



Queensland  
Small Business  
Commissioner



# Understanding the life cycle and mindset of Queensland small businesses

Snapshot



Queensland  
Government

# Investigating life cycle and mindset

We can help small businesses to thrive if we understand the mindset of business owners and the influences on this mindset as the business evolves through its life cycle.

The Queensland Small Business Commissioner (QSBC) commissioned research with three objectives to:

- Find out how best to describe the stages in the life cycle of the small business
- Understand more about the mindset of small business owners in Queensland
- Examine if the mindset of small business owners in Queensland changes as the business moves through its life cycle.

Not much research has been done about the life cycle of small businesses—mainly about big businesses. This study is the first one to integrate the topics of mindset and life cycle of small businesses.



A small business is a business that employs fewer than 20 full-time-equivalent employees.



Mindset in this context refers to the attitudes, expectations, priorities and preferences of small business owners.



Life cycle represents the progression or evolution of a business over time from initiation to exit.

## Why is life cycle and mindset important?

If government and industry know more about the mindset of small business owners while they steer their businesses through ups and downs, then these groups can finetune the support and services they provide to small businesses.

It is important to provide small businesses with the right support. They play a huge role in the economy—contributing \$500 billion in 2021–22, which is more than one-third of Australia’s GDP. In Queensland, they make up 97.1% of all businesses and employ more than 1.026 million people.

For small businesses, knowledge of life cycle helps them with strategic decision-making; and insights into mindset highlight areas to monitor and develop.

## How was the research done?

The research was undertaken in three parts:

- a review of relevant literature over the last two decades
- a survey of 331 Queensland small business owners
- in-depth interviews with 20 of the survey participants.

The small business owners surveyed and interviewed were diverse in terms of age, gender, industry, business structure and stage of business life cycle.

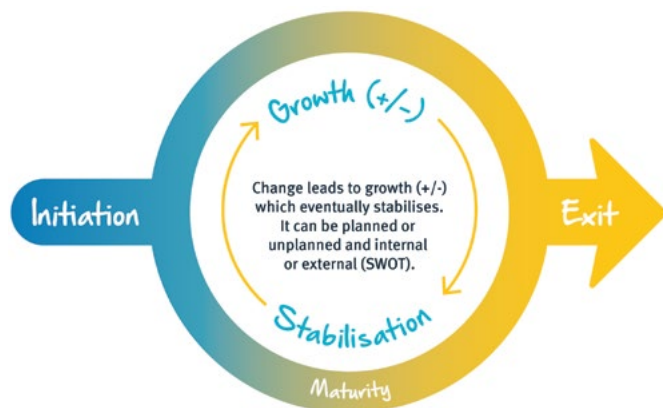
# Life cycle of a small business

## What does the small business life cycle look like?

Based on the research, it is fitting to describe the life cycle of the small business in terms of four stages: initiation, growth, stabilisation and exit.

Businesses often move back and forth between growth and stabilisation, in response to internal and external opportunities and threats. Together these two stages form the operational or 'maturity' period of the business.

### The small business life cycle



## How do Queensland small businesses view the life cycle?

The Queensland small businesses interviewed had the following views:

- The life cycle stages do not always happen one after the other—instead the business can cycle back and forth between growth and stabilisation, sometimes multiple times.
- Stability is a highly desirable state for small businesses, as it provides a platform from which various options can be pursued (see ‘the appeal of stability’).
- It can be challenging to maintain stability, so it is necessary at times to return to the growth stage and make changes to try to re-establish stability.
- Exiting the business is not easily considered—despite the challenges of running a business. Exiting is not seen as ‘failure’ if it is planned and happens on the owner’s terms.
- Most small business owners thought their business was in the maturity (or stability) stage.

### The appeal of stability

It is challenging to run a business. Some small business owners talk of the **inescapability and intensity** of their role. The owner is usually embedded in the business and due to the small size of the business, the owner’s role is emphasised.

As a result, **small businesses strive for stability**. When they have stability, they have a platform from which they can pursue options. For example, they can diversify, expand, contract, specialise, innovate, step back or even exit.

If stability is threatened by changing circumstances, the business reverts to the growth stage. Whether the growth is positive or negative, **the aim is to return to the stabilisation stage**. The business can swing between these two stages any number of times.



# The typical Queensland small business mindset

## How is mindset 'measured'?

Mindset (in this report) is characterised by six attributes that can be measured and vary from business to business. The attributes are referred to as mindset variables.

### Mindset variables



#### Customer orientation

Having a strong commitment to customers, and wanting to create customer value, listening to customers and offering after-sales service.



#### Competitor orientation

Monitoring the market, collecting and analysing data, and responding to competitors' behaviour in the market.



#### Innovation orientation

Following leading-edge approaches and developing new products.



#### Risk-taking orientation

Being bold and taking risks when pursuing opportunities.



#### Proactive orientation

Initiating action in the market, like introducing new products, services and technologies.

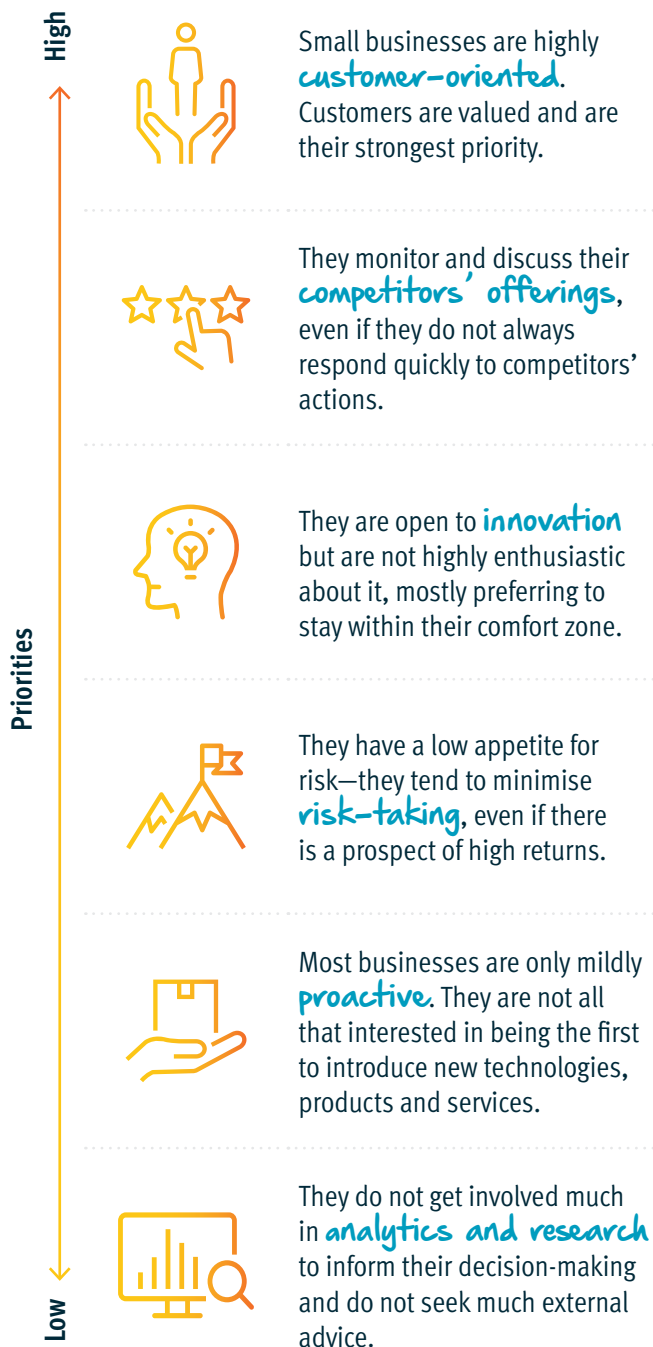


#### Analytic orientation

Actively collecting and analysing data to drive decision-making, and relying on external advisors to fill knowledge gaps.

## What do Queensland small businesses prioritise?

Small business owners were asked to rate their priorities as expressed in the six mindset variables. These were:



## Variations of mindset

From the way individual businesses rated the mindset variables, six distinct groups or types of mindsets emerge. Each group has a unique combination of priorities—the weight one group gives to 'risk-taking', for example, is different from the weight another group gives it.

The six groups range from a typical entrepreneurial orientation, embracing risk and innovation backed by analysis and external advice—through to an inward-looking mindset, focused on satisfying customers and having little interest in growth, real innovation or risk.

There is a great degree of overlap between the groups across three 'shared' mindset variables. Queensland small business owners have a similar attitude towards customers, analytics and innovation.

Conversely, there are noticeable differences among small business owners in terms of how strongly they lean towards the three other mindset variables of competitors, risk-taking and proactiveness.

## How Queensland small business mindsets vary



## Small business personas

Based on the different groups or types of mindsets, six small business personas (profiles) can be identified. These personas represent six typical Queensland small business owners, distinguished by their different mindsets.

The personas are useful because they provide insights into the different attitudes, expectations, priorities and preferences of Queensland small businesses. Such insights can help government to engage with small businesses and support them in a targeted way—for example, through initiatives, policies and programs designed around the businesses' needs.

**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.

## Influences on mindset

### Does life cycle affect mindset?

While there are some changes across the life cycle, the mindset of the Queensland small business owner does not shift much as the business moves from one stage to another.

There are some changes across the stages—for example, businesses are far more likely to be analytically-oriented and to seek external advice during the initiation stage (compared to the growth stage), while businesses approaching the exit stage typically focus less on analytics, innovation, risk-taking and proactiveness than before.

But overall, attitudes and priorities of an individual small business owner are relatively consistent through the life cycle and tend to centre around stability.

### What other factors play a role in mindset?

Mindset is a multidimensional concept—so various factors (demographic, social, economic, cultural, psychological factors and more) can affect mindset, including:

- **business demographics**—while age, gender and location are not strongly associated with the mindset variables, older business owners are more customer-oriented and less inclined to take risks, use analytics and be proactive
- **business structure**—not-for-profit organisations are far less likely to take risks and be proactive but more likely to use analytics than other forms of businesses; other than that, business structure is generally not linked to mindset
- **government support**—those who have benefited from government support show significantly higher levels of innovativeness and generally higher levels of risk-taking and analysis compared to other small business owners
- **motivation**—motivation to grow or remain in business appears linked to higher levels of analytic orientation, proactiveness, innovativeness and competitor orientation.

## Summary

The research established that the life cycle of the small business is best represented by four simple stages of initiation, growth, stabilisation and exit.

It is clear that small businesses value stability highly. They acknowledge that they need to grow so that they can achieve stability, but stability is the aim. Once the business is stable, they can take stock and choose how to reposition themselves.

Patterns also emerged about the mindset of the Queensland small business. The businesses share a similar mindset when it comes to how they prioritise customers (high), innovation (medium) and analytics (low). But their mindset differs in terms of how strongly they are oriented towards competitors, risk-taking and proactiveness.

The shared mindset shows the areas small businesses emphasise, and the areas where further support may be needed. For example, seeing that businesses do not fully utilise analytics, the value of analytics could be promoted to them.

The six personas reflect the differences in mindset between businesses. They are the competitor, the traditionalist, the soloist, the entrepreneur, the risk-taker and the vigilant operator. These personas can be useful when designing programs and initiatives for small businesses, as they show the characteristics of the users of those programs.

By developing our understanding of the life cycle and mindset of small businesses, we can improve how we work together to help small businesses thrive.

## Small business life cycle and mindset

A greater understanding of small businesses has multiple benefits—such as more targeted government support, and policies and programs designed around the needs of the small business. This study looked at the life cycle of small businesses and the mindset specifically of Queensland small businesses, and found:

- The small business life cycle sees businesses evolve through stages of initiation, growth, stabilisation, and exit (with growth and stabilisation under the umbrella of ‘maturity’).
- Stability is a desirable state that small businesses usually aim to achieve as it enables owners to have choices about the business’ strategic direction.
- To maintain stability, the small business often swings back and forth between the growth and stabilisation stages as changes impact the business.
- Mindset is described in terms of six attributes—the business’ orientation towards customers, competitors, innovation, risk, proactiveness and analytics.
- Queensland small businesses that participated in this study have a similar mindset for customers (they are highly customer-oriented), innovation (they have a medium innovation orientation), and analytics (they do not prioritise analytics much). On the other attributes they tend to differ.
- Six small business personas can be identified: the competitor; the traditionalist; the soloist; the entrepreneur; the risk-taker; and the vigilant operator.
- The typical Queensland small business mindset does not shift much as the business goes through its life cycle.



View the full report on the QSBC website

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