

The Process of Small Firm Growth to Endurance: A Case of Art Galleries

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Summary

The paper describes a study on organisational growth of commercial art galleries from inception to endurance. It addresses three gaps within the literature on small firm growth and entrepreneurship: almost non-existent research on growth as a process, lack of research focused on the phase of small firm development spanning the first 10 years, and lack of empirical evidence on growth in the setting of gallery business. The case study explored the process of growth and identified factors that influence a successful transition through this turbulent phase. Empirical data were collected through in-depth interviews with owner-managers of 34 galleries in London, New York and Berlin. 10 factors covering the owner-manager and firm dimensions were identified. The paper concludes that successful organisational development implies numerical growth deemed by entrepreneurial owner-managers as necessary to maintain competitive advantage. Therefore, the art firms capable of growth choose to grow.

Keywords

Small firm, growth as a process, organisational development, entrepreneurship, transition to endurance, art gallery business, case study

Word count (excluding tables, footnote and references): 6860

Introduction

Since the theory of the growth of the firm was published by Edith Penrose in 1959, growth has been an attractive area in small business and entrepreneurship research (McKelvie and Wiklund, 2010; Storey, 2011). Although the theory continues to inspire empirical research (Davidsson and Wiklund, 2013; Salder et al., 2020; Tunberg and Andreson, 2020), certain gaps pointed out by Penrose remain open. The primary concern for Penrose (2009, p. 1) was growth as a “process of development”, or progressive change, whereas size was a “more or less incidental” outcome. 60 years later, growth research is divided into three streams: growth as an outcome, the outcome of growth, and growth as a process (Davidsson and Wiklund, 2013). The first stream covering various facets of numerical growth attracts most of the scholarly attention. The second stream includes growth stage models and life cycles (Stanworth and Curran, 1973; Scase and Goffee, 1989; Scott and Bruce, 1987; Bannock, 2005). Following criticism within the stream (e.g., Storey, 1994) and the pivotal article by Levie and Lichtenstein (2010) who demonstrated that growth stage models and life cycle theories are unconvincing, it has reached a dead end. The third stream examining how firms grow and what happens inside them in the process is “almost non-existent” (Davidsson and Wiklund, 2013, p. 6), which is confirmed recently (e.g., Salder et al., 2020; Tunberg and Anderson, 2020).

There has been a shift in research from numerical outcomes to areas such as growth mode (McKelvie and Wiklund, 2010), acquisition of financial resources (Zott and Huy, 2007), entrepreneurship in business inception (Kašperova et al., 2018), reasons for growth, its progression and multidimensionality (Salder et al., 2020), and perception of growth outcomes and process by entrepreneurs (Anderson and Ullah, 2014; Ekinici et al., 2020; Tunberg and Anderson, 2020). Some studies partially answered Penrose’s call to test the model of growth through different types of analysis: “sociological, organizational, engineering, or economic — and from whatever point of view within each type of analysis seems appropriate to the problem in hand” (Penrose, 2009, p. 9). However, there is a lack of research on growth from the organisational point of view (Davidsson, Delmar and Wiklund, 2006; Salder et al., 2020), especially when ‘the problem in hand’ is the process of change inside a developing enterprise. Furthermore, the conceptualisation of organisational growth remains “weak” and growth process theory requires scholarly attention (Davidsson and Wiklund, 2013, p. 176) from both quantitative and qualitative camps.

Quantitative studies dominating small firm growth and entrepreneurship research tend to omit small businesses under 10 years of age due to high exit rates. A relatively small number of businesses mature into enduring firms: 80-90% close within one year and 50-60% close within the first five years (e.g., Storey, 2011; Artinger and Powell, 2016). The research on developing firms is stalled because of meaningless numerical data in business registers (Hart, Stevenson and Dial, 1995; Davidsson et al., 2009) and reluctance of owner-managers to supply performance-related information (Davidsson et al., 2006). As a result, some scholars consider growth statistics meaningful after seven years and business survival past this mark “a gross measure of performance” (Hart, Stevenson and Dial, 1995, p. 1). Others note the difficulties in determining whether a company is no longer present in the registers as a result of closure, merger, acquisition or other type of ownership change (Davidsson et al., 2006; Storey, 2011; Davidsson and Wiklund, 2013). Therefore, the literature contains repeated calls for qualitative studies (Hart, Stevenson and Dial, 1995; Davidsson, et al., 2006; Storey, 2011). For instance, Davidsson and Wiklund (2013, p. 165) suggest returning “to in-depth methods that look at process, such as narrative and case studies” to research organisational growth.

Another notable gap is the lack of empirical evidence on growth from various economic settings (Penrose, 2009; McKelvie and Wiklund, 2010 and Salder et al., 2020). Furthermore, the literature is short of industry-specific research addressing the role of entrepreneurial skills in organisational processes (De Massis et al., 2018). Galleries as business organisations are rarely chosen as a research setting: a handful of studies address managerial elements of their activities (e.g., Prinz et al., 2015; Memili et al., 2016; Williams, et al., 2020), and the empirical articles focusing on their organisational development were not identified. There is a substantial body of literature dedicated to arts management (e.g., Hagoort, 2003; Byrnes, 2013), marketing (e.g., Hand, 2011) and creativity (e.g., Fillis, Lehman and Miles, 2017), but such studies focus on arts consumption and non-profit institutions. Considering the uniqueness of owner-manager's input, a passion business element, emphasis on creative entrepreneurship and limited scholarly attention, commercial galleries make an attractive context to study growth as a process and may provide insights for future research.

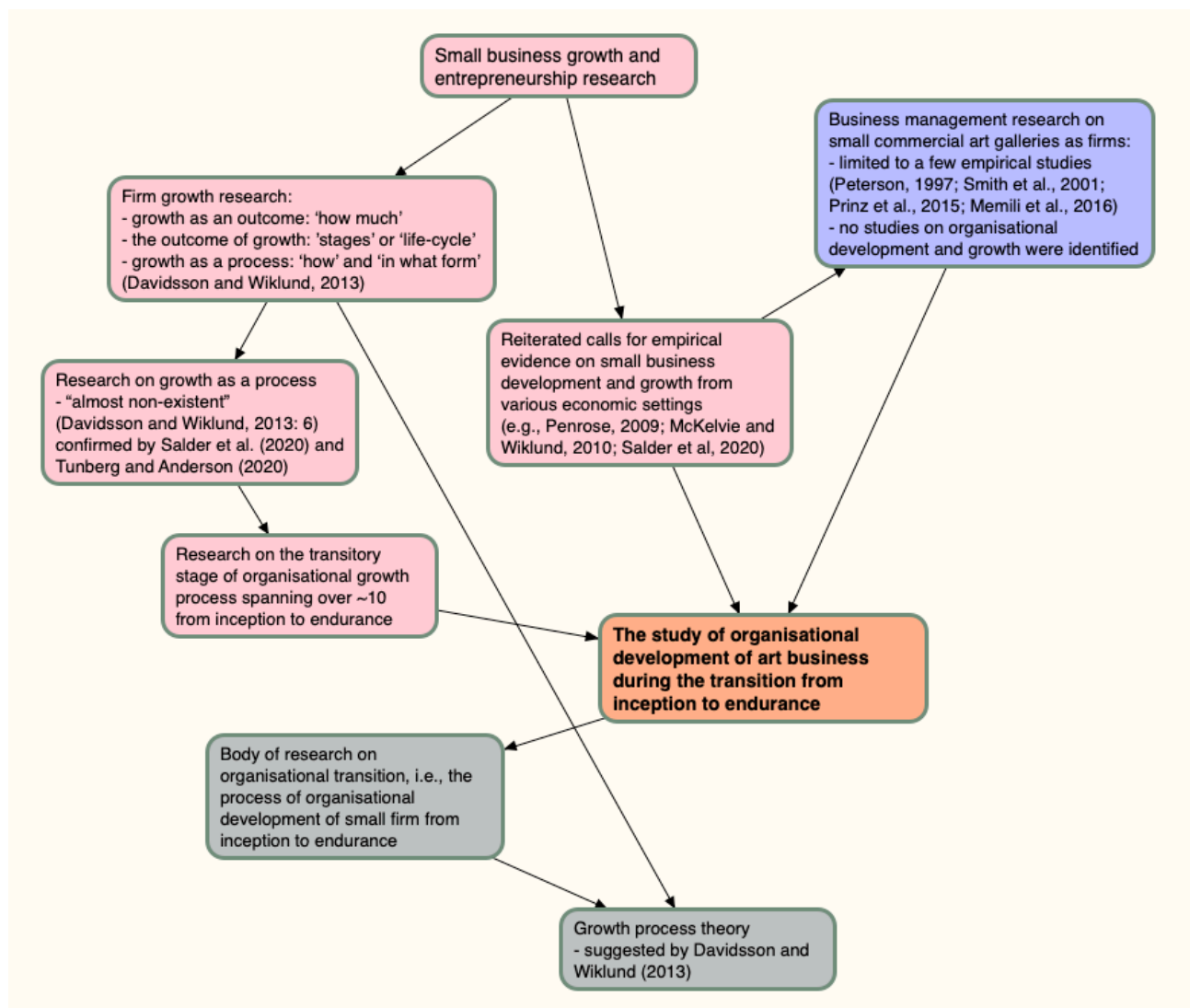


Figure 1. Research gaps and the study purpose

The purpose of the study described in this paper was to address three gaps in the literature: i) examination of growth as a process; ii) empirical studies on how small firms develop during the transitional phase spanning approximately 10 years from inception to relative endurance; and iii) research on art galleries as business organisations (see Figure 1). The study was aimed at examining

the process of organisational growth and identify underlying owner-manager and firm factors in the economic setting of commercial galleries. The paper contributes to the body of literature on organisational transition of small firms within the increasingly relevant stream of research on growth as a process. It also addresses the relationship between entrepreneurship and growth process arguing that owner-manager's entrepreneurial skills and entrepreneurial management practices reinforce business development. Growth process is operationalised as organisational development, or organisational growth, in contrast to growth as an outcome, or numerical growth. Enduring small firm is operationalised as a business that successfully navigated through the initial turbulent phase of development and is able to withstand negative influences by consistent opportunity focus and advantage focus.

Literature on galleries as business organisations

Art galleries operate in a unique environment at the juncture of commerce and culture. The art market is among the least regulated economic sectors characterised by *laissez-faire* (Zorloni, 2013; Thompson, 2014), specific structure (Bystryn, 1978; Crane, 1987; Martin, 2007) and reverse economies of scale (Thompson, 2018). Artworks are unique goods of subjective value (Velthuis, 2007; Tschacher and Tröndle, 2011) with prices disparate to production costs and value indeterminable by economic standards (DiMaggio, 1977; Hawkins, 2001; Zorloni, 2013). The literature often refers to enduring small art businesses as 'mid-tier' galleries constituting the backbone of market infrastructure (Bystryn, 1978; Peterson, 1997; Martin, 2007; Moureau and Sagot-Duvaurox, 2012). Mid-tier galleries are positioned between 'hobby galleries' and bigger galleries. These entrepreneurial ventures perform an essential function of sieving artists and artworks based on the aesthetic and commercial value. They are often defined as market filters (Bystryn, 1978; Crane, 1987; Martin, 2007; Thompson, 2014, 2018) or mediating platforms between artists and buyers (Prinz et al., 2015). On the other hand, small galleries are regarded as the most vulnerable part of the art market with low survival rate (Benhamou et al., 2002; TEFAF Art Market Report, 2017; Art Basel and UBS Art Market Report, 2018). They face a number of risks, including competition from bigger galleries and auction houses, high rent and art fair prices, changes in market trends, lack of professional management, 'poaching' of successful artists, and restricted access to financial capital. As a result, surviving requires an overarching creative approach (Carter and Carter, 2020; Szostak and Sułkowski, 2020; Williams et al., 2020; Martin and O'Neill, 2021) which permeates into organisational development, often under the inspiration of represented artists.

Despite the essential role of small galleries and idiosyncratic conditions under which they operate, empirical studies exploring their management, organisational development and numerical growth are scarce (Prinz et al., 2015; Resch, 2015; Memili et al., 2016). Notable literature amounts to approximately a dozen articles (e.g., Bystryn, 1978; Peterson, 1997; Benhamou, 2002; Jyrämä, 2002; Smith et al., 2003; Han and Kang, 2020). For instance, in a rare empirical research on small galleries as entrepreneurial businesses, Memili et al. (2016, p. 104) note the limited number of studies that link art business and entrepreneurship: "there are only a few empirical studies of cultural industries to date and even fewer that directly address the managerial and organizational issues confronting the firms in these industries". I intend to draw the scholarly attention to these creative enterprises built on their owner-managers' passion that may serve as unique cases for theory testing and building. Literature on small firm growth and entrepreneurship as well as small business owners would benefit from the studies exploring managerial practices of successful galleries that endured the transitional phase.

The paper introduces the concept of art firm. Commercial gallery is conceptualised as art firm to emphasise the applicability of theories of the firm in researching organisational aspects of passion business. Relevant to the study were the theories covering price differences and transaction costs (Coase, 1937; Hayek, 1945), industry-specific resources (Storey, 1994; Davisson, 2016), opportunity-based view of entrepreneurship (Davidsson et al., 2006; Stevenson, 2006), strategic management (Ansoff, 1984; Drucker, 1986) and growth of the firm (Penrose, 2009).

Theoretical framework

The approach blending theories of entrepreneurship and firm growth is common: growth and entrepreneurial activity are usually examined in conjunction (e.g., Ireland, Hitt and Sirmon, 2003; Davidsson et al., 2006; Ketchen et al., 2007; Blackburn and Smallbone, 2008; Davidsson, 2016). Entrepreneurship is viewed as a managerial approach essential to develop a nascent business into an innovative firm (Drucker, 1986; Stevenson, 2006). I adapt Drucker's (1986) concept of entrepreneurial management: it is a methodical, endurance-oriented, opportunity-driven and advantage-focused practice. While opportunity identification is the first step towards an enduring venture, maintaining opportunity focus and consolidating competitive advantage is the second. To borrow a distinction from Ketchen et al. (2007, p. 374): "discovering gold is only half of a firm's challenge — the firm must also find an effective way to mine the gold" (2007: 374). Adoption of entrepreneurial management practice is required to be effective in 'mining the gold'. The definition of 'owner-manager', an English equivalent of the German word '*Unternehmer*' introduced by Schumpeter (1911), is applied to capture the entrepreneurial approach in business development.

Four points from Penrose's theory of firm growth (2009; 1952) were most relevant: growth as an organic process, a particular economic setting, assessing performance of a developing business and growth potential contained in entrepreneurial firms. Davidsson et al. (2006, p. 29) note: "although exceptions exist (for example, Amit, Livnat and Zarowin, 1989, Penrose, 1959) the growth literature surprisingly rarely shows a strong interest in how or in which form firms expand". McKelvie and Wiklund (2010, p. 277) list "no growth, acquired growth, organic growth, and hybrid growth" as the modes of growth and invite inquiry into organic growth. They (ibid.) reiterate Penrose's call and propose asking basic questions of 'how?' and 'why?', employing qualitative methodology and collecting empirical evidence from various industries. So far, the progress of inquiry into the organic mode has been modest. In an overview of growth and entrepreneurship research, Salder et al. (2020, p. 1) acknowledge the input of McKelvie and Wiklund (2010) and Davidsson and Wiklund (2013) in lift the limitations but note a lack of progress and call for studies that would accommodate "multidimensional understandings" of growth process in a particular context. This paper explores organic growth, also referred to as internal or natural (Lockett et al., 2011), in art business setting, thereby answering the above calls.

More recent studies confirm that quantitative measures, such as increase in sales, profit and staff, are insufficient to assess successful performance. For instance, Davidsson et al. (2009) challenge the understanding of 'high growth' as unambiguously positive. Blackburn et al. (2013) note that, although profitability is considered the 'hardest' measure of performance, it is insufficient to explain success. Such a view echoes with Drucker (2006 [1955]): even though a firm is driven by growth in sales and profit maximisation, the numerical growth does not explain the behaviour of a developing business but rather serves as a validity test for its decisions. Sustained profitability may be a valid measure of performance, yet the issue of scope persists: how large, how rapid, and for

how long. The definition of success is also a subject of ongoing academic debate (e.g., Murphy et al., 1996; Rausch et al., 2009; Jaouen and Lasch, 2015). There are no definitive criteria to determine when the business becomes successful or enduring. Therefore, the mere survival for 7-10 years is sometimes regarded as a generalisable measure of success (Hart, Stevenson, Dial, 1995). A plausible solution is to identify factors contributing to successful organisational development during the first 10 years instead of focusing on its numerical outcomes.

Furthermore, the inquiry into the transitional phase may help to solve the ‘to grow or not to grow’ dilemma. Taking into account the function of entrepreneurial business to grow, it is impossible to determine the ‘perfect’ size of the firm (Penrose, 2009). According to scarce studies exploring growth perception and paucity of growth-oriented small firms, owner-managers refer to various reasons for their decisions to keep the current size, including proximity to customers, aversion to administrative burden and reluctance to delegate responsibilities (Scase and Goffee, 1989; Anderson and Ullah, 2014; Tunberg and Anderson, 2020). Although such reasons may seem valid, they refute the logic of entrepreneurial business in that a balance of resources is “the continually receding goal” (Penrose, 2009, p. 22). A notable distinction is made by Jaouen and Lasch (2015): some owner-managers choose not to grow, while others are unable to grow. However, the relationship between the willingness and ability to grow remains unexplored.

Organisational transition from inception to endurance

The length of the phase past which a firm can be considered enduring varies across the literature and the concept of endurance is under construction.¹ Benchmarks for small business endurance range between 5 and 16 years. Evans (1987) notes that the survival rate significantly increases after 7 years. Hart, Stevenson and Dial (1995) view 10 years as a survival threshold. Nucci (1999) proposes benchmarks of 5 and 10 years and provides calculations of survival rates and size/age ratios. Sørensen and Phillips (2011) associate endurance with the ability of entrepreneur to continuously develop the business venture. Williams et al. (2019) examine the influence of strategic management on sustained endurance and do not associate it with a specific age. Additionally, Kolvereid and Åmo (2019) explore personal and professional endurance of owner-managers.

A notable proposition by Sarasvathy (2021) is to operationalise endurance as a dependent variable and examine the relationship between a modest increase in size and substantial increase in endurance over time. He sets a tentative boundary at a “profitable survival” for 16 years (Sarasvathy, 2021, p. 1057). There is an agreement that survival rates increase with age along with profitability (Stokes and Blackburn, 2002; Hathaway and Litan, 2014; Battisti et al., 2019). The literature suggests that most businesses that survived the first 10 years usually continue to exhibit a similar pattern of sustained growth. However, the threshold for endurance appears contextual and requires further examination. In this paper, a tentative transitional phase is set at 10 years, and endurance is associated with the firm’s ability to grow organisationally. The endurance of owner-manager as the main driving force behind growth, particularly in the case of gallery business, is also taken into account. Some firms may survive longer than 10 years but exhibit what Davidsson (2016, p. 12), following Schumpeter (1911), labeled ‘non-entrepreneurial growth’, i.e., “passively or reactively letting existing activities grow with the market”. Such art businesses are defined here as stagnating — they operate at a profit when the market goes up and at a loss when it goes down.

¹ I omit the literature on large firms (e.g., Collins, 2001; Collins and Hansen, 2011) and non-profits (e.g., Hill, 2023) because, based on the referenced articles, the concept of endurance is not exclusively applicable to large organisations. Ultimately, ‘endurance’ could replace ‘sustainability’ which increasingly bears an environmental connotation.

Methodology

Pragmatist philosophy, realist epistemology, instrumental case study design (Stake, 2000, 2006; Eriksson and Kovalainen, 2008) and the process of organisational transition as a unit of analysis were selected for the study. Pragmatist philosophy is broadly used in business research (Ritchie et al., 2014), especially studies on dynamic processes (Rubleske and Berente, 2017). It derives from logical positivism (Putnam, 2003) and is adapted to view reality as a dynamic system from “internalist perspective” (Putnam, 1998, p. 49), subject to change based on accumulated knowledge (Feyerabend, 2003). Mintzberg’s (1979) principle of ‘direct probing’ was considered during the investigation into the reality of developing art business. Abductive reasoning, i.e., deductive-inductive iteration, permitted me to join Miles and Huberman (1984, p. 23) as a “soft-nosed logical positivist” and assume objective existence of dynamic organisational phenomena.

In instrumental case study applicable in business research, individual cases are used as instruments to examine a phenomenon of choice (Stake, 2000, 2006; Eriksson and Kovalainen, 2008). It differs from a more popular multiple case study design where subjects are owner-managers or firms rather than organisational phenomena (e.g., Scase and Goffee, 1989; Collins, 2001; Collins and Hansen, 2011). As noted by Perren and Ram (2004, p. 85), “Stake’s notion of ‘instrumental cases’ fits <...> where ‘a particular case is examined to provide insight into an issue or refinement of theory’”, and my experience verifies the suitability of instrumental case study to research growth as a process. The choice of process as a unit of analysis is infrequent in firm growth and entrepreneurship research (Henry and Foss, 2015), and this paper answers calls to select dynamic phenomena as units of analysis (McKelvie and Wiklund, 2010; Davidsson et al., 2006).

Study sample

The study was limited to commercial galleries registered as enterprises and trading in unique goods of aesthetic and monetary value. The target population comprised galleries from New York, London and Berlin, the largest cities of the largest Western art market economies. The urban environment was chosen as preferred by galleries and artists (Kim, 2007; Andersson et al., 2014) and to avoid a potentially negative effect of environmental differences (e.g., Smith et al., 2005). Galleries operating in those cities have a comparable starting position: they face similar challenges such as shortage of affordable showrooms, saturation with offer, working capital issues and strong competition, and enjoy similar benefits such as developed art market infrastructure, accessibility to collectors and proximity to art schools and artist communities.

A multi-stage cluster sampling technique suitable for both quantitative and qualitative research (Bryman and Bell, 2015) was applied to include galleries of different age as well as closed galleries from the three cities. Such a sample allowed for cross-referencing and mitigated recall bias, for instance, presenting managerial experiences as more positive due to youth or lighter administrative burden. The galleries within a cluster were approached randomly and all owner-managers who agreed to participate in the study were interviewed. Empirical evidence was collected through semi-structured interviews with gallery owner-managers, i.e., persons who started the business and were in charge of organisational decisions throughout its development. A certain interview structure corresponded to pragmatist philosophy and realist epistemology — it ensured data integrity and the researcher’s credibility in the eyes of respondents who may have been sceptical about the reliability of scientific interviewing.

Approximately 90 galleries were contacted by phone, email and in person. 34 galleries were interviewed from mid-May to mid-December 2019: 13 in London, 13 in New York and 8 in Berlin. Taking into account the reluctance of gallery owner-managers to share business information (e.g., Velthuis, 2007; Thompson, 2014), 40% response rate was considered rather high. The sample comprises 24 galleries with a single owner-manager (18 males and 6 females), eight galleries with two (five M/M, three M/F, one with three (M/M/F), and one with four owner-managers (M/M/M/M). Out of 37 interviewees (two owner-managers were present in three interviews), 29 were male (78%, 12 in London, 9 in New York, 8 in Berlin) and eight were female (22%, 3 in London, 5 in New York). 15 galleries were older than 10 years, 13 were 5-10 years old, 4 were younger than 5 years and 2 were closed. The difference in age allowed to assess validity of the identified factors in the cases of developing, stagnating and closed galleries.

Interview data processing

The interviews were transcribed using Otter.ai software for converting audio files into text and edited. The total number of interview pages was ~1500 (font 11, spacing 1). The interview data were processed with NVivo software for Mac OS. Template analysis was employed to systematise the data. This type of analysis characteristic of several layers of hierarchical coding (Brooks et al., 2015; King and Brooks, 2017) is suitable for studies where theory-based themes are applied and a codebook is likely to change (Miles and Huberman, 1984; Crabtree and Miller, 1992). Similarly to a more conventional thematic analysis, template analysis allows to preserve the uniqueness of each case (Waring and Wainwright, 2008; King and Brooks, 2017). The template was initially constructed by coding several interviews according to a priori themes drawn from the literature and improved as the remaining interviews were coded. All personal data were anonymised: gallerists were assigned aliases and galleries codenames containing a city acronym and an interview number.

The analytical template underwent five revisions. When the initial coding rendered approximately 150 basic themes, saturation was reached. During further rounds of revision, I iteratively consulted the literature, combined themes and adjusted the thematic structure to include various aspects of the process of organisational development. The final template consists of 57 basic themes grouped into five aggregates that cover the organisational aspects identified as most relevant to the successful transition: resources and entrepreneurial skills required to operate in the art market, priority shift from personal preferences to organisational benefits, growth of gallery reputation, growth of business network through sales activities, and organisational improvement through entrepreneurial practices. Some factors emerged as integrative themes vertically permeating several thematic clusters (King and Brooks, 2017), for instance, 'perseverance', 'consistency' or 'passion-enterprise equilibrium'. Others correspond to the thematic aggregates, such as 'firm-over-self priority', 'reputation growth' or 'network growth'. The basic themes were arranged into factor components. Although the data processing was largely systematic, an intuitive element was present: some factors were hinted by conspicuous patterns in several narratives and further analysis validated the hints. Such an intuitive 'detective work' in theorising is recognised and encouraged in scientific research (Feyerabend, 2010; Mintzberg, 1979).

Findings

A number of influences having a positive effect on the process of art business growth were identified throughout the data analysis. However, five owner-manager and five firm factors

denoting personal and organisational characteristics were the most salient. The findings suggest that they operate as a set: the joint operability of 10 factors translates into successful organisational development to endurance, and each factor represents an influential strand in the growth process. The endurance factors from both dimensions are listed in Table 1.

Table 1. Endurance factors

Owner-manager/personal dimension	Firm/organisational dimension
motivation	reputation growth
perseverance	network growth
listen-and-learn	financial discipline
consistency	passion-enterprise equilibrium
firm-over-self	organisational improvement

Four personal factors and one organisational factor — motivation, perseverance, listen-and-learn, consistency and financial discipline — originated from the thematic aggregate ‘gallery game and available resources’ and recurred across the analytical template. The ‘gallery game’ theme originated in several data-rich interviews and was prominent in most narratives of successful owner-managers. It implies that the owner-manager is uncertain about the market response to the gallery’s offer and therefore creates and improvises:

“So the whole thing in a way, and I don't mean this negatively, was a complete con. It wasn't like — I'm an art dealer, these are my staff. Not one of us knew anything. It was all ‘Let's play a gallery’... That's what we used to call it, we used to call it ‘Let's play a gallery’. We used to write on a whiteboard a theme for the day. It was completely DIY.” (Dominic, 43, NYC13)

A gallery owner-manager applying industry-specific knowledge in the process of organisational growth can be compared to an inexperienced player at a poker table — choosing artists who may become successful on the basis of scant resources is to some extent a game of chance containing an element of luck. New enterprises usually need to compensate information asymmetry, limited capital and limited managerial experience with knowledge, creativity, entrepreneurial approach and disciplined budgeting. The ability to critically assess luck often occurring in a form of initial success, or ‘beginner’s luck’, also comes into play since not luck itself but the way it is handled contributes to the successful transition. The interview data indicate that art business benefits from initial success when the owner-manager does not act on the assumption that the beginner’s luck will turn into a continuous winning streak.

Owner-manager factors

The owner-managers had comparable resources necessary to start and develop an art business and similar conditions to nurture the required skills. However, not all galleries endured the first decade and became successful, which hinted at a deeper common thread. A positive relationship was identified between successful organisational development and the way the industry-specific resources and skills are employed throughout the transition. The identified factors denote the common thread. At inception, demand is generated by uniquely combining entrepreneurial skills

and resources, including art expertise, taste, market experience, cost estimation, risk assessment, commercial acumen, and knowledge-based intuition in discovering artists. The perceived opportunity to convert a passion for art into a rewarding and lucrative occupation provides a strong incentive to grow a nascent gallery into a successful art firm:

I don't think there's another... place where you can have as much excitement. (Marcus, 56, NYC8)

I believe that... if the gallery keeps going and I become an established gallery, it will have paid off - me not working for someone else. (Victoria, 36, LON6)

‘Motivation’ marks the overarching resolve to achieve endurance. A motivated owner-manager perceives the process organisational development as a rewarding intellectual game and exercises control over its results as opposed to a reckless gamble on the art market with uncontrollable outcomes. The long-term goals, such as sustained competitive advantage and resilience, motivate gallery owner-managers throughout the transition. Growth in revenue, profit, and artwork prices as well as other legitimising achievements, including institutional exhibitions of represented artists, invitations to prestigious art fairs, and placement of artwork in reputable collections, enforce the resolve. Successful owner-managers tend to prioritise organisational growth rather than numerical growth that appears a natural outcome of purposeful efforts to develop an enduring business.

‘Perseverance’ explains why some art businesses overcame developmental difficulties including capital shortfalls, insufficient sales and low profitability while others stagnated or closed. For instance, Tristan (64, BER3) encountered a significant initial success and, as a result, assumed disproportionate financial liabilities. This decision led to almost 10 years of organisational struggle after a steep market decline the following year. To the repeated question of why continue, Tristan eventually replied: “That’s very simple, I don’t give up”. Most respondents linked organisational difficulties to various aspects of business environment. The difference between owner-managers of successful galleries and those who did not achieve endurance is in a constructive approach and determination to exercise control over the outcomes of business development. Such an approach links perseverance with motivation to achieve endurance.

‘Listen-and-learn’ explains how owner-managers benefit from continuous acquisition of information and knowledge about the art market and managerial practices. All respondents studied fine art or art history, systematically taught themselves and otherwise developed a passion for art, worked for other galleries or initially ran their own galleries as sideline hobby businesses. However, the successful owner-managers are characteristic of self-critical approach in assessing limitations and ability to acquire resources and skills purposefully and continuously. An additional element of ‘listen’ refers to the benefit of considering opinions of peers, experts, artists, skilled employees and buyers, i.e., a practice that often leads to innovative solutions. For instance, Richard (48, NYC3) noted that “if you listen to what people tell you, they’ll tell you what they want [to buy]”.

‘Consistency’ points to a vector of managerial actions. Consistent endurance-oriented behaviour implies prioritisation of organisational tasks according to their relevance at a current point in the transitional process. It covers acquisition of information and knowledge, creating and communicating a distinctive artistic style, choice of sales methods, implementation of entrepreneurial practices, organisational changes and other timely decisions. Owner-manager’s efforts are unlikely to result in beneficial outcomes if, for instance, sales methods are incompatible with currently available resources and a gallery’s offer or market position does not permit proper representation of artists. The remark by Loraine (NYC11, closed in 2016) of “being pulled in 18

different directions” illustrates the scenario. Successful owner-managers reported similar complications but their narratives revealed a consistent manner of handling the process of organisational development.

‘Firm-over-self’ marks a gradual shift in owner-manager’s priorities from a personal to organisational level. The firm-over-self prioritisation implies a change in perception — focus on personal preferences is substituted by focus on benefits for the firm. The shift is necessary to build a robust organisational structure and free up the owner-manager’s entrepreneurial skills which can be directed at business development. Successful gallerists tend to perceive the actions required to grow a successful enterprise from a perspective of organisational benefits/disbenefits. For instance, when recalling the change, Dominic (43, NYC13) noted: “I realised that not only do I need new habits but that most of my habits will destroy the gallery”. In contrast, owner-managers of stagnating galleries tend to perceive the process of development from a personal ‘like/dislike’ perspective.

Firm factors

Personal factors provide the foundation for an enduring art firm insofar as the main impetus for development comes from its owner-manager. They are essential yet insufficient for a successful development to endurance. For a gallery to grow into an enduring business, contributing influences on the firm dimension are required.

“Reputation growth’, points to the influence of business credibility. The gallery’s reputation reflects its efforts to develop a distinctive style, identify and promote promising artists. At inception, it equals to the owner-manager’s reputation and grows when collectors, art institutions, critics and other market agents are persuaded by the congruity of signals the gallery communicates. Ability to develop reputation is essential to businesses that rely on credibility in determining prices and generating buyer interest: to quote Dominic (43, NYC13), “you can’t throw garbage at them for huge prices”. The credible signals refer to outcomes of business development, including participation in prestigious art fairs, sales record, gradual increase in artwork prices, showroom location, institutional exhibitions, and placement of artworks in high-profile collections. Reputational benefits from continuous display of such signals were pointed out by most successful gallerists. For instance, Fabian (60, NYC10) noted that his gallery’s offer is backed up by the authority of business endurance and integrity, and “that’s what people are buying”.

“Network growth” points to the expansion of business network through commercial activities. A growing reputation underpins network growth which in turn underpins reputation growth. The mutual reinforcement forms a virtuous circle fuelling the process of development. Similarly to reputation, the gallery’s network initially equals to its owner-manager’s network. The network expands primarily through selling and network growth appears proportionate to sales growth. When the first gallery shows or art fair stands are sold out, the success invokes interest thus attracting new buyers and curatorial attention. Network expansion brings further clients, including the coveted high-profile private and institutional collectors. A significant portion of the growing income is directed at structural development to support entrepreneurial efforts in seeking further opportunities. Thereby the findings indicate a relationship between reputation growth, network growth and continuous organisational improvement.

‘Financial discipline’ marks a cautious approach to spending. Some galleries started with substantial investments, mostly in showroom and staff. In such cases, the investments tend to be larger than

necessary to seek business opportunities and the liabilities often become disproportionate to the actual revenue in the course of transition. Meanwhile, most successful galleries had limited start-up funds, developed incrementally and were consistently cautious in spending. The study did not identify a relationship between the amount of capital available at inception and successful organisational development, though the findings point to the benefits of ‘Goldilocks budgeting’. The owner-managers who started with expenses limited to bottom-line necessity, such as selling from a car or exploiting low-rent opportunities, encounter fewer financial difficulties. Successful galleries adhere to the practice of assuming liabilities based on conservative estimates of sales growth. They continuously reinvest profit, accrue financial reserve and purchase inventory. Such a judicious discipline is necessary to mitigate financial risks associated with organic growth, notably working capital deficiency.

‘Passion-enterprise equilibrium’ marks a balance between the artistic/passion and commercial/organisational elements. Being a passionate gallerist is not sufficient for successful development. To grow an enduring art firm, the gallerist has to become an entrepreneurial manager. A starting gallery tends towards the artistic element, i.e., liaising with artists, choosing artworks and organising shows. Art businesses struggle, stagnate or close as a result of insufficient attention to the commercial/organisational element. The presence of equilibrium reinforces the gallery’s credibility in both aesthetic choices and art commerce, which is reflected in its reputation — the quality of art is then complemented by the quality of management. The equilibrium is beneficial across the board. For artists, it ensures a company of other successful artists and the increase in artwork prices along with growing sales. For customers, it warrants the quality of artists and increase in monetary value of artworks. For employees, it means opportunities to realise professional potential and higher income.

‘Organisational improvement’ explains the ongoing change in business structure and strategy. It commences when the owner-manager perceives the need to delegate responsibilities. The cases of successful transition indicate that the improvements are geared towards efficiency and resilience. The increase in sales, profit and staff tends to follow the continuous organisational development. An illustrative case is LON12: when an employee suggested to open a showroom in New York, the owner-managers supported the idea. The new showroom created additional opportunities for the gallery as enterprise, its employees, and artists. By such expansion, a business engages idle services of employees, thereby increasing its output capacity and realising growth potential. Some successful art firms grow to 5-10 employees and choose a strategy of duplicating the structure in a different setting, e.g., offering different type of art or collaborating with different business partners. Others expand within the same setting to 15-20 employees, aiming for 20-30, which they consider optimal for an established mid-tier gallery.

Discussion

The identified endurance factors covers various aspects of successful growth process and combines owner-manager and firm dimensions. Such a ‘holistic’ approach responds to calls for multidimensional examination of entrepreneurial venture (Murphy et al., 1996; Randerson, 2016; Rubleske and Berente, 2017; Salder et al, 2020) and combining personal and organisational factors to explain growth (e.g., Storey, 1994; Koryak et al., 2015; Salder et al., 2020). The analysis of organisational transition indicated three types of art business and its owner-manager: passion gallery / art enthusiast, innovative gallery / art entrepreneur and enduring art firm / entrepreneurial

manager. The typology presented in Table 2 is based on the endurance factors and reflects conditional segments of organisational growth during the transition.

Table 2. Art business and owner-manager typology

Art business	Owner-manager	Contributing factors (OM - owner-manager; F - firm)
• Passion gallery	• Art enthusiast	+ perseverance (OM) + financial discipline (F)
• Innovative gallery	• Art entrepreneur	+ listen-and-learn (OM) + consistency (OM) + firm-over-self (OM) + reputation growth (F) + network growth (F) + passion-enterprise equilibrium (F)
• Enduring art firm	• Entrepreneurial manager	+ motivation (OM) + organisational improvement (F)

Perseverance and financial discipline are operational across the sample. Innovative gallery is additionally characterised by owner-manager's ability to listen and learn, consistency, firm-over-self prioritisation, and art firm's reputation growth, network growth and passion-enterprise equilibrium. The remaining two factors, motivation and organisational improvement, are characteristic of enduring art firm. When the latter eight factors are non-operational, innovative gallery regresses to passion gallery and remains functional under the owner-manager's persevering efforts and gallery's financial discipline. The cases when most factors are non-operational suggest that a gallery is 'locked out' of the transitional path towards endurance. The 'lock out' implies path dependence (David, 1985; McKelvie and Wiklund, 2010) when the process of transition ceases to be intentional, i.e., controllable through owner-manager's efforts. The findings pointed to several 'crossroad' situations when the likely outcomes are stagnation and closure. First, the owner-manager's resources and entrepreneurial services are insufficient to stimulate the demand required for business development. Second, the owner-manager is unable to shift priority from personal preferences to business interests and delegate responsibilities to free up his/her entrepreneurial services. Third, there is an imbalance between the passion and enterprise elements, usually in favour of passion.

The findings indicate a relationship between successful organisational growth during the transition and growth in sales, revenue, profit, staff, financial reserve, etc. The numerical growth associates with the art firm's ability to present regular artistic discoveries, build reputation, expand network and grow artwork prices. The growing prices are perceived by clients, artists and employees as the main indicator of the gallery's success in consolidating competitive advantage. Several other indicators of successful organisational growth were identified, including attendance of prestigious art fairs, institutional shows of represented artists, and placement of artworks in reputable private and institutional collections. The owner-managers of successful galleries take a view that art business needs to realise growth potential throughout the transition — "growth was a total necessity", to quote one of them. The continuous organisational development serves as protection against competition, especially from bigger galleries, and a way to maintain opportunity focus. It signals credibility to customers, artists and employees, and warrants business endurance. Thus, the

findings confirm the theory of firm growth as to placing artificial restrictions on growth (Penrose, 2009) and contradict the previous studies concluding that small firm growth is not a desirable outcome (Scase and Goffee, 1989; Anderson and Ullah, 2014; Tunberg and Anderson, 2020).

Realisation of growth potential appears a function of the entrepreneurial firm focused on opportunities to develop organisationally and maintain competitive advantage. A positive relationship was identified between entrepreneurial management and successful development to endurance. The study verified the relevance of entrepreneurship as a managerial approach (Drucker, 1986; Sarasvathy and Venkataraman, 2011), and a positive effect of managerial acumen on organisational development (Orser, et al., 2000). Considering the necessity of art firm to grow, not growing is associated with regression and vulnerability to competition. The endurance-focused owner-manager endeavours to purposefully develop entrepreneurial skills from the outset. Building a robust organisational structure to support the endeavour is another necessary step in the process of transition. The increase in revenue, profit, and staff, i.e., numerical outcomes of growth, appears a side effect of successful organisational growth.

The endurance factors may serve as a theoretical base for measuring performance of small organically growing firms and assessing the likelihood of achieving endurance. The proposition to apply the factors as prerequisites for measuring performance of a developing business relates to the call by Hart, Stevenson, Dial (1995) for specific benchmarks to assess the degree of success. Organisational development spanning the first decade is considered a decisive yet unexplored phase of small firm life (Hart, Stevenson and Dial, 1995; Davidsson et al., 2009). The literature suggests that certain unidentified factors influencing performance may be present (Davidsson et al., 2006; Davidsson and Wiklund, 2013) and that a measure of small business development should include personal and firm dimensions (Penrose, 2009; McKelvie and Wiklund, 2010; Koryak et al., 2015). The paper attempted to uncover such personal and organisational factors. The measure drawing on the set of factors could be tested across a larger sample of commercial galleries as well as other organically growing small firms built on their owner-manager's passion. The above listed indicators of success specific to gallery business may be applied in further research on performance and organisational growth of art firms.

Conclusions

A distinctive feature of this paper is the empirical evidence on the process of growth collected in an unexplored economic setting. This is one of a few academic studies dedicated to management of art galleries as business ventures. The paper initiates the body of literature on organisational transition to endurance, thus contributing to "growth process theory" (Davidsson and Wiklund, 2013, p. 165). As "there is no such thing as a typical growth of firms" (Davidsson et al., 2006, p. 181), the empirical evidence on what happens inside an art business navigating through the first 10 years answers the reiterated calls for studies on how growth occurs in various industries. I encourage other researchers of small business and entrepreneurship to continue developing the growth process theory. The study's main limitation of being a snapshot in time is an opportunity for future longitudinal research into the process of growth.

The paper identified 10 owner-manager and firm factors positively influencing organisational development. They were defined as 'endurance factors' to emphasise the positive effect on the art firms that endured the initial phase of development when most businesses close. Although the paper

contributed to the conceptualisation of endurance within small firm growth and entrepreneurship research, further examination this organisational phenomenon is required.

The operability of all 10 factors typically characterises entrepreneurial galleries. Successful owner-managers are motivated by the prospect of building an enduring business and realise the importance of implementing the practice of entrepreneurial management. An entrepreneurial art firm usually demonstrates numerical growth regarded as essential to uphold its reputation and sustain competitive advantage. Although the owner-managers focus on the managerial tasks beneficial for organisational development that ultimately lead to desirable numerical outcomes rather than the numerical growth itself, the study found that successful art business is growth-oriented and the art firms capable of growth choose to grow.

The paper offered a theoretical explanation of organisational transition on the basis of the endurance factors and showed tendencies of gallery development. It lays foundations for other studies on the process of growth to examine a contributing effect of the factors within the art market or another setting of passion business. Examining the relationship between the process of organisational growth and its numerical outcomes is another noteworthy research avenue.

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