

## Fostering strategic learning capability to enhance creativity in small service businesses

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**Abstract** Potentially, owner manager creativity is a major source of competitive advantage within small businesses. However, whilst smallness of operation bestows possible benefits and advantages which can facilitate or assist owner manager creative thinking and development activities, it also brings with it potential unique problem-types which can severely impact growth and squeeze out owner manager propensity to be creative and innovate. Within this article, we utilise Personal Construct Theory to demonstrate the complexity of the small business strategic learning and management processes in dealing with such a problem context, and the nature and role of owner manager creativity within these processes. Case study insight is used to demonstrate the ways in which creative owner managers are able to set themselves free from currently constraining existing personal worldviews and unfold and converge new ideas and produce alternative personal constructions of innovative development opportunities.

**Keywords** Owner manager · Creativity · Small business · Strategic learning · Personal Construct Theory

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## 1 Introduction

Creativity is a key potential source of competitive advantage for small businesses. Owner manager creativity can result in the generation of new and useful ideas which if effectively worked through in terms of operational and/or strategic benefit can lead to innovative business development vis-à-vis more staid competitors. There are, however, several crucial issues surrounding small business ability to, in the first place, foster creativity amongst key management and staff in terms, for example, of new perspectives or new ideas generation; and, in the second place, to progress such creativity beyond mere surface mumblings of ideas to a stage of implementation in a manner which represents innovative and competitive development for the business. In its most basic form a key constraining issue relates to understanding and making explicit just what creativity means in a business development sense. This paper commences by providing a working definition of creativity that has utility in a small business development context. It then proceeds to examine the distinctiveness of small businesses vis-à-vis large companies, demonstrating how smallness of operation can bestow possible advantages and benefits, integral to which is a potential natural propensity for owner manager creativity—but also how smallness similarly brings with it potential unique problem-types which can severely constrain exploitation of potential size-related benefits, not least owner manager creativity. Of special significance in this respect is the unpredictable nature of the small business external operating environment and the highly complex nature of the owner manager strategic learning process in dealing with this change environment. The paper utilises Personal Construct Theory (PCT, Kelly 1955) to demonstrate the complexity of owner manager learning process and of the nature and form of ‘creativity capability’ which is embedded within this strategic learning process. The paper then draws upon the authors’ in-depth action research oriented case study findings to demonstrate what successful small businesses do in strategic management and strategic learning practice and the nature and role of owner manager creativity in this strategic management and learning process. A particularly innovative service sector small business case study is considered in detail to highlight how owner manager strategic learning and integral creative thinking and creativity can drive start-up and successful sustained development of the small firm. The paper concludes by teasing out key learning points with regard to the fostering of strategic learning and creativity as a key source of innovative development and competitive advantage in small service sector businesses.

## 2 Creativity

One key change that employers have called for in recent years is improvement in the development of individual creativity and creative thinking amongst young people entering the workplace—but, in America for example, resort to use of a variety of definitions as to just what creativity means or involves has in the past constrained a consistent educational response (Parkhurst 1999).

For Weaver (2003), ‘if you want to build a company with creative agility and a creative culture, you have to know what creativity means.’ He highlights that there are several ways of defining creativity but the most basic idea focuses on the act of bringing something new into existence—either as a totally new creation or as a new combination of existing things and ideas.

Arguably, there is a hazy boundary between creativity and innovation. For Goddard (2008), ‘creativity is generally defined as coming up with new and useful ideas and innovation is implementing those ideas.’ From a business development perspective, creativity and innovation can thus be considered to have a glove-tight or hand in hand relationship. ‘Creativity is typically used to refer to the act of producing new ideas, approaches and actions, whilst innovation is the process of both generating and applying such creative ideas in some specific context. In the context of the organisation, therefore, the term innovation is often used to refer to the entire process by which an organisation generates creative new ideas and converts them into novel, useful and viable commercial products, services and business practices, whilst the term creativity is reserved to apply specifically to the generation of novel ideas by individuals or groups, as a necessary step within the innovation process’ (Wikipedia 2009).

One can thus conceptualise creativity as a necessary precursor to innovation: ‘creativity by individuals and teams is a starting point for innovation; the first is a necessary but not sufficient condition for the second’ (Amabile et al. 1996).

However, as is made explicit within this paper, in practice it is appropriate to consider creativity and innovation as intertwined activities and processes where, for example, creativity or creative thinking feed innovative paths of business development, but experiment or try out during the innovation implementation may lead to further creativity which in turn leads to adjustment of the innovative implementation.

It is a major premise of this paper that the potential for owner manager creativity and creative thinking is significantly endowed in advantages associated with smallness of operation. However, similarly that smallness can also bestow size-related problems which may constrain owner manager ability to think and act creatively, even to the point of confounding uptake of smallness related potential advantages. It is to these issues that the next two sections turn.

### 3 Distinctiveness of small business vis-à-vis large companies

#### 3.1 Distinct advantages and benefits associated with smallness of operation

By its very nature, the small business, because of size, structure and infrastructure is naturally endowed with potential benefits and advantages vis-à-vis its large company counterpart. Integral to such advantages are the potential for owner manager creativity as a source of innovative small business development.

For example, in most successful small businesses the owner manager is the pivotal individual who drives the organisation forward and has his finger on the pulse of all operational activity. He is the key ‘umbrella individual’ who has the potential to

adopt an helicopter view of the business in its holistic form—encompassing the internal operating and external development contexts of the firm.

Such a pivotal, lead role places the owner manager at the heart of the internal decision-making and decision-making processes and of external interface with key associate actors such as suppliers and customers (Wyer 1990).

Moreover, smallness of operation precludes the need for bureaucratic and unwieldy departmental structures of large companies. A small workforce can lead to a close-knit social unit, the members of which reciprocally help and learn from each other. Opportunity exists for the build up of trust-based relationships both amongst workforce and between key staff and actors and stakeholders on the boundaries of the firm's activities.

Informal structures and substructures together with relatively low level of operational processes and products or services outputs lend themselves to development of effective support infrastructures such as administration, record keeping and financial control processes. Many small businesses are not locked into high level fixed assets and technologies and thus can more readily respond to changing demand in the marketplace.

And in their totality, the possible advantages of smallness, such as those outlined above, can potentially manifest themselves in clear sources of competitive advantage and benefits for a particular small business. Advantages and benefits relating to, for instance, management creativity and creative thinking, ease of decision-making and fast responsiveness and flexibility (Chisnall 1987), all of which can contribute to setting a small business apart from its competitor counterparts.

Indeed, within many academic overviews of the distinctiveness of small business vis-à-vis large companies, such advantages of smallness of operation are portrayed as an absolute, or a given. However, that is to brush over how smallness of operation also brings with it potential problems and difficulties which can limit or constrain the natural potential benefits associated with smallness. It is upon the potential problems of smallness of operation that the next subsection focuses.

### 3.2 The small business as a potential unique problem-type

The work of Wyer (1990) and Wyer and Smallbone (1999) gives specific emphasis to the ways that smallness of business operation brings with it possible problems which, if not effectively managed, can constrain growth and development, and even force small firms out of business. Clearly, if the advantages and benefits of smallness of size, such as those considered in the previous section, were an absolute, then the number of small business failures would not reach the high levels which epitomise most countries.

For many small businesses, potential benefits of smallness—including potential for owner manager creativity as a key source of innovation—can be squeezed out by difficulties and problems associated with smallness of operation.

For Wyer and Smallbone (1999) and Smallbone and Wyer (2006), small businesses face potential unique problems whose origins are of two possible sources: problems which are owner manager-related and those which are size-related.

Owner manager-related characteristics and constraints which can produce unique problem-types centre on the values, attitudes, motivations and abilities of the owner manager. For example, many owner managers set up their own business to escape the dictates associated with working in a large company and to achieve independence and autonomy of running their business their way. Such values of independence and autonomy can be beneficial drivers of the business, but can also constrain. For instance, by way of owner manager unwillingness to anchor in outside expertise when it is needed; or to avail his self of external finance because he fears a loss of control.

With regard to the issue of control, some owner managers are unwilling to delegate key tasks to capable sub-managers or workforce, or to share valuable information with key staff about development of the business. Such an attitude can be limiting in many different ways, not least in starving the business of the talents and knowledge of others.

Moreover, many owner managers are successful in the earlier stages of start-up and development of their business because they effectively operate a driving role of 'jack of all trades' in which they push their abilities with regard to overseeing production work, adopting a marketing interface with customers and completing the necessary administration and financial management duties necessary to keep the business ticking over and moving forward. Eventually however, some owner managers find that the business has outgrown his or her abilities—and an unwillingness to identify and recruit the necessary skills and capabilities to underpin growth of the business can severely constrain, or even destroy, the firm.

Size-related characteristics and constraints are potentially embedded through the entire business. With regard to finance, many small businesses have difficulty accessing reasonable cost finance due to lack of adequate levels of security and/or profit track record sought by the lender (Hall 1989). Constraint impacts upon ability to meet day-to-day operating costs because of inadequate working capital and/or upon ability to exploit strategic development opportunities due to lack of fixed and/or working capital (Wyer et al. 2007).

With regard to labour, many small firms experience difficulties in recruiting quality workforce. Wage and salary levels and career path opportunities are not commensurate with those of large companies. Thus, many small businesses attract less committed, less experienced or less able workers. This in turn can lead to operational problems such as workers arriving late, absenteeism or leaving without notice (Curran 1988).

In terms of marketing, indicative potential small business problems (Carson 1991; Carson, et al. 1995) relate to difficulty in obtaining relevant marketing information and in entering established distribution channels. With regard to small business interface with its wider operating context, many owner managers have difficulty relating to their external environment (Gibb 1983), not least in unfolding understanding of key enabling and constraining factors and issues which are, or may in the future, impact development of the business.

It is the existence of such potential unique problem-types which can constrain small business ability to fully exploit the potential advantages of smallness of

operation considered in the previous sub-section, and which highlight how such advantages are not absolute but potential, and should be treated as such.

A key feature of owner manager ability to exploit potential advantages associated with smallness, counter possible problems and creatively identify and seize opportunities lies in his or her strategic learning capability. It is to the issue of the complexity of the small business strategic learning process to which the next section turns.

## 4 Complexity of the small business strategic learning process

### 4.1 Different change situations facing business organisations

It is by now well documented that business organisations of all sizes and forms must cope with an external operating environment that is epitomised by fast and often unexpected change. A well worn and trite observation that ‘the only constant is change’ is by now somewhat cliché. A no less frequent accompanying observation, given the fast changing nature of the external environment in which businesses must strive to develop, implores the need for effective business planning and strategic control if organisations are to survive and grow into the future. What is not clear, however, is just what forms of long-term business planning or strategic management and control are appropriate to aid small businesses in dealing with the often hostile environment in which they operate.

This lack of clarity into relevance or adequacy of small business strategic management forms is not, however, due to any absence of alternative planning or strategy formation models or tools within the academic literature. Nor does it rest in lack of practical long-term planning assistance and advice offered by small business support providers. Alternative potential strategic management forms and perspectives are well represented within the literature: for example, Mintzberg et al. (1998) categorised and critiqued ten different schools of strategic management thought offering prescription and description as to what business organisations should do, or actually do, with regard to approach to strategy formation. And support providers such as the UK-based Business Links frequently offer workshops for small business owner managers which attempt to utilise one or more of the strategic management models which the literature has attempted to elaborate.

The reasons why there is to date no clear consensus as to how small businesses can more effectively interface with, manage and strategically control their external operating environment, and thus what form small business support and training should take in this respect, rests to a great extent in the surface understanding of the nature and form of the distinctiveness of small businesses (as discussed above) and of the contemporary external change environment in which the small business operates.

Stacey (1990a, b, 1993) emphasises that it is necessary to recognise a number of different change situations within the business environment and that it is the nature of these specific change situations which dictate appropriateness of particular management approaches. First, are closed change situations whereby it is possible

for businesses to predict events and actions in terms of timing and consequences. The causes and reasons why change is occurring are knowable. An example of closed change would be where a regular customer to a business doubles his order for component parts supplied: in such circumstances resource requirements to fulfil the order and associate cash flows can be predicted and planned for.

Second, are contained change situations in which events are occurring where repetitions of past activities and laws of large numbers apply. An example here would be a situation where seasonal patterns of sales allow predictability within limits. Management can say what will happen and provide probable reasons for it happening and can thus make estimates with regard to timing and magnitude of the consequences.

Finally, businesses face open-ended change situations which involve change events that are totally unknowable or unpredictable in terms of timing and consequences. In such change circumstances, it is unclear what is changing and why, and events occur and actions are taken of a form never encountered before. Examples of open-ended change include the outbreak in the UK of foot and mouth disease and the September 11th terrorist attack in the USA. However, open-ended change can be less dramatic than these extreme examples: for instance a competitor introducing a new technological process which enables it to produce the component parts offered by the supplier in the closed change example above at a third of the price and to higher durability specifications. The business customer responds by dropping its regular supplier immediately: thus, open-ended change can even contaminate what was thought to be a more certain closed change situation.

In short, therefore, such classification of potential change situations demonstrates the types of externally generated circumstances with which a small business will have to cope and attempt to plan for. The existence of open-ended change situations, which Stacey suggests predominate in the business environment, draws attention to the high level difficulty for small businesses with regard to adopting an appropriate strategic management approach which can accommodate strategic control of such unknowable and unpredictable change circumstances. Moreover, consideration of the nature, form and complexity of the small business strategic learning task (which is integral to effective strategic management) in turn sheds further light on why a lack of consensus continues to exist within the academic literature and across small business support provision as to what will constitute effective small business strategic management. It is to the issue of complexity of the small business strategic learning task which the following subsection turns.

#### 4.2 Use of PCT to demonstrate the complexity of owner manager strategic learning process

The work of Wyer and Mason (1998) utilised PCT (Kelly 1955) firstly to provide perspective as to the approximate nature and form of learning and development processes which we all as individual human beings undertake in our daily lives. And secondly, to demonstrate how those individuals amongst us who start-up and run their own businesses and become owner managers must undertake a similar individual learning process—but a process that, if the business is to successfully

grow, must accommodate strategic learning about the vagaries of open-ended change embedded within the external environment. Whilst not becoming engrossed in the more detailed intricacies of Kelly's theory, Wyer and Mason (1998) did utilise a version of PCT which drew upon the base parameters of Kelly's propositions as guiding frames of reference to help explain and understand an individual's learning and development process. This facilitated the highlighting of the complexity of small business strategic learning processes and also provided a guiding interpretative frame of reference for case study investigation of what small business owner manager strategic learning and strategic management looks like and involves in successfully developing small businesses.

The parameters of Kelly's theory proffer that man (or woman) is a kind of 'scientist' who makes sense of his world by building a personal theory of it. These personal theories form the basis of subsequent actions and anticipations (Harri-Augstein and Webb 1995).

Effectively we as individuals look at the world, or parts of the world, through transparent templates or spectacles which we can create and then attempt to fit over the realities of which the world is composed (Kelly 1977).

When encountering past experiences and undertaking positions and responsibilities in life, we use these to contribute to the formation of our own individual personal constructs (our spectacles). And we then use these spectacles again in the future to view and deal with unfolding change situations that arise and confront us. It is our personal constructs that inform us as to what behaviour we should adopt to deal with a situation—the personal construct enables us to predict in what way to act and what outcomes will arise from adopting such action.

If a change situation that we face is new to us, of a nature never before experienced, then our existing personal constructs will be inadequate. The fit of the templates (personal constructs) that we use is not always very good. In such cases, we are faced with a difficult learning task of surfacing our constructs and challenging the assumptions upon which they are based. This is a highly complex learning task. It requires us to attempt to improve our constructs by altering them to provide better fits, to become better spectacles which better inform us as to how to behave in the new situation.

As a 'scientist', an individual seeks to predict, and thus control, the course of events. The constructs that he formulates are intended to aid him in his predictive efforts. Constructs are used for predictions of things to come, and the unfolding world and an individual's practical actions and activities reveal these predictions to be either correct or misleading (Kelly 1977).

In a constantly changing world, man is incapable of effecting an absolute construction of the environment that he is trying to understand and thus has to be content with making a series of successive approximations. All of his present interpretations of his world are open to revision or replacement in the light of his testing them out in practice.

However, whilst we as individuals are natural predictors in our approach to coping with new change situations, this does not mean that we are all good at it. Or that we are all able and willing to persevere at predicting and anticipating the future by revising our constructs (our spectacles). 'People (learners) are often not very



skilled as scientists and their models of their world are often implicitly held in almost total non-awareness. Such models become impossible to revise and individuals become very impoverished as a result. This inhibits their growth' (Harri-Augstein and Webb 1995).

For Kelly, man has the potential to hold his previous experiences open to the possibility of fresh construction; the opportunity to seek alternative perspectives and interpretations of a given change event and use these as 'lenses' to put facts and insight together in more productive combinations. He has opportunity to be more imaginative in unfolding alternative constructions and thus in providing more rigorous practical grounds for more effective anticipation and prediction.

Thus, in a small business development sense, one can posit that an owner manager is a natural predictor but is essentially trying to predict and operate in a business environment that is essentially unpredictable: epitomised by change situations that are unknowable and unpredictable and never before encountered by the owner manager. He must therefore complex learn by replacing inadequate existing personal constructs and creating alternatives which will help him to cope with the new situation facing him. Having demonstrated the theoretical complexity of the small business strategic learning task, the following section provides insight into how successfully growing small businesses strategically learn and undertake effective strategic management in practice.

## 5 What small businesses do in strategic management and strategic learning practice

Our qualitative, in-depth case study and action research-based case study investigation of growth achieving small businesses (Wyer 1990; Wyer and Mason 1998, 1999; Wyer and Barrett 2003; Wyer and Donohoe 2008 ongoing) provides the following tentative insight with regard to key management and learning approaches, processes and activities, and integral owner manager creative thinking and creativity, that have been found to underpin strategic development and strategic management in successful growth-oriented small businesses.

### 5.1 No formal long-term written plan

The owner managers do not use rational long-term planning modes of management to effect strategic control of their external environment, or to guide long-term direction of the business. They do have a mental, qualitative framework of future development—giving mental focus to current core markets, products and processes activities of the business; and a 'preferred end' of where the owner manager feels at the moment he or she wants to take the business in terms of future direction.

### 5.2 Mental framework as learning frame of reference

The owner managers use the mental framework as frame of reference for consideration and working through of potential opportunities or constraints revealed

from close interaction with the external environment. In other words, it provides a learning framework within which to consider snippets of external change insight that the management unfolds or comes across, and implications for the business and parts thereof.

### 5.3 Flexibility not rigidity

The mental framework is adjusted as relevant change insight in the form of opportunities or threats are revealed—adjustment may be to current markets, products and/or processes activities and/or the ‘preferred end’.

### 5.4 Discovery role

Owner managers and/or key staff in effect undertake a discovery role whereby any close interaction with the firm’s external environment and key informants therein (such as suppliers, agents, distributors or customers) is used as a possible learning interface, with snippets of learning brought back into the business.

### 5.5 No comprehensive external strategic audit

The businesses were unable to undertake comprehensive audit and analysis of the external environment: time, resources, ability and the nature of the change environment constrain. Focus is thus on a ‘slice’ or ‘slices’ of the external environment and the learning about any integral implications for the business.

### 5.6 Intended and by-chance learning

Interaction with the key informants on the boundaries of the firm’s activities may be intended, opportunistic or accidental—thus, say, learning from a planned key informant meeting; or milking insight from a chance encounter.

### 5.7 Dialogical learning

Snippets of learning may result out of fleeting conversation with, say, a potential customer. But on many occasions understanding of a change situation or set of circumstances derives out of deep dialogical learning from key external informants, such as suppliers, which then feeds the firm’s strategic development process.

### 5.8 Extended involvement of internal decision makers

The deep learning dialogue frequently continues within the business with key internal decision makers to try to make sense of the externally derived base insight into change situations and work out what the insight means for the particular business.

### 5.9 Deep dialogue facilitates adjustment to existing personal constructs

It is the activity of deep dialogue, both with external key informants and with internal decision makers which facilitates adjustment to, or replacement of, existing inadequate owner manager or key staff personal constructs. Dialogue allows those involved in the deep discussion to surface and challenge assumptions underpinning their existing constructs and to 'try on for size' the personal constructs of others—to see if there is 'anything in the construct for me' (Beck 1980).

### 5.10 Learning sources

The discovery process draws upon opinion and expertise from a wide variety of local, national and international people and informational sources as base input for a dialogical learning process. Discovery activity, beyond sole dialogue learning, also involves study and analysis of key secondary documentation such as trade journals and quality business press and internet which feeds the small business organisational learning process.

### 5.11 Experiment, 'try out' and trial and error

Strategy development, for example, in terms of new product development, market development or diversification, is often significantly based on a 'trial and error' or experimentation approach. In short, initial partial learning in the form of 'discovery' of insight which suggests possible strategic opportunity for the business may need further learning, through, say 'try out' action, to supplement the initial partial learning and result in firmed up adjusted or new owner manager personal constructs that he or she is confident portrays a sound picture of opportunity.

### 5.12 Intertwined discovery, choice and action strategic management

Discovery of change insight and possible strategic opportunity is embedded in dialogue and, where necessary, extended into learning by 'try out'. Thus, traditional rational long-term planning modes of strategic management are not evident. Instead, 'action' facilitating 'discovery' and 'choice' may be necessary. The strategic management mode is thus one of intertwined discovery, choice and action activities—epitomised not by rational, logical strategic thinking and step process discovery, choice and action (see Stacey 1990a, b); but by creative, generative strategic thinking and underpinned by judgemental reasoning and intuition.

### 5.13 Co-existence of emergent and predetermined strategic development path

Therefore, strategic development path frequently has an emergent dimension. The small business 'learns its way along' into, say, a new market development niche. This does not, however, preclude the possibility of rational step management processes whereby a pre-determined strategic development path is identified and successfully followed.

### 5.14 Effective management control of existing core business activity

Tight short interval control and effective short-term planning of current existing business activity provides the confidence base and ‘space’ for the owner manager to more effectively consider the bigger strategic picture of the business and its external change environment.

#### 5.14.1 *Small business creativity embedded within ‘owner manager the good scientist’*

The key driver of the above strategic learning and management processes and activities is the ‘owner manager the good scientist’. He learns about new change situations and integral business opportunities and threats by undertaking actions that enable him to challenge and question assumptions underpinning his existing personal constructs and, where appropriate, adjust the constructs or build alternatives. He is utilising dialogical learning interfaces with others, ‘trying their worldviews (personal constructs) on for size’, resorting to media and press as further source of ideas-building and, where necessary, undertaking experiment, or ‘try out’ or trial and error to enhance or test out his new emerging personal constructs. And embedded in this strategic learning process is creative, generative thinking and owner manager creativity which is feeding innovative strategic development paths.

Within the next section, this owner manager strategic learning process and integral owner manager creative thinking and creativity is exemplified in more detail through presentation of a specific small service sector business case study.

## **6 Highlighting creativity within the owner manager strategic learning process: Hoxton beach case study**

### 6.1 Creativity in Hoxton Beach a service sector small business: Overview

Hoxton Beach is a London-based small business which makes and sells falafel through its own market stalls and café outlets and wholesale to retail outlets. The business was established in 2004 by owner manager Patrick Matthews (supporting contributor of this paper) who had discovered falafel in Damascus when he was studying Arabic at university. From its beginnings in a single food trailer, Hoxton Beach has gone onto supply major retailers such as coffee shop chains, whole foods markets and various independent shops and cafes. The business also caters for conferences, private parties and public festivals.

Falafel are the core of the company’s activity. Indeed, the seeds of Hoxton Beach conception were sown by the owner manager’s vision that the freshly made falafel wrap could become a major fast food in Britain.

Out of this vision, Hoxton Beach was kick-started and has become an established quality, fast food provider producing an annual turnover of approximately £400,000 and employing eight workers. Its main market stall outlet on the edge of London’s business hub is earning record sales on a daily basis.

## 6.2 Owner manager creativity: process and outputs

Hoxton Beach was born out of, and continues to successfully develop from, the creativity of its owner manager. Utilisation of PCT assists in capturing within this section the nature of that creativity and how in its various strands it has underpinned the sustained and effective development of Hoxton Beach.

Integral to Kelly's (1955) development of PCT are the processes of loose and tight personal constructing. 'Loose construction sets the stage for creative thinking. This loosening releases facts long taken as self-evident from their conceptual moorings. Once so freed, they may be seen in new aspects hitherto unsuspected and the creative cycle may get underway' (Kelly 1955/1991). Effectively, then, for an individual to be creative, including being able to successfully create something new, he (or she) has to address and challenge the assumptions upon which his existing personal constructs are based—he has to loosen his constructions and produce alternatives.

Moreover, for creativity to effectively feed into innovative small business development the creative individual must be capable of moving his loose construing forward. 'The creative person must have the ability to move from loosened to tightened construing. The person who uses loose constructions never gets out of the stage of mumbling to himself. He must get round to testing out that construction. Those locked into loose construing find it very difficult to come to any firm conclusions' (Fransella 2003).

It is such owner manager ability to loosen current personal constructions, reveal and follow up on likely alternatives and subsequently tighten those constructions and subject them to experimental testing which epitomises creativity and innovative development within Hoxton Beach. The following summarises key strands of owner manager creativity which have underpinned Hoxton Beach conception and growth.

Hoxton Beach was born out of owner manager creative thinking with regard to ideas surrounding falafel and possibilities relating to small business start-up. For Patrick Matthews 'the idea is the indispensable seed that grows into the final product or innovative development' with creative capability manifesting itself in the 'seeing of links between apparently unrelated ideas'. On encountering and sampling falafel whilst in Damascus the owner manager loosened his personal constructions of fast food provision in Britain and worked up alternative worldviews which pictured the potential for a business venture that transforms run of the mill fast food by drawing on the food traditions of recent immigrants to Britain: chiefly the vegetable based cuisine of the Eastern Mediterranean and Arab Near East.

Thus, the owner manager's loose construing involved a kind of internal brainstorming and churning over of ideas to produce a novel construction of a fast food business provision which he felt offered real potential in terms of a unique, alternative offering in the fast food sector: the conception of an initial idea that challenged and offered an alternative to existing somewhat bland and often unhealthy fast food. Hoxton Beach now produces and sells delicious healthy and inexpensive fast food—'fast food that is healthy'.

Ongoing owner manager mental focusing on the idea and its potential facilitated a progressive unearthing of different personal construct versions of business possibilities and an ultimate tightening up towards a personal construction of a

product and business model form which appeared to the owner manager to have the greatest likelihood of practical success. Effectively, the owner manager progressed through loose construing processes involving vagueness and creative thinking, with regard to the joining of ideas relating to a unique and delicious falafel food product and the potential demand for such a product in Britain, to a tightened up personal construction of a possible commercial business form involving falafel production and retailing. The owner managers 'loose to tight' construing thus facilitated build up from hazy, creative ideas to the substance of more rigorous potential business proposition—resultant tightened personal construction which could be then subjected to significant testing.

### 6.2.1 Overarching owner manager creativity

Such outline description of the seeds of Hoxton Beach birth and development does of course capture overarching creativity processes. The significant testing of the initially conceived business idea was in the form of retail sale of Hoxton Beach home made falafel from a trailer in the streets of London. And integral to the reaching of this initial experimental business form were several intertwined and complementary strands of owner manager creative thinking and actions.

Effectively, the overarching creativity process discussed above depicts owner manager creativity with regard to identification of potential product/market opportunity that he had mentally produced to the form of a sufficiently tight personal construction of a small business model which he felt could work for him.

### 6.2.2 Flesh on the bare bones business idea

Integral to the 'loose to tight' owner manager personal construing process, however, was more detailed loose to tight construing activities which put 'flesh on the bare bones' of the overall product/market business idea.

Initial owner manager ideas with regard to a falafel product form and mode of distribution appropriate to the UK market had to be worked up by the owner manager through consideration of the potential customer base, dialogue with friends, acquaintances and food sector key informants and through trial and error and experimentation. Integral to this process was determination of overall menu form that offered a central falafel fast food product, but which also provided complementary food and drinks offerings.

The successful start-up of Hoxton Beach thus has its origins in owner manager creativity embedded within a number of intertwined business strands involving his loose to tight construing which has produced:

- *Creativity in product development* resulting in an innovative (to the UK) fast food product in the form of authentic falafel wraps rolled tight as enjoyed in Damascus, Cairo and Beirut; and which sit within a growing product range of vegan food from the Arab Near East and South Asia.
- *Creativity in building distinguishing competitive posture in the marketplace* in the form of 'delicious and healthy fast food' which differentiates Hoxton Beach

from traditional existing fast food providers who rely on less healthy product forms to build their customer base—and ultimate establishment of an Hoxton Beach brand which denotes quality and authenticity.

- *Creativity in distribution channel mix*, which through a creative process underpinned and extended by experiment and trial and error, currently takes the balanced form of own market stall and café outlets together with wholesale to other retail food outlets and outside catering.

### 6.3 From creativity to innovative development

Thus, for Hoxton Beach, owner manager creativity was the starting point for streams of innovation within an innovative business whole—not least in the yoking of apparently unrelated issues or ideas. In effect strands of owner manager creativity fed streams of innovation to make up the holistic Hoxton Beach in terms of market positioning, product development, market development and communication with and, distribution to, a diverse London-based multi-cultural customer base. And this whole is underpinned by owner manager successive approximation and re-approximation (successive challenging and questioning of existing personal constructs) in the key operational and developmental areas of Hoxton Beach. In effect, one can identify an ongoing process of owner manager loosening of personal constructions that produce new accompanying strands of manager creativity and creative thinking, and which feed, through tightening of loose constructions and their testing, the progressive innovative development of Hoxton Beach.

### 6.4 Constraints on owner manager creativity

It must also be emphasised, however, that the very nature of success within Hoxton Beach brings with it significant constraints which act as a severe squeeze upon ongoing owner manager creativity. Success and growth brings with it significant time and resource constraints. For example, Hoxton Beach faces a marginal labour market and thus finds it difficult to attract quality, experienced and committed workers. As the business grows, the owner manager finds himself, on the one hand, immersed as a ‘jack of all trades’ involved in most areas of day-to-day operational activity; and on the other hand striving to step back to deal with the big picture of growth and development opportunities. Fire-fighting is frequently the predominant management form. And as such, owner manager ability to creatively address key operating and development issues in the manner which epitomised successful Hoxton Beach development to date is significantly reduced. Whilst the owner manager appears to be loosening his constructions in areas such as creative approach to marketing and promotion of existing provision, creative menu design and roll-out of the Hoxton Beach brand (regionally, nationally and even internationally), creating space to adequately conduct such loose construing and to be able to progress those loose constructions to tightened form and ultimate test out is severely strained by the nature of successful growth to date.

## 7 Conclusion

Smallness of operation can bestow naturally embedded advantages and benefits for progressive growth-oriented businesses, integral to which is creativity as a key potential source of competitive advantage. However, such smallness related advantages are not absolute but rather are potential since small businesses also face possible size-related unique problem-types which can squeeze out smallness benefits, not least owner manager creativity. The use of PCT demonstrates the complexity and importance of the owner manager strategic learning process in exploiting potential smallness benefits and in identifying and dealing with unfolding problems.

Positing the owner manager as ‘man the scientist’ highlights the complexity of the small business strategic management and learning tasks and how owner manager creativity and ability to innovate to a great extent centre around his or her ability to move through loose to tight construing processes. Crucial is an ability to loosen existing personal constructions in particular situations: to set himself free of currently constraining worldviews and assumptions and unfold and converge new ideas and produce alternative personal constructions which can be worked forward into a tightened personal construction and tested out as a new strand of innovative business development.

Practical owner manager creativity capable of driving small business development breaks down if the owner manager refrains from, or fails to participate in, loose construing involving the raising and questioning of assumptions that underpin existing personal construction of a given issue and the build up of alternative perspectives and conjoined ideas. It also breaks down if the owner manager continues to ‘mumble around’ the newly forming alternative perspectives and personal constructions which are emerging out of his loose construing and fails to identify and take forward to tightening and test out a construction which appears to him to have likelihood of success.

For many successful small business owner managers strategic learning and the integral ‘loose to tight’ construing processes and innovative strands of business development which they feed are underpinned by key management actions and activities. These include concerted use of observation of surrounding events and associated personal brainstorming, dialogical learning interactions whereby owner manager personal constructs are loosened by ‘trying on for size’ the personal constructs (worldviews) of others such as suppliers, agents, distributors, customers and potential customers; and the use of both mini and more substantial testing processes of experiment, trial and error and ‘toe in the water try out’ to seek validation (or invalidation) of tightened alternative personal constructions of innovative development opportunities.

Moreover, whilst such creative, generative strategic thinking and management is evident in our research in both manufacturing and service sector small businesses, it is particularly significant within small service sector organizations as the new subjective ‘in the specific small business context’ knowledge that it creates is a crucial source of competitive advantage for the service sector firm—since, arguably, it has a more restricted chain of business activities from which to source and create



competitive advantage than a manufacturing small business with its more activity laden value chain.

There appears to be great potential for fostering understanding of the small business strategic learning process and improved owner manager capability in this respect as a mode of honing owner manager creative thinking and creativity as driver of innovative small business development. And an associate potential for utilizing personal construct theory as a tool for underpinning such management development.

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