitative interviews were conducted with business owners who were geographically dispersed across Queensland, from the far north to the south-east. The small business owners interviewed were diverse in terms of background, gender, industry, and stage of business life cycle.

During the qualitative interviews, business owners were encouraged to talk about stages without the interviewer directly referring to stage or life cycle theory. For instance, the interviewees were asked about changes in the business as time passed, and changes in themselves as the business evolved. Similarly, in the context of mindset, they were asked broad questions around the change in their thinking during different periods of business development, rather than being asked closed-ended questions. The results were then thematically analysed to look for commonalities and differences between the respondents.

Perceived business stage

Survey participants were asked to choose from a list of labels representing different possible stages of a business life cycle including 'seed and development', 'start-up', 'growth', 'expansion', 'established', 'mature' and 'exit'. These labels were then mapped against the associated stages identified in the literature review: initiation (combining 'seed and development' and 'start-up' labels); growth (combining 'growth' and 'expansion' labels); stabilisation (combining 'established' and 'mature' labels); and exit.

Respondents usually picked stabilisation-associated labels ('mature' or 'established') (61%) as the most appropriate label for their business stage, followed by growth-associated labels ('growth' or 'expansion') (28%). The minority picked an initiation-associated or exit-associated label. Considering the great diversity of businesses in the sample, it is noteworthy that 89% of the businesses regarded themselves as being either stable or growing.

The data was also examined to see if there was some consistent link between perceived business stage and the size of the business (measured by number of employees)—the finding was that there was little association between the two. Those businesses in the early initiation stage did not differ significantly by employee numbers from any other stage, except the exit stage. Only at the exit stage do employee numbers dip in a statistically significant way.

However, a link was evident between perceived business stage and the age of the business (in years). For example, businesses described by their owners as in a growth stage are younger than those that see themselves as stable, and those businesses described in the early business stages are younger still. Interestingly, the average age of a business labelled as being in the exit stage (17.5 years old) was almost identical to those described as being in the growth stage (17.4 years old).

The results in Figure 3 show a significant trend by small business owners to identify themselves as in the stabilisation stage, especially where the business is older and has fewer staff. This suggests that growth is intermittent and tends to be a stage more frequented in newer businesses and only occasionally in older businesses.

When participants in the in-depth interviews spoke about business stages, it was clear that they viewed their business development journey dynamically. Rather than a business experiencing sequential stages driven by internal maturation, it was often at the mercy of the environment.

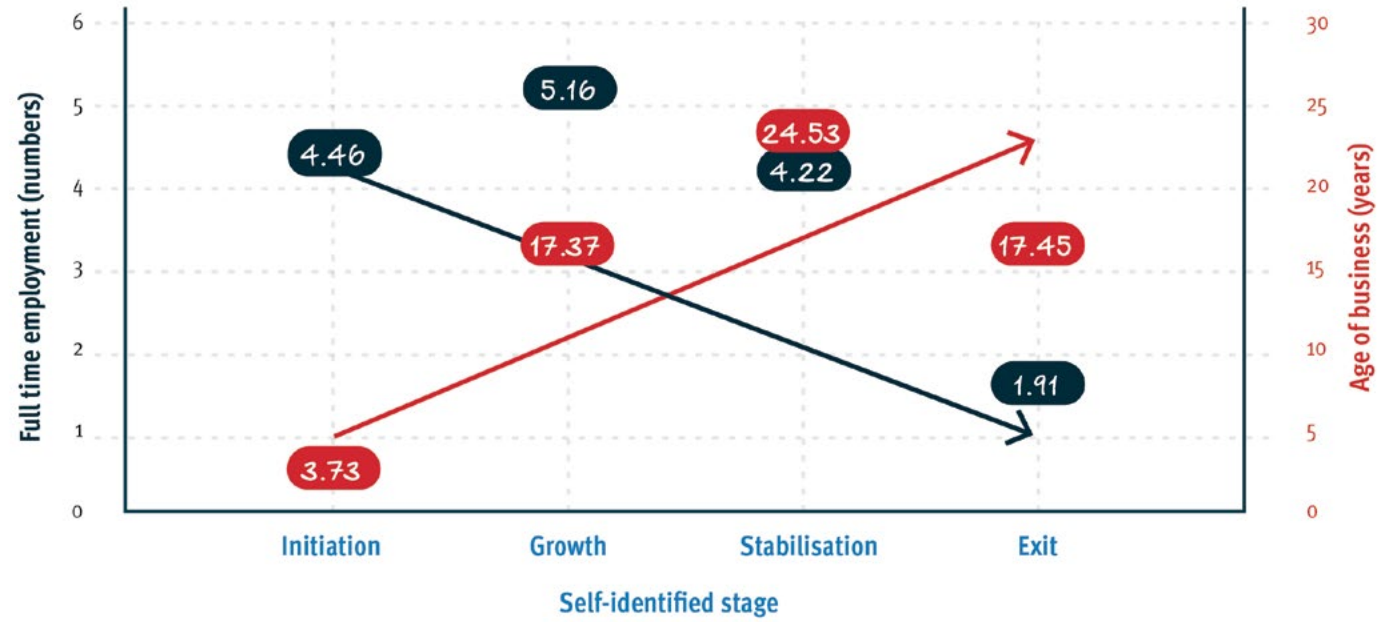
One owner said:

> *'Our business is like our industry. What I mean is irrigation predominantly goes very well in dry and drought times. But if it [obscenity] rains, we don't have much business.'*

Another owner, from an industry insulated from the vagaries of the weather, put it remarkably similarly:

> *'It ebbs and flows our business, it's never quite steady. So last week, and we probably did our best weekend for six months, eight months or something, post COVID, which is really good. And then we'll get excited about oh, wow, we're back!'*

Figure 3: Owner-identified business life cycle stage and associated business age and size



Thus, owners referred to having to be 'reactionary' to challenges, and less proactive than they would like to be in tackling opportunity. They saw the life cycle not as a staircase of development but tended to use terms like 'journey' or 'phases' in their responses. The owners conceded that the initiation stage was distinctly different, for obvious reasons, to what came later.

One business owner expressed it much like the rest when they referred to the:

> *'initial, initial stages, the first year of stuffing up and learning from mistakes …'*

Some of the mistakes that the owners identified were tied to growth:

> *'So, we did make a lot of mistakes along the way. We tried to diversify, and we lost focus.'*
>
> *'I probably should have borrowed more money. When I went at the time. [I] probably was [obscenity] probably undercapitalised.'*

Several owners interviewed either actively referred to leaving the business or hinted at it. The owners spoke of exit as a function of success as much as they spoke of it as a function of failure—the language is not defeatist. The end goal is stability and efficiency, both of which owners see as an opportunity to step away from the business, step out of front line 'emergency' roles or exit the business entirely.

One owner of a stable, mature business remarked:

> *'I guess we've probably completed most of the things we envisaged completing.'*

Most small business owners identified their business as being stable.

Owners in the stabilisation or exit stage had fewer employees.

Small business owners see business development as cyclical.

Exit is seen as much a function of success as it is of failure.

The drive for stability

Compared with the international research examined in the systematic literature review, this study worked with a tighter definition of 'small'[95] than is common in the literature. The in-depth interviews revealed that the small size of the business enlarges the role that the owner must play. With smallness comes an increase to the degree the owner is embedded in the business, which was commonly described by study participants as inescapability and intensity. This inescapability and intensity impact the mindset of the owner throughout the life cycle and drive a desire for stability.

The implications of intensity and inescapability

One of the interviewees, in their late 50s, who heads a 16-year-old company in regional Queensland declared:

> *'[I] can't get away from the business.'*

Another business founder working in rural Queensland who believed their business was in the exit stage said:

> *'Never smooth sailing. Never smooth sailing. No, no. When the business grew so much, we … had staff in our lounge room.'*

Further highlighting the inescapability of running a small business, the interviews were often interrupted—even, amusingly, in one case, where the owner had just declared she had moved out of the core of the business:

> ***Interviewee:*** *'I don't get involved with the staff at all lately.'*
>
> *(A staff member enters the room to drop something off to the owner)*
>
> ***Interviewee:*** *'Thank you.'*

While small business owners confessed to being inextricably woven into the fabric of their business, at the same time they expressed mixed motivations when it comes to extricating themselves from it. One owner said:

> *'I'm a huge micromanager … can't let go.'*

Another owner put it this way:

> *'I'm a bit of a micromanager.'*

The emotional attachment combined with ownership at times defies profit maximisation logic:

> *'And I would never sell to private equity because you're giving up your soul. And I know how they work. And I think it's the issue. I think the business has always been, it's my own.'*

The issue of work intensity regularly emerged in almost all respondents' discourse. An owner of an established business-to-business operation in regional Queensland said:

> *'I mean, we're so busy. It's [obscenity] insane, right?'*

The owner explained that being close to customers meant being embedded not just in the minutiae of running the business but absorbing the intensity of the client's operations. So, for example, one owner's mindset was:

> *'Giving a customer literally whatever they want.'*

While owners actively attempt to avoid risk, some of the enterprise risks inherent in small businesses are unavoidable. These arise from the intensity and inescapability that inevitably emerge from a business having few, if any, staff.

The systematic review of literature explored the 'liability of newness' stage of brand-new businesses and the challenge to reach a maturity stage. The in-depth interviews revealed that owners also are acutely aware of the 'liability of smallness'—they cannot do everything for every client and remain the strategic visionary that set up the business in the first place. However, achieving maturity and stability is no easy task for the small business owner. An experienced owner of an established small rural business in the electricity, gas, water sector with three employees said:

> *'I'm too much of the key man still.'*

95 The businesses in this study have less than 20 (FTE) employees.

As a result of the intensity and inescapability, business owners do not always have the degree of separation or the time for strategy:

> *'Business owners don't have … that vision, for they don't have time to look, because they're too busy doing rather than opening their eyes and going, where do I want to take my business.'*

The intensity and inescapability do not often allow for moments dedicated to vision and do not always allow for work–life balance. A retailer from a business that had existed for over a decade declared:

> *'I haven't had a weekend off probably for about since COVID.'*

Another spoke of needing an annual refresh away from the business, which involved taking themselves off to be 'medicated' by a holiday overseas.

This inescapability is part of the appeal of stability, and part of the drive for growth to facilitate that stability.

A business owner who had begun his business in his late thirties, told the interviewer:

> *'I want to be able to take the foot off the accelerator probably next year. [That process would involve] sort of rearrange my financing, and all that will make, yeah, make things a lot, a lot, a lot less pressure on me from month to month.'*

Asked what was motivating the shift, the business owner echoed what other owners hinted at – the life cycle of the business, for a small business founder, is linked to their own life cycle:

> *'I think that I realised that, you know, my, my body's wearing out, so I've got to transition more to the office rather than out in the field [with] the boys …'*

The notion of 'stability' drives many small business owners; sometimes because of their exhaustion rather than because they choose the stability that arises from success. As a business owner put it:

> *'It is ended up being like a very, very busy year, and yeah [sic], it wasn't stability. It was well, it was partially stability, but it was actually just working less.'*

Stability offers other options. One owner offered insight into the rumination over considering where to next:

> *'Are we gonna [sic] break the business down, you know, into … segments, because we can do that as well. And then just continue, you know, with, you know, with one thing, or am I just, gonna [sic] you know, collapse [the whole thing]. I suppose the biggest thing is that when you start something from the ground up and it's yours, and you put your heart and soul into it.'*

Some manage the process of extricating themselves from the business:

> *'I stepped away from that to give myself more time. Okay? It has shrunken a little bit and stabilised, probably since I've stepped back. Okay, and a manager looks after that now. To me, growth comes with want or need, I suppose, okay. Yeah, I, I don't necessarily want to grow a big business, I'm happy with a stable business.'*

Finding a person to take over the role they formerly held is difficult. As one owner put it:

> *'Just being able to employ someone that could actually step in and do a bit more managerial stuff.'*

That sounds good in theory; however, when participants spoke of leaving the business, they did so with ambiguity. Very few said, in so many words, 'I can't wait to get rid of it', a finding that matches the quantitative results on the survey participants response to the question 'Have you ever considered closing the business? If so, why?' question, in that the majority said they had not even thought about exiting the business. Asked how they saw their business in the next 5 to 10 years, instead of referring to the business, the respondent referred to themselves:

> *'Probably the same as I'm doing now. To be honest, [I'll be] still kicking along. I'd imagine I won't be [actually] doing it. Someone else would be doing it … I'd love to give the business [to] someone else to run with … and then I'd probably sell most of my shares anyway and not have too much involvement in it.'*

Deciding to become smaller to create space for life outside work has its perils, as the owners realise that small businesses are vulnerable. When a business has 10 employees, for example, the departure of a single employee reverberates through the business. Subsequently, regulating the size of a business is often a dynamic process—one imbued with uncertainty and risk. One owner said:

> *'I don't know whether I'm changing down gear or going to change up.'*

A business owner declared, moments after bringing up the issue of exiting from his business:

> *'I'm always looking for opportunities.'*

The owner of a mature business in the education industry put it as follows:

> *'We're always looking for new things and evolving that way.'*

Thus, 'growth' was not always referred to, but 'opportunities' were. Another business owner, asked if they were deliberately seeking to grow or were just looking for opportunities, admitted it was 'a bit of both.'

The tension between stay or go, keep or sell, close or continue, is particularly present in those with more years in the business:

> *'Of course, you start out … [and it's] a big adventure, it's all a big game. Then, with time it gets boring, it goes by, you become less enthusiastic [but] you become more experienced. And capable.'*

The oscillating stages of growth and stability

Small business owners either explicitly or implicitly spoke about two broad stages in the business life cycle after initiating the business—the exciting and sometimes frightening steps of rapid or not-so-rapid growth, and periods of stabilisation. Growth was seen as a prerequisite for stabilisation (a state rather than a goal), and stabilisation was the state from which the next cycle of growth occurs (positive or negative). Of course, exiting the business will inevitably occur whether planned (succession or sale) or not (crisis).

As noted earlier, the small businesses sampled were highly diverse, representing a broad range of industries, business models and structures. The businesses ranged in age from brand new businesses to one over a century old, spread geographically across Queensland, from the Torres Strait to Brisbane. The relative homogeneity of responses in the quantitative survey thus represents something of a puzzle. Surely a business a century old is fundamentally different—and associated with different mindsets—to one that is just starting? The qualitative results shed some light on this homogeneity.

It appears that a common business stage mindset emerges. Rather than business owners seeing themselves as transitioning through a sequence of stages, the in-depth interviews indicated that once their business 'matures' (moves on from the initiation stage) business owners see themselves oscillating between a stage of growth (positive or negative) and a stage of stability. Critical junctures caused by internal factors (business strength or weakness), or external factors (market opportunities or threats) generate a switch (planned or unplanned) to an alternate state to restore functional stability.

The goal small business owners desire is stability, from which they can explore opportunities for change. The change could be any number of things such as to diversify, expand, contract, demerge, specialise or even exit. It could also sometimes be an unplanned or unintended negative change. This study has found that Queensland small business owners seek stability first, and it is this stability that gives rise to opportunities to change, such as diversification, sale of the business or even strategic growth. This mature stage in the life cycle of a small business can be described as an oscillating cycle of growth and stabilisation.

Owners are emotionally connected and have a **sense of inescapability** from their business.

The workload experienced by owners is commonly described as **intense**.

The 'liability of smallness' means owners tend to spend more time working **'in' rather than 'on'** the business.

Small business owners tend to speak of two oscillating stages when running a business—**growth and stabilisation**.

The goal of growth is, in many cases, to **achieve stabilisation** or to re-establish stability.

Reaching and maintaining stability is a **key driver** for small business owners.

Mindset variables

Drawing on findings from the systematic literature review, the study examined six mindset variables that are commonly associated with a small business.[96] A mindset variable refers to a characteristic of the mindset that is measured and can vary in value. For example, one business owner may place more value on data and research than another owner so will score higher on the variable of analytic orientation.

Business owners were surveyed about their:

- Customer orientation—do you have a strong commitment to customers, and want to create customer value, listen to customer complaints and praise, and offer after-sales service?
- Competitor orientation—do you monitor the market, collect, and analyse data, and respond to competitors' behaviour in the market?
- Innovation orientation—do you favour leading-edge approaches, and develop new products?
- Risk-taking orientation—do you favour bold, high-risk approaches in pursuit of opportunities?
- Proactive orientation—do you initiate action in the market?
- Analytic orientation—do you actively collect and analyse data to drive business decision-making, and rely on external advisors to fill the gaps in your knowledge?

The results below are presented in order of those variables that corresponded most strongly with business owners' reported priorities, to those that had the least priority.

Customer orientation

Queensland small business owners are very customer-oriented. Almost all survey respondents 'strongly agreed' that 'my business has a strong commitment to customers'—the most consistent single response to a survey question. While businesses reported a more neutral response to measuring customer satisfaction, a majority of businesses do undertake this measurement (Figure 4).

Competitor orientation

Survey responses were mixed on competitor orientation. There was high standard deviation (indicating great variability) in responses, suggesting the response to competition is quite variable across small businesses. For example, while 'we respond quickly to competitor actions' leaned towards 'disagree', there is clearly a tendency to discuss and monitor competitor offerings (Figure 5).

Figure 4: Attitude towards customers

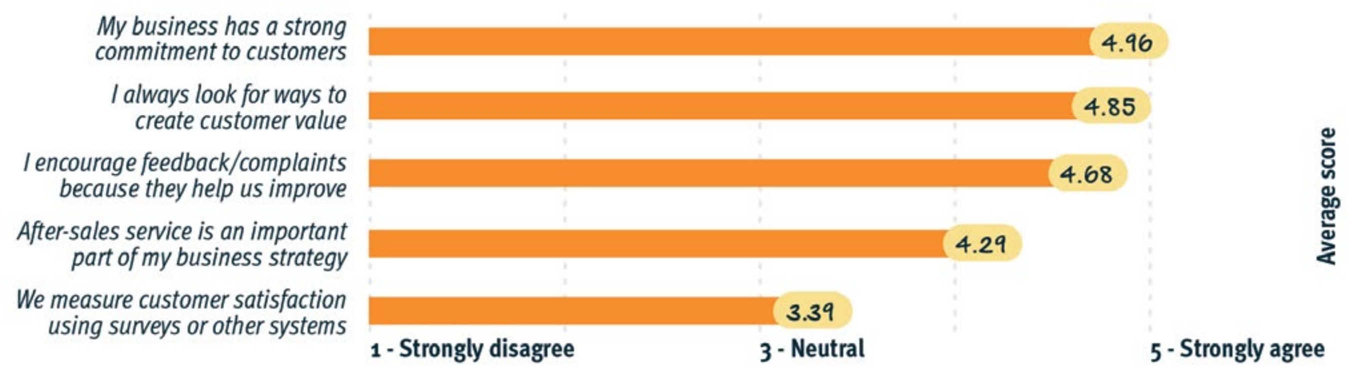
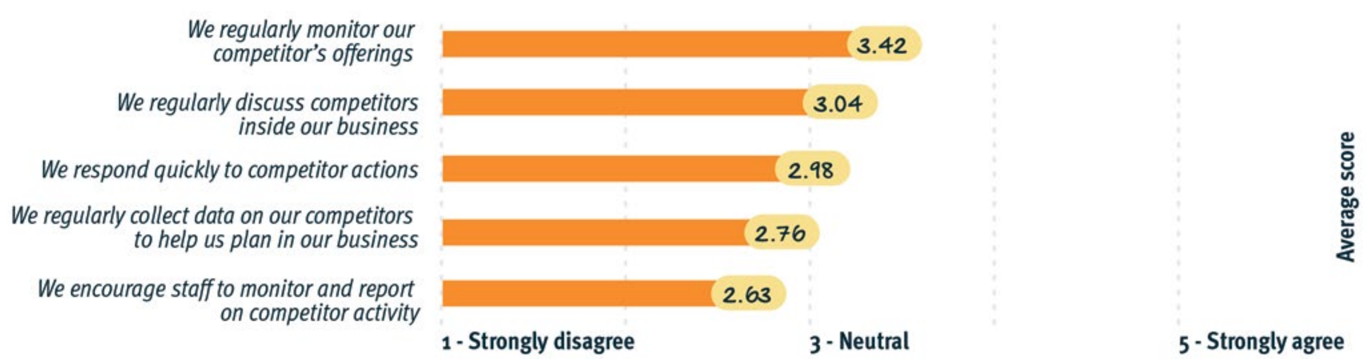


Figure 5: Attitude towards competitors



96 See Chadwick et al., 2008; Deng & Dart, 1994; Digan et al., 2019; Farrell et al., 2008; Narver & Slater, 1990; Rank & Strenge, 2018; Reijonen et al., 2012; Vaswani, 2020.

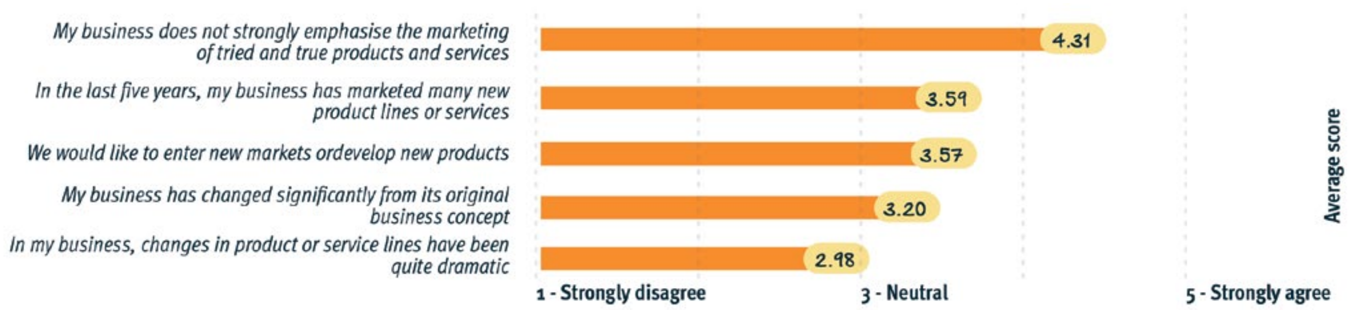
Innovation orientation

On innovation, the business owners surveyed tend to agree with questions about innovation (such as introducing new products and services) and were not overly biased toward delivering established goods and services. While businesses are clearly open to innovation, they do not have a high level of enthusiasm for it. This suggests most businesses are generally open to new ideas but tend not to move too far from their comfort zone (Figure 6).

These findings were reflected also in the findings of the in-depth interviews. When it comes to innovation, which is often associated with risk, the sample showed a tentative attitude. Two of the interviewees—an owner of a mature retail business and an owner of a business less than a decade old—said they did not want to 'reinvent the wheel', in reference to risk and motivation to innovate:

> *'That's why it's so important that we give more value to the clients and customers over just looking at it from a dollar point, a dollar point of view, but when it comes to risk, we won't. I don't think we're in a position, probably, that we would reinvent the wheel unless it was something.'*
>
> *'And I think even when you look like the leader of [a particular field] – it's probably [not] … And yeah, so we don't try to reinvent the wheel, we see what other people are doing …'*

Figure 6: Attitude towards innovation



Risk-taking orientation

The small business owners surveyed show a low appetite for risk-taking. Asked, for example, if 'my business strongly favours high risk projects with chance of high returns', the average response was 'disagree'. On all questions about risk, small business owners showed a clear tendency to minimise risk, particularly in relation to high-risk projects (Figure 7).

These findings were reflected, and expanded upon, by participants in the in-depth interviews. All interviewees acknowledged the risks of the business they were undertaking but indicated not being energised by risk:

> *'And, you know, I've always … loved a challenge and I've always felt like, you know, we're hard workers and I don't really think anything we did was overly risky. I think we've just, we kind of had a very good understanding of what we are entering into, and we knew what we were building …'*

The head of a regionally-based not-for-profit spoke of how they saw risk—and how others saw it:

> *'I would probably say I'm [a] fairly minor risk taker. But to … the majority of people out there, I would say that they probably think I'm a major risk taker.'*

Large projects, they noted elsewhere, almost inevitably came with higher risk.

While research suggests that stress leads to an increase in risk-taking behaviour under certain circumstances,[97] this tendency appears to be largely absent in small business owners. Instead, small business owners appear to lean towards risk aversion.

Risk aversion is not always caused by ignorance of how to manage or avoid risk. For example, a financial business owner explained that they avoided loans despite his financial knowledge:

> *'Never a loan, which is weird, given that I'm a … banker. I don't like debt, I hate debt, I have no debt in my life, or even a mortgage or anything like that.'*

Another owner with a background that well-prepared them for financial risk said:

> *'I think it's just I think all business owners are risk takers. Well, I'm pretty averse to risk though given my background in finance you tend not to take too much risk, but I guess it was a calculated risk what we were doing back then …'*

Figure 7: Attitude towards risk-taking

97 For example, Jordan et al., 2011.

Proactive orientation

Survey scores for proactive orientation tended to be relatively neutral or negative. ‘My firm typically initiates action’ was met with an average score just on the ‘agree’ side of ‘neither agree nor disagree’ but most businesses tended not to be early adopters of new products, services or operating technologies. This suggests, on balance, that most small businesses are only mildly proactive (Figure 8).

Analytic orientation

Survey responses to the analytics-themed questions were reasonably consistent across a range of measures (Figures 9, 10, 11). Owners claimed that overall, they used analytic methods ‘rarely’ and analysed their competitors ‘rarely’.

When asked about using external stakeholders such as business advisers and accountants or bookkeepers, respondents typically answered, ‘occasionally’ or ‘nearly never’.

Of the sources of advice, accountants or bookkeepers were the external stakeholders referred to most regularly, and business advisers the least (Figure 12). Small businesses with more employees were more likely to show an analytic, innovation, and proactive orientation mindset. These businesses were also more likely to interact with business advisers, IT experts, insurers and industry bodies (e.g. chambers of commerce or professional associations).

Figure 8: Attitude towards proactiveness

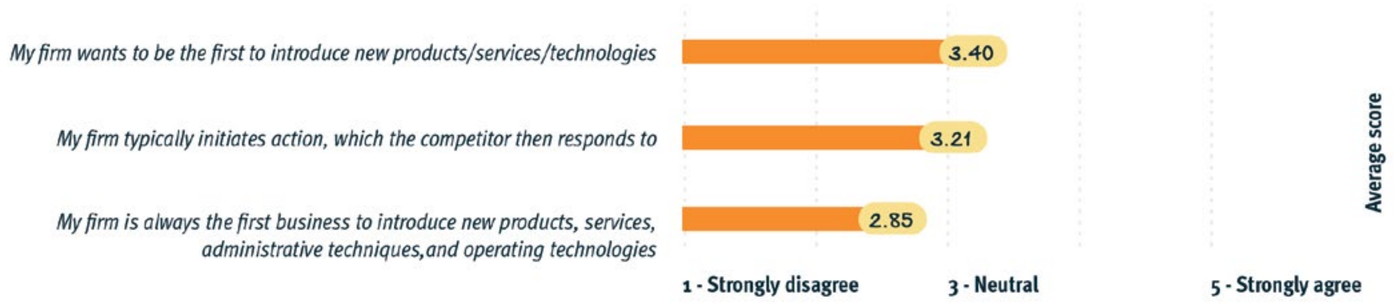


Figure 9: Attitude towards analytics (processes)

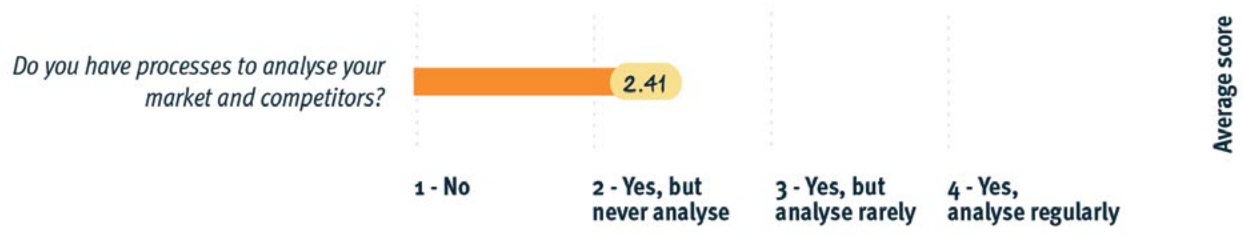


Figure 10: Attitude towards analytics (techniques)

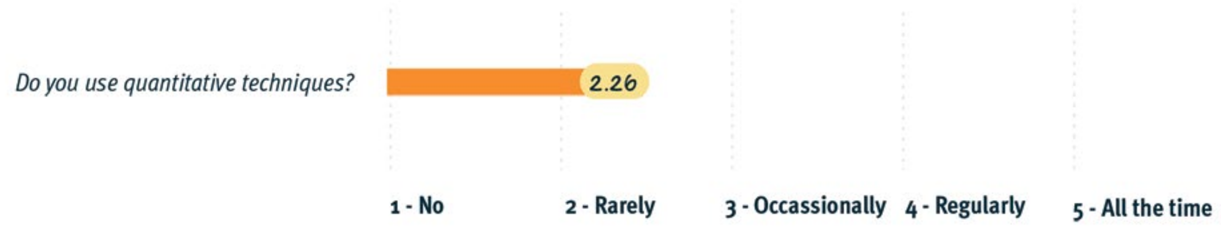


Figure 11: Process of market analysis

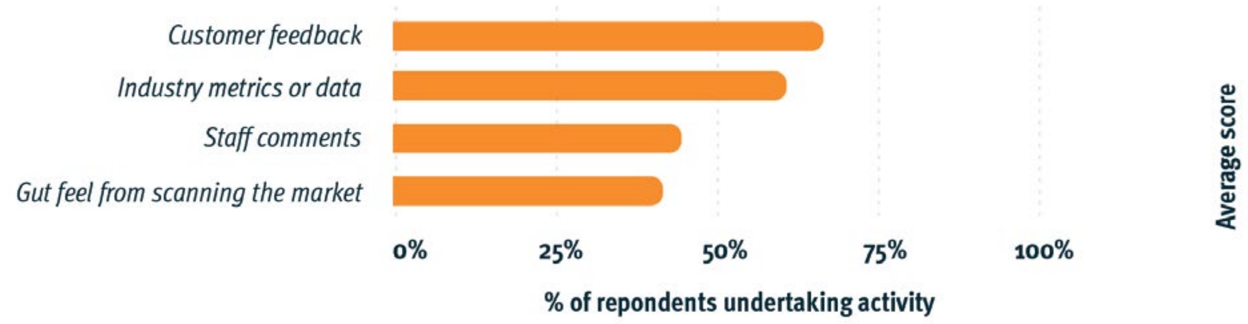
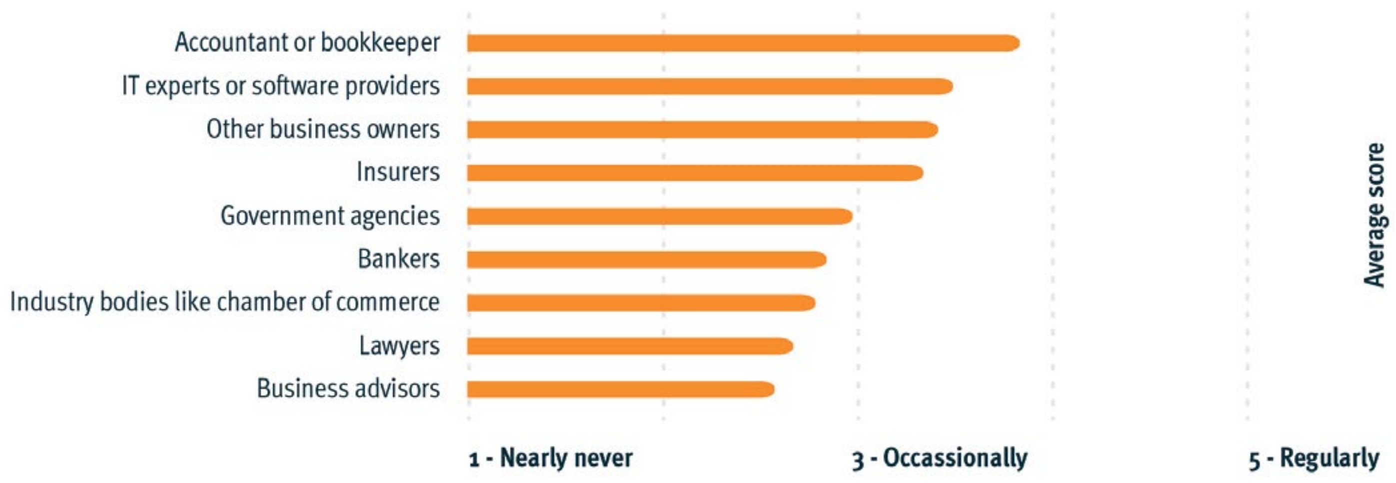


Figure 12: Source of external advice



Queensland small business owners are **highly customer-oriented**, tend to avoid risk, and are somewhat proactive.

Most small businesses expressed a **strong focus** on customer satisfaction and service.

Small businesses **monitor competitors** but tend not to respond quickly.

Businesses are generally **open to innovation** but prefer to stay in their comfort zone.

Owners have a **low tendency** to engage in analytics and take risks.

Small businesses are **reluctant** to be early adopters of new products, services or operating technologies.

Other factors influencing mindset

This study explored how other factors—such as demographics, business structures, economic conditions, government interaction and support, and motivation to grow and remain in business— may influence mindset throughout the life cycle of a Queensland small business.

Business owner demographics

Several small but statistically significant correlations emerged between the key demographic variables (gender, age, and geographical location) of survey respondents and the mindset variables.

Women were more likely to say economic conditions had a negative impact on their business, and that their business had benefited from government support. Men were somewhat less likely to have a risk-taking mindset.

Small business owners living in more remote regions were more proactive, relied more on analysis, and were more likely to interact with government agencies, business advisers and chambers of commerce, than small businesses in cities.

Older small business owners had less intention to grow their business than younger owners, even if they received government support. They tended to be more customer-oriented than younger owners, but less inclined to take risks and less proactive. Older small business owners were also less likely to interact with other business owners.

Business structure

Most of the survey sample described their business structure as a 'company'. There were also family operations, partnerships, trusts, sole traders and not-for-profits.[98] Statistical analysis indicated that there was no significant difference between the business structure categories. For example, companies were not more likely to consult outside parties such as bankers or accountants than other business structures.

There was one exception, however. While not-for-profits align with other small businesses in customer, competitor, and innovation orientation (underscoring the homogeneity of the sample); the small number of not-for-profits in this sample (20 businesses) had a mindset of being significantly less inclined to take risks and be proactive, while being more analytically oriented. That said, business structure is not generally a predictor of mindset.

98 None of the business self-identified as an Indigenous corporation, but the sample did include a small number of Indigenous-led entities.

Economic conditions

When asked about the economic landscape, over half of the survey respondents (54.1%) either 'strongly' or 'somewhat' agreed that economic conditions had impacted negatively on their business, with 38.1% 'strongly' or 'somewhat' disagreeing and 7.8% remaining 'neutral' that prevailing conditions had left a negative impact (Figure 13). Those who agreed that they had been negatively impacted showed higher levels of all mindset variables, with the relationship with innovation being statistically significant.

Small businesses in the growth stage were relatively less likely to state that economic conditions had a negative impact on business, while those who identified their business as being in the exit stage were marginally more likely to say it had. These results are not surprising and align with attribution theory, which suggests that people explain the causes of events in a way that supports their worldview. Those that saw their business as growing interpreted economic conditions as benign, while those that saw their business as exiting regarded economic conditions as difficult.

Government support

Close to half of the survey respondents (46.2%) believed their business had benefited from government support of some kind (Figure 14). Looking at the small business stages separately, a significant difference emerged—those in the initiation and growth stages were more likely to have received support. Those who had benefited from government support showed significantly higher levels of innovativeness and generally higher levels of risk-taking and analysis compared to other small business owners.

Government support would clearly be welcome and would motivate growth—71.3% of survey respondents either 'somewhat' or 'strongly' agreed that it would motivate them to grow (Figure 14). The most common form of expansion that recipients of government support chose was to increase range of product or service offering (32.7%) or increase employees (27.1%), rather than expand into another location (18.3%).

When examining the relationship between life cycle stage and motivation to grow the business if government support is received, there was a clear trend towards less willingness to grow as the stages advanced (even with government support), as shown in Figure 15.

Figure 13: Economic conditions

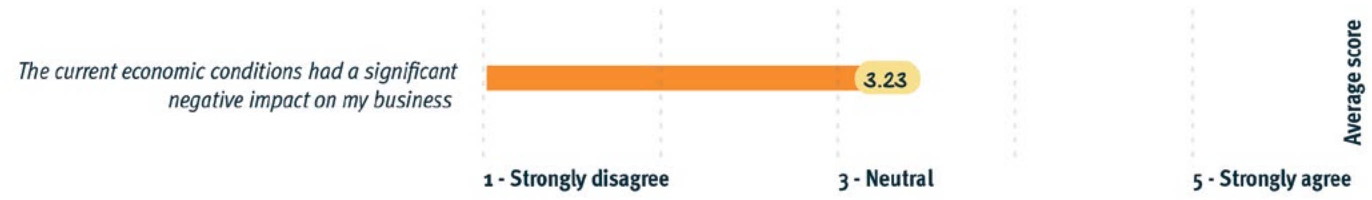


Figure 14: Government support

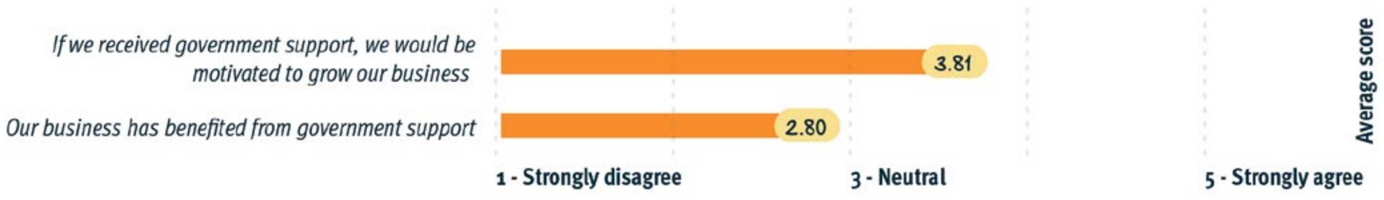
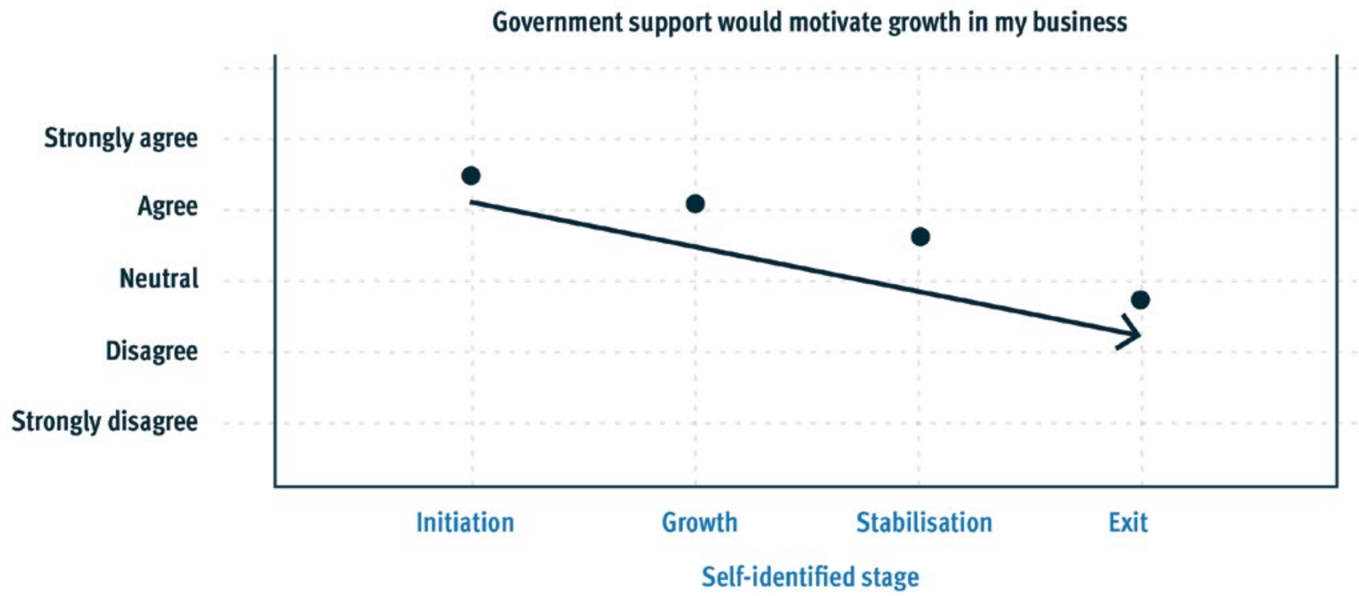


Figure 15: Relationship between stage and motivation from government support



Interacting with government agencies

Less than 10% of respondents said they interacted 'a lot' with government agencies. A further 22% said they interacted 'regularly'. Roughly the same proportion (21%) said they 'never' interacted with the government. Almost half of the sample claimed to interact 'only occasionally' with government (47.4%). There was a small but statistically significant relationship between the business stage and the likelihood of interacting with government agencies—newer businesses, for example, are more likely to interact with government; however, even those numbers are low. This relationship is shown in Figure 16.

Motivation and aspirations

Survey results indicated that 58.3% of respondents claimed they had 'never' considered exiting the business. The balance acknowledged a wide range of reasons for considering exiting, of which the most common is financial difficulties.

Participants were then asked about their motivation to remain in business. Among the motivators to carry on, the most prominent were remaining true to the original business idea, providing a novel product that fulfills a customer need, pursuing values of personal importance, and the attainment of personal wealth or profitability. While not as important as other factors, getting one up on competitors, and 'having something to do' were still important motivators to remain in business (Figure 17).

Most businesses had aspirations to grow or expand their business in the next five years, as shown in Figure 18. When these responses were examined against business stage, as shown in Figure 19, aspirations to grow the business peaked during the growth stage and declined as the business stabilised and approached exit.

Overall, those motivated to grow or remain in business had higher levels of analysis, proactiveness, innovativeness and competitor orientation, but lower levels of customer orientation and risk-taking. While these differences did not prove statistically significant, the picture that emerges from the data is that likelihood to persist in business is associated with a greater outward orientation—a willingness to get on the front foot, embrace competitor information and external advice, and take more proactive steps.

Figure 16: Relationship between stage and interaction with government agencies

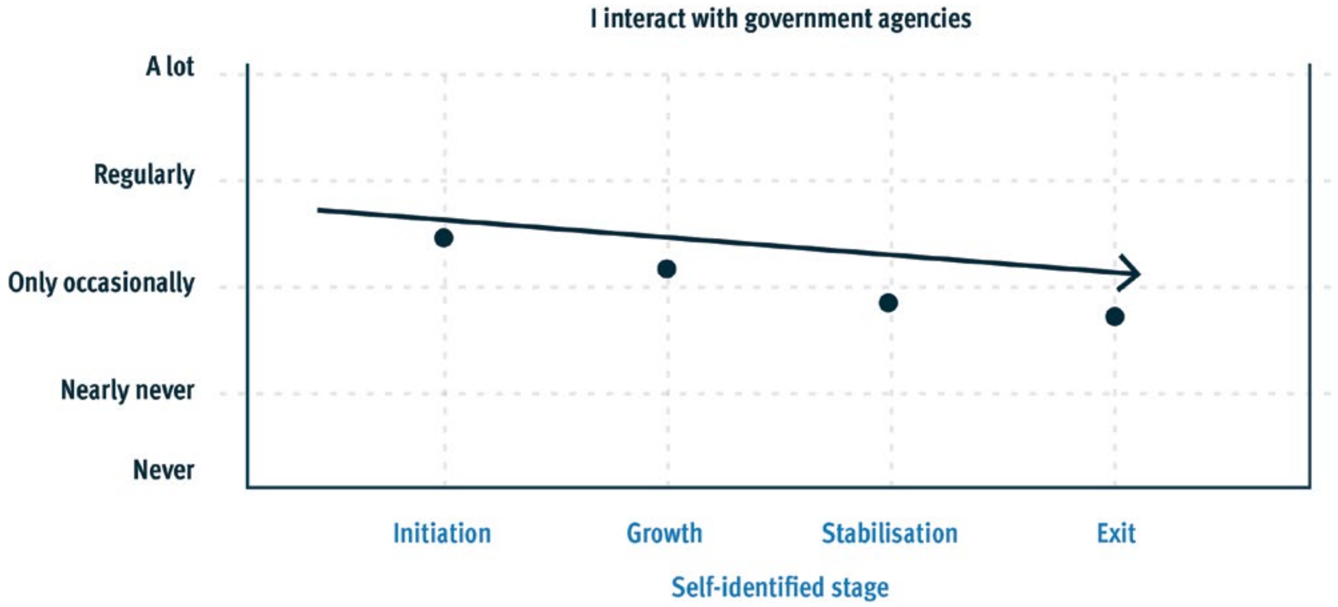


Figure 17: Motivation to remain in business

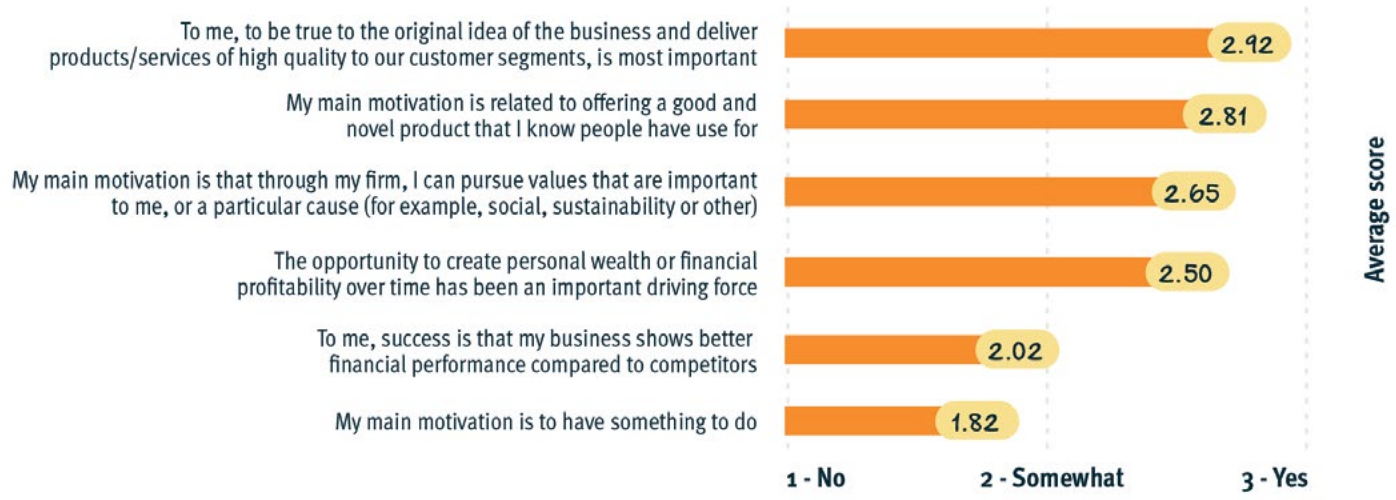
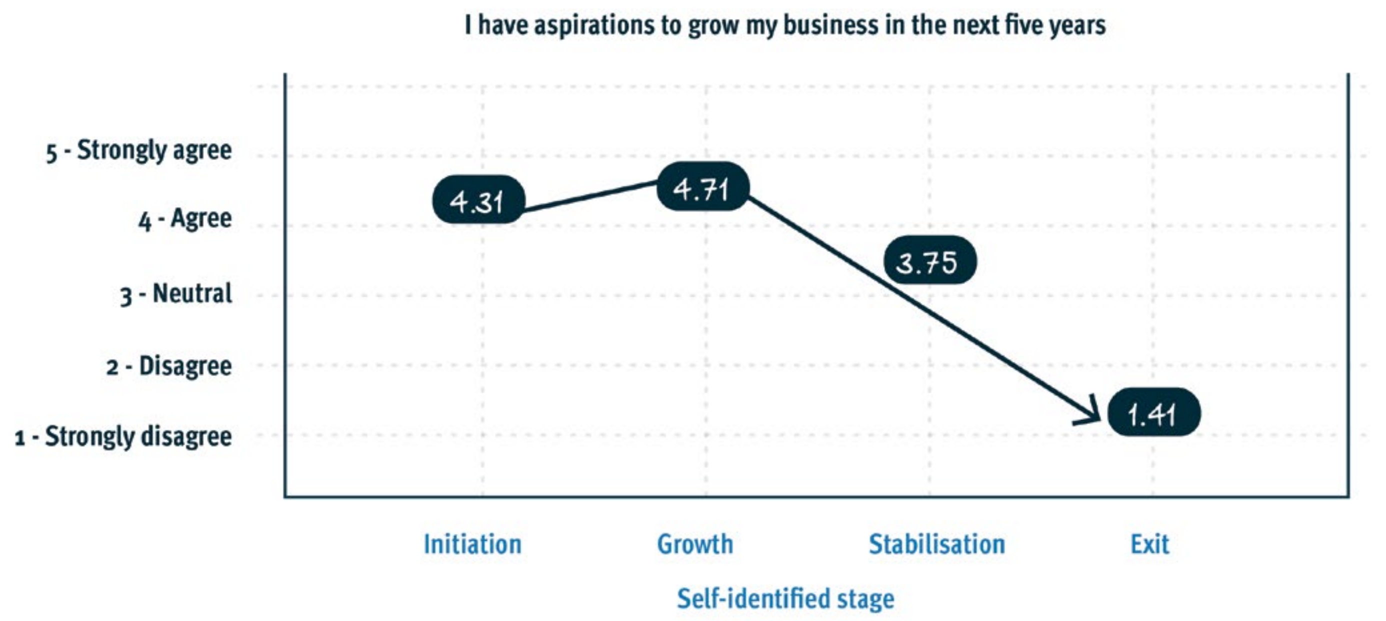


Figure 18: Aspirations to grow

Figure 19: Relationship between stage and aspirations to grow



There is a **decline** in business analytics, risk-taking and proactiveness in older businesses.

There was **no significant** difference in mindset across business structures.

Owners in initiation or growth stages were more likely to say they had **benefited** from government support.

Few small business owners claim to **interact** regularly with government.

Motivation to grow or remain in business appears linked to certain variables.

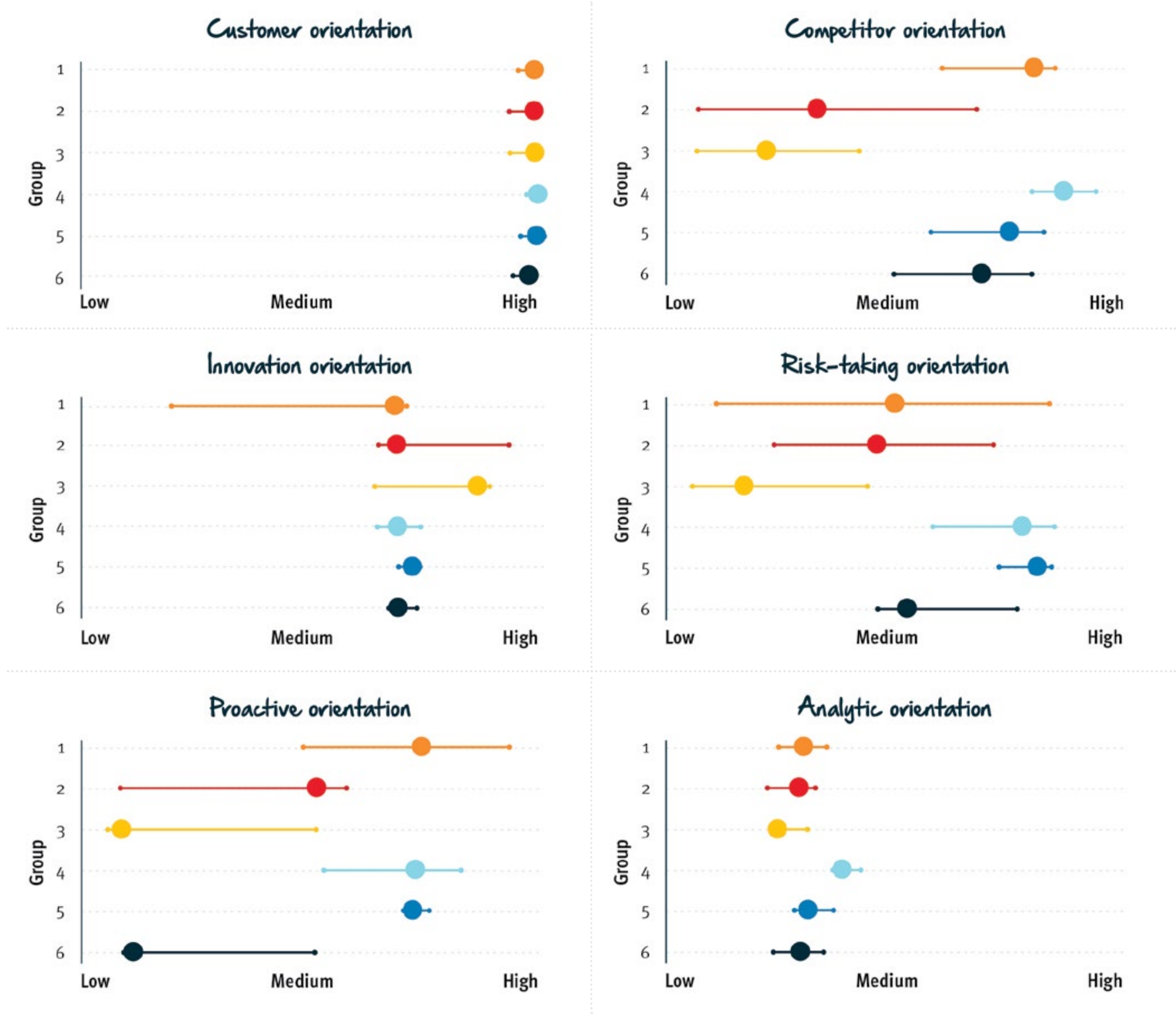
There is **less motivation** to grow as small businesses mature and stabilise.

Small business mindset clusters

This study then examined how the survey responses to the mindset variables clustered into groups—to answer the questions 'Are there particular types of small business mindsets?', and 'Are there groups of small businesses with strikingly different sets of mindset characteristics?'.

What emerged was six different combinations (clusters) of mindset consisting of between 32 and 60 small business owners sampled in the CATI survey.[99] Figure 20 shows these groups of like-minded small business owners and how they scored against each of the mindset variables.

Figure 20: Clusters representing small business owners' mindset variable scores



Note: The width of the coloured line shows the spread of responses within that group, and the median response is indicated by the coloured circle.

99 Group 1 (47 business owners), Group 2 (53 business owners), Group 3 (35 business owners), Group 4 (54 business owners), Group 5 (32 business owners) and Group 6 (60 business owners).

The six groups range from typical 'entrepreneurial' orientations embracing risk and innovation backed by analysis and external advice, through to an inward-looking mindset, focused on satisfying customers, with little interest in growth, real innovation or risk. Overall, however, these results show that the differences between the groups are relatively subtle. It is worth noting that while these groups are statistically distinct, the combinations of mindset characteristics in each group overlap with others.

For example, the overall results show that for analytic, innovation and customer orientation, responses are quite uniform. That is, most business owners are very high in customer orientation and quite low in analytic orientation. There is an overlap between all six groups on innovation orientation—showing most small businesses do innovate but some groups innovate slightly more than others. Therefore, these 'shared' mindset characteristics should be considered as a given for the average Queensland small business owner.

Where individuals vary most significantly, however, is in the degree to which they embrace risk and to which they take a competitive and proactive stance towards the market— with the competitor, proactive, and risk-taking mindset variables showing the greatest differences between the groups.

For example, Group 1 (orange), Group 4 (light blue) and Group 5 (dark blue) appear to value competitor orientation and proactiveness reasonably high; however, they show greater differences on their risk-taking orientation. In comparison, Group 3 (yellow) and Group 6 (navy) both score very low on proactive-orientation but can be differentiated by their approach to competitor and risk-taking orientations, with Group 3 scoring these low while Group 6 scores them medium-to-high. Meanwhile, Group 2 (red) scores mid-range on both competitor and proactive orientations, in contrast with the rest of the groups who score these either low or high.

Mindset variations in the stages of the life cycle

These mindset variables and clusters were then examined against the stages of the small business life cycle (initiation; maturity—including the stages of growth and stabilisation; and exit), to establish whether mindset varies according to life cycle stage.

The results show that as businesses age and are in the stabilisation stage and especially the exit stage, small business owners show a lower innovation, risk-taking and proactive orientation. However, as a whole, there was no statistically significant differences in customer, competitor, innovation, risk-taking and proactive orientation results between the life cycle stages.

The most statistically significant contrast appeared in the level of analytic orientation—with a higher likelihood to undertake market analysis and seek external advice during the initiation stage, compared to the growth stage, and a sharp drop in both during the exit stage.

Overall, these results show the mindset of a Queensland small business owner throughout the stages of the life cycle is relatively 'stable'—that is, there is not a distinct shift in the individual mindset of a small business owner as they progress through the life cycle.

Queensland small business owners exhibit several 'shared' mindset characteristics.

Small business owners can be distinguished based on their orientation to competitors, proactiveness and risk-taking.

There is not a distinct shift in mindset of Queensland small business owners across the life cycle.

Discussion

This study offers a comprehensive overview of the small business life cycle and mindset of Queensland small business owners. Some clear conclusions can be drawn from the evidence assembled through the systematic literature review and the qualitative and quantitative primary study of Queensland small businesses.

A simpler view of the business life cycle

The systematic review of literature suggested up to 10 stages in the small business life cycle, over more than 100 different life cycle models. Stages include an idea stage, where the notion of the business is first formed, followed by an initiation stage (the start-up), followed by stabilisation, acceleration (growth), and then mature stabilisation stages. These were followed by five post-maturity stages, including diversity/specialisation, a crisis stage, decline, closure and restart stages. These stages identified in the literature could be largely simplified into three key stages—initiation, maturity (consisting of growth and stabilisation) and exit stages.

The survey findings show how these stages, particularly growth and stabilisation, overlap (or merge) in the mind of business owners. Only exit seems distinctly different to the other stages when it comes to clear markers like the size of business or strategic decisions. The other stages are to some degree blurred. For example, one eight-year-old business was classified by the owner as a 'start-up', and another two-year-old business was called 'established'. The owner of a 95-year-old business said they are 'growing', despite having only two employees after almost a century.

Not surprisingly, as businesses age, their owners normally identify them as being relatively further along their small business journey. Older owners are more likely to identify as being in the 'stabilisation' and 'exit' stages. Paradoxically, as businesses grow in terms of the number of employees, they are less likely to perceive themselves toward the end of the business life cycle. Businesses with more employees are likely to describe themselves as being in the initiation or growth stages. Businesses that self-identified as being in the stabilisation or exit stages are less likely to be motivated to grow and are also less likely to interact with government agencies.

To reconcile these results, one can draw on the results of other aspects of the survey, the in-depth interviews, and a reinterpretation of existing research to come to a novel view of small business life cycle patterns and how they relate to mindset. While previous Australian analyses suggest that as many as 40% of small business owners seek stability in preference to growth,[100] this study suggests the proportion is much higher. In fact, seeking a platform of stability may the central driver for small business owners, influencing both their life cycle and mindset. The in-depth interviews suggest that the intensity and inescapability of small business drives this desire for stability. The preference for stabilisation, above growth, may also be due to practical reasons, in addition to psychological reasons. For example, one interviewee referred to the complexity of industrial relations as a barrier to growing further in size:

> *'There's a lot more laws once you become over 15 employees, you know, the removal of workers that won't work, all of those things.'*

Existing evidence strongly suggests that growth is never constant, and consecutive years of growth is the exception, not the rule. Sole traders (the most common of the small business models) are the most vulnerable to long-term business failure, so growth when the business is younger can be highly motivating for the business to achieve future success.

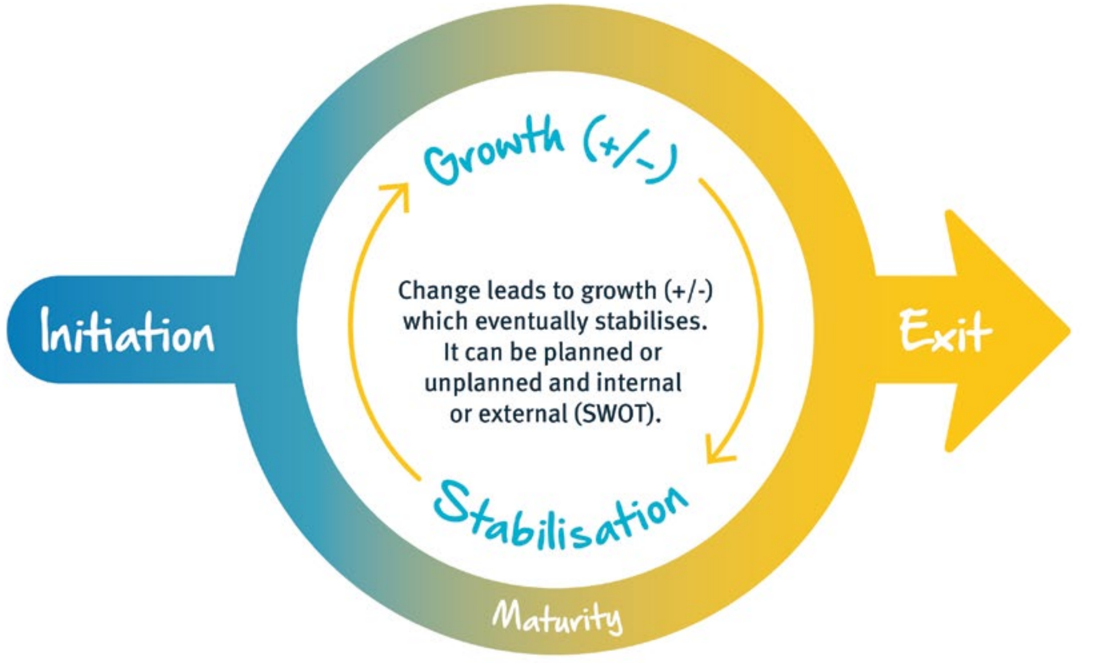
But what is the point of growth from the perspective of the small business owner? The existing research suggests that mindsets are organised around principles such as contained growth or controlled focus,[101] and the qualitative and quantitative results of this study show that as small businesses get older, they focus on maintaining their gains, take fewer financial risks and become inherently more conservative. This study shows that small businesses know they need to grow to achieve their goals (independence, security, work–life balance) and that they will then stabilise their business (until it changes) when they believe this has been achieved.

What emerges is an oscillating model of small business development. After initiation, the small business strives to achieve a platform of stability, but that platform can become

100 Holmes & Schaper, 2018.

101 Rizzo & Fulford, 2012.

Figure 21: The small business life cycle



The business life cycle includes initiation, two oscillating stages of growth and stabilisation (maturity), and exit.

Small businesses may return to an unstable growth stage time and again to restore stability.

Stability provides options to expand, diversify, innovate, step back or even exit from the business.

unstable, buffeted by market forces (opportunities and threats) as well as tension between internal strengths and weaknesses. Hence, the business cycles between periods of stability and growth (positive or negative). Only from a platform of stability can growth options (such as expansion, diversification, specialisation) be explored, or the owner can undergo a controlled exit from the business (through succession or sale).

This study therefore proposes that a four stage-model is a more accurate (and optimal) model of the small business life cycle, in which maturity is divided into two oscillating stages—growth and stabilisation. As depicted in Figure 21, this simple small business life cycle includes: initiation—where the business is conceived, started and becomes established; two oscillating stages of growth (positive or negative) and stabilisation—where the business fluctuates between periods of change and periods of 'business as usual'; and exit—where the owner leaves (through sale or succession), the business ends (through closure), or it is renewed (through restructure).

Current stage theories tend to assume, like the biological theories from which they were drawn, that businesses progress in a linear manner through steps, each one building on the previous one. While undoubtedly small businesses gain intellectual, social and commercial capital as they age, such is the dynamic nature of small businesses that they may experience 'stages' between which they may oscillate and return to time and again. This study has found support for the concept of oscillation rather than a staircase of sequential steps that are climbed rationally, and a motivation to cruise rather than a drive to grow.[102] Either way, adopting a simpler view of the life cycle allows for more efficient and effective services and support while not getting distracted by the minute differences between individual small businesses.

102 Massey et al., 2006.

103 Kinghorn, 2018; Matejun, 2013.

A shared and stable small business mindset

The systematic review of literature found limited research examining small business mindset in the Australian context, and no research that offers an integrated view of mindset as a function of life cycle. This lack of existing research further highlights the value of this study in addressing this knowledge gap.

The primary study findings show that there are certain constants in the mindsets of Queensland small business owners—indicating a relatively 'shared' mindset towards many of the common small business characteristics.

For example, almost all small business owners are highly customer-oriented and determined to meet the needs of the market they depend on. They are unlikely to devote significant resources to analytics, except in the initiation stage or when they are growing. Despite expectations that small business owners tend to seek outside advice and assistance, this is not the case. This study shows that small business owners are unlikely to expend significant effort in networking or seeking help, although those in the initiation stage or living in more regional areas are more likely to do so.

When it comes to innovation, there is also relatively less variation in the small business mindset in Queensland. This study indicates a moderate interest in innovation, rather than consistently high motivation to enter new markets, develop new products or significantly alter the original business model. These findings are supported by earlier research studies working with small businesses that suggest modest innovation and evolutionary strategies are preferred over a strong innovation focus.[103]

Greater variability in mindset is seen, however, when examining the responses to questions themed around competitor, risk-taking and proactive orientations, especially when examining the responses as clusters (see Figure 20). For example, there was a significant variation in responses to competitor orientation questions that were about a small business' interest in understanding and competing with business rivals.

Responses to questions on proactive orientation tended towards neutral or negative, suggesting small businesses are only mildly proactive in being the first to introduce new products, services and operating technologies. However, when responses were analysed as clusters, the proactiveness of businesses varied from very low to high.

The risk-taking orientation of the small business clusters was also spread from low to high; however, the risk appetite in small businesses owners as a whole is low. This finding matches those of another Australian study, which explored the decision-making of small to medium enterprises and concluded:

> *'While it is acknowledged that the growth pathway of each small business is unique, the study found that many of the respondents were generally risk averse and that they valued stability more than taking risk to grow their businesses. This is quite a contrast to the classical business life cycle theory.'*[104]

When the mindset findings were examined against the stages of the small business life cycle, the study found some variations. For example, motivation to grow (i.e. oscillate to the growth stage) appears linked to higher levels of analytic orientation, proactiveness, innovativeness and competitor orientation. Perhaps unsurprisingly, there is a decline in analytics, innovation, risk-taking and proactiveness as businesses progress towards an exit stage. The most statistically significant change across all stages of the life cycle related to analytic orientation, with businesses more likely to undertake market analysis and seek external advice during the initiation stage, compared to the growth stage, and a sharp drop in both during the exit stage. Overall however, the study found that the mindset of an individual small business owner does not undergo a distinct shift as the business progresses from one stage of the life cycle to the next.

This suggests that, regardless of the stage of their business, a small business owners' attitudes and priorities remain fairly constant and 'stable'. While this finding may surprise, when considered in context with the other findings—that small business owners are risk-averse and prefer a platform of stability over constant change and growth—stability in the mindset of a small business owner makes sense.

104 Wong et al., 2018.

Six small business personas have been identified.

Understanding the mindsets as different personas can improve support for small businesses.

The mindset is driven by an underlying desire to achieve stability for their business.

Small business personas

Small business owners in Queensland share many of the same mindset characteristics, however there is some variation. Analysis of the survey responses against each of the mindset variables—customer, competitor, innovation, risk-taking, proactive and analytic orientation—identified distinct clusters of responses, which highlight these variations (as shown in Figure 20).

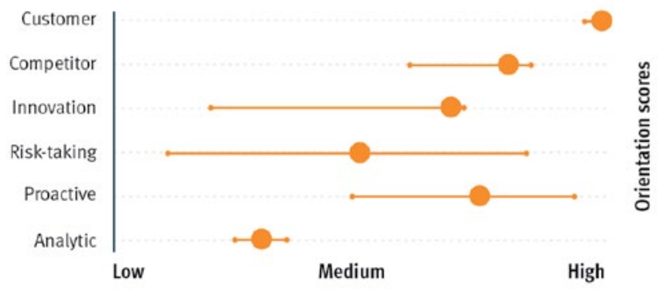
These clusters of responses in how a typical small business owner might think and approach their business can be translated into six 'small business personas'. Figure 22 describes the six personas and maps how these personas are oriented (from low to high) against each of the mindset variables.

For example, while small business research often conflates 'entrepreneurs' with 'small business owners', this study suggests that entrepreneurs are in fact one of the mindsets (or personas) of small business owners. In this case, the entrepreneur is a competitor-oriented, proactive risk-taker with a higher propensity for analytics.

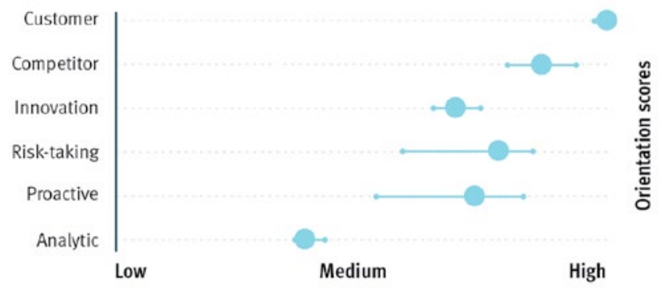
Understanding the typical mindsets of owners as 'personas' can help government and industry better support Queensland small businesses.

Figure 22: Small business personas

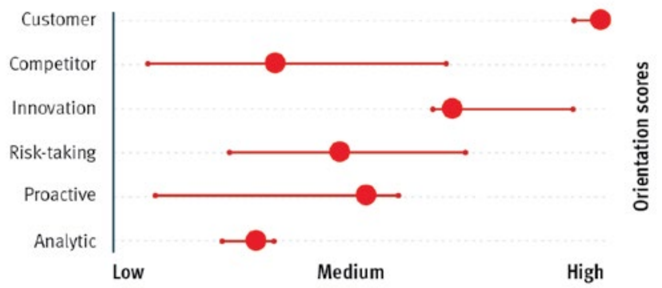
The Competitor actively takes on competitors; takes a proactive approach rather than focusing on product or service innovation; and is willing to take on a challenge while controlling risk exposure.



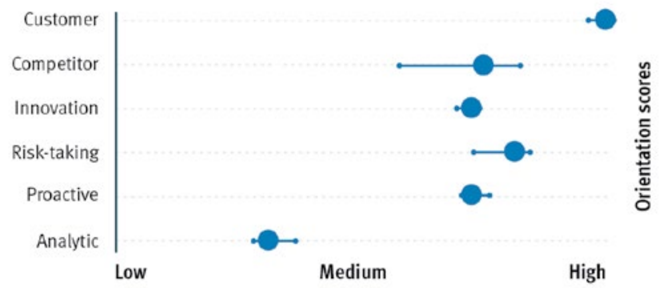
The Entrepreneur embraces market information, seeking to understand and lead the market rather than follow; and is prepared to take calculated risks.



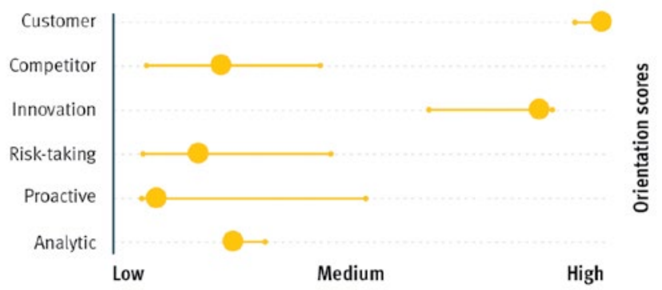
The Traditionalist focuses largely on satisfying customers, such as by changing products and services to respond to customer needs; and has a low appetite for risk or innovation.



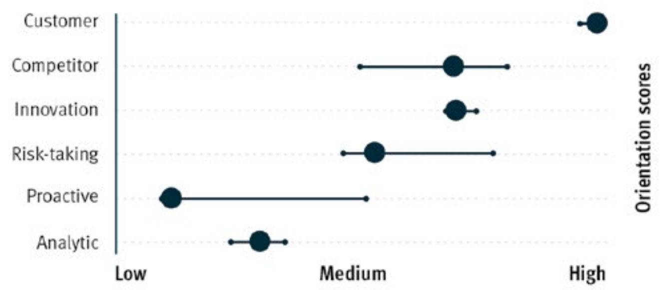
The Risk-taker is similar to the Entrepreneur but relies more on gut feel than analysis of market intelligence; and has a high risk appetite and often takes risks.



The Soloist focuses on keeping their own counsel and minding their own business; believes that if they improve their own game the rest will follow; and, while similar to the Traditionalist, has an even lower risk appetite and is less externally focused.



The Vigilant Operator is cautious; and examines the market but is unlikely to make sudden moves in response to perceived risks.



Conclusion

In conclusion, this study explored the stages of the small business life cycle and the mindset of small business owners, and considered these ideas in the context of Queensland small businesses.

This study identified that the life cycle of a small business is best described using a simple four-stage model, consisting of initiation, maturity (made up of two oscillating stages of growth and stabilisation) and exit. The central principle driving small business owners in Queensland is stabilisation of the business. Stabilisation offers the reward of choice where a small business owner can choose to innovate, make changes, or exit the business in a planned and dignified manner.

While there is a significant conservative drive towards stabilisation, this study identified both shared characteristics and distinct differences in mindset among small business owners. These differences affect how small businesses approach the various challenges and opportunities they encounter across the life of the business. Small business owners demonstrate a consistent orientation towards customer satisfaction, coupled with a reluctance to engage extensively in networking or seeking external assistance. While innovation and risk-taking tendencies vary, there is a prevailing preference for stability over radical change or growth. The mindset of small business owners was also found to remain relatively stable across the different stages of the business life cycle.

Furthermore, this study introduces six distinct small business personas—the competitor; the traditionalist; the soloist; the entrepreneur; the risk-taker; and the vigilant operator. These personas reveal the nuanced mindset differences of Queensland small business owners to help us better understand the people at the heart of small businesses.

By improving our understanding of Queensland small businesses, government can better appreciate the needs of small business owners. This will ensure they are at the centre of relevant policy interventions, service design, engagement processes and support arrangements. Improving how we collaborate and engage with industry groups and individual small businesses is critical. Only by working together can we help small businesses thrive.

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Notes

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