OWNER-MANAGER STRATEGIES FOR GROWTH BEYOND THE MICRO-BUSINESS STAGE

Nicolette Poulos

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration.

Johannesburg

June 2006

Abstract

In recent years small businesses have contributed to countries economies through increased production and turnover. Growth in small businesses can play a key role in adding value for the economy because growth stimulates employment and wealth creation which contributes to national employment growth and increased output. The small business owner-manager and employees in a growth business also achieve a sense of self-fulfilment and independence.

The world is constantly changing as a result of globalisation, increased competition, industry consolidation and technological advancements. Many small businesses are experiencing significant growth problems and are unable to grow beyond micro business stage because they do not have the resources to grow in the ever-changing environment. Owner-managers are still in search of greater assistance to grow small firms and pinpoint factors which guide growth and success. The purpose of this research was to determine the internal factors that contribute to small business growth and understand the growth strategies that can be applied to grow beyond micro-business stage.

In-depth interviews for three case studies were conducted. It was found that there appears to be a pattern for growth beyond micro-business stage. It seems that growth beyond micro-business stage can be achieved when there is a positive influence of the internal growth factors on the business. It was also found that there are many small business growth strategies that can be applied to counter balance the negative influences of growth. The research should be of value to owner-managers seeking insight from what is necessary to achieve growth and what strategies to employ for business growth.

Declaration

I, Nicolette Poulos, declare that this research report is my own unaided work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has never before been submitted for any degree or examination to this or any other university.

____

Nicolette Poulos

30 June 2006

Acknowledgements

I wish to express my sincere thanks to:

- Mr Sean Temlett, for his vision, support and insight throughout the course of this research.
- Gaby Terhaag, my mother, for her enduring love, encouragement and friendship.
- All the interviewees, for their insight and time during this research.

Table of Contents

Page

List of Tables

List of Figures

1. Introduction

1.1 Definition of terms

The following definitions are relevant to this research:

Enterprise – “business operations aimed at generating profit”. (South Africa National Small Business Act, 1996) Enterprises are therefore understood to have a primary focus of making a profit or adding value, rather than merely using or managing resources for subsistence or conservation aims alone.

Small business – “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy, employing less than 50 employees and has an annual turnover less than R15,000,000. The latter qualifier acts to ensure the inclusion of enterprises with highly seasonal or informal workforces which nevertheless comprise substantial business entities with fixed investments”. (South Africa National Small Business Act, 1996)

Micro business – is usually grouped under the small business definition. When referring to a micro business, it implies that the small business, as defined above, employs less than 10 employees and has an annual turnover less than R3,000,000. (South Africa National Small Business Act, 1996)

Small and medium enterprise (SME) – “any enterprise of which no more of 25% shareholding belongs to another entity that cannot be described as an SME or venture capitalist, employing 10-250 employees and has an annual turnover ranging between R300,000 and R50,000,000”. (South Africa National Small Business Act, 1996)

Growth – an increase in the number of full time employees and turnover.

Internal Factors – growth problems related to the business that originate from either the characteristics of the founder (owner-manager) or the business and are controllable by the owner-manager through his behaviour e.g. lack of finance, business strategies or plans, owner-managers experience, skills or knowledge or owner-managers growth motivation.

External Factors – growth problems, related to the macro economic environment of the business, that originate from either the business infrastructure or the business' customers and are beyond the control of the owner-manager e.g. business or consumer markets, lifestyle or consumption patterns, level of demand, state of the economy or access to resources.

1.2 Context of the study

1.2.1 The importance of small businesses and status of research

The subject of Small Businesses has grown in interest since the 1980s when very few theoretical publications existed. Currently, there are a host of dedicated journals and articles in business journals about the subject such as those relating to entrepreneurship theory and practice, Small and Medium sized enterprises (SMEs), small business management and entrepreneurship culture.

It is widely acknowledged that small businesses have become the lifeblood of many economies. Many countries have seen the benefits of small business growth on the economy through increased production and turnover. Furthermore, small businesses have been identified as the main ingredient for innovations, variety, self-fulfilment and independence (Hill, Nancarrow & Wright 2002).

The small business sector promotes economic welfare which is the principle goal of most governments. Many governments have utilised small businesses as a major source for job and wealth creation and have included them as a main component of economic strategies. In the majority if not all of emerging economies, the small business sector is either the private sector or forms a large component of the private sector. *(*Hill *et al*, 2002).

Unemployment is arguably the most important and troublesome problem facing the South African economy. September 2003 figures for Unemployment were 28.2% and excluded people who have ceased to look for employment. Including the latter group would raise unemployment figures to 41,8% (StatsSA, 2003). Small businesses contribute significantly to alleviating the problem of unemployment as they employ approximately 56% of all people in the private sector (Ntsika Enterprise Promotion Agency, 2002). Small businesses allow for the development of technical skills in diverse areas to a large portion of the employed workforce while creating income and creating assets. Small business activity should be regarded as an area in the South African economy that requires significant focus.

In an effort to boost economic growth and stimulate job creation, the South African government has created many small business development schemes, the primary one is the Promotion of Small, Medium and Micro Enterprises (SMME's) and is run through the Department of Trade and Industry, to promote growth of small businesses (South Africa Business Guidebook, 2003).

The interest in small businesses, however, has been inadequate to prompt extensive research into the factors influencing the success of these organisations. Even less research has been about the owner-managers personal experiences while the business in is micro enterprise stage and beyond (Fielden, Davidson & Makin, 2000). A possible reason could be because there is more focus on quantitative statistics of small businesses, such as regional and sectoral comparisons, performance and job creation data, small business development schemes, finance options and grow rates in the small business sector (Deakins & Freel, 1998).

Many economies encourage small businesses to grow because they are dependent on their performance (Storey, 1994; Fielden *et al*, 2000 and Hill *et al*, 2002). Small businesses are the engine of growth for the South African economy. They represent a considerable share of South Africa’s economic activity and employment. 2002 South African economic data proposes that small businesses contribute 21% to Gross Domestic Product (GDP) (Ntsika Enterprise Promotion Agency, 2002).

Growth is often an indication of market acceptance and firm success. Growth of small firms adds value because growth stimulates job creation and wealth creation for the economy which contributes to national employment growth and increased output (Vinnell & Hamilton, 1999). With growth, increased wealth is extended to the owner-manager of the small business and its employees. The owner-manager and employees in a growth business achieve a sense of self-fulfilment and independence (Hill *et al*, 2002).

The world is constantly changing as a result of globalisation, increased competition, industry consolidation and technological advancements (Mohr & Fourie, 2004). Many small businesses do not have the resources to grow in the ever-changing environment. Further, many small businesses report that they are still experiencing difficulties in achieving growth without these factors (Storey, 1994; Perren, 1999a & 1999b and Vinnell & Hamilton, 1999).

Well-acclaimed researchers such as Churchill & Lewis (1983), Smallbone, Leigh & North (1995) and Perren (1999a & 1999b) have helped understand the fundamental importance of growth and how it can be achieved in creating high performing small businesses.

Founders and managers of small businesses are, however, still in search of greater assistance to grow small firms and pinpoint factors which guide growth and success. Many owner-managers are also struggling with the task of choosing strategies for their small businesses that will guide it through the challenging growth process (Fielden *et al*, 2000).

Researchers comment that the factors influencing small business growth are vast and are often beyond the small businesses control (Churchill & Lewis, 1983; Gibb & Scott, 1985; Storey, 1994; Smallbone *et al*, 1995; Jennings & Beaver, 1997; Poutziouris, Binks, Bruce, 1998; Deakins & Freel, 1998; Perren, 1999a & 1999b and Hill *et al*, 2002). However, classifying distinct characteristics of growth in small firms may provide insights into the factors influencing small firm development and consequently improve understanding of the growth process (Poutziouris *et al*, 1998).

Hill *et al* (2002) added that theorists have studied the characteristics of small firms, other than size, and considered the implications of these across all of the functional areas the business. Despite this research, Hill *et al* (2002) suggests that there are still gaps in the literature about how small businesses grow, and how they negotiate obstacles on the way.

Davidsson (1991) comments that a large part of the misunderstandings and variances in the growth challenges of small businesses may be because most frameworks represent average effects and do not look at the idiosyncrasies of individual cases. As a result, there is a need for more research into the factors that cause growth and to investigate some of the strategies used in individual cases so as to enrich the understanding of this complex phenomenon.

1.3 Problem Statement

What are the owner-manager strategies used to achieve growth beyond the micro business stage to the small business stage?

1.4 Significance of the Study

The significance of this study will be for existing small business owner-managers who:

- Would be able to identify the growth types of small firms in a systematic way that allows them to categorise their business.
- Would gain insight from an evaluation and assessment of what is necessary to achieve growth.
- Could learn from the cases provided what strategies to employ for business growth.
- Could discover growth opportunities that may have been neglected or overlooked.
- Might make use of the lessons and create an opportunity to generate value for the firm, through ongoing growth, in the long run.

1.4.1 Purpose of the study

The purpose of this study is to evaluate different ways of understanding growth and to use the most appropriate one that is most applicable to uncovering growth problems that are experienced by micro firms and strategies that are used to grow them.

Therefore, this study aims to:

- Identify an appropriate existing model that deals with understanding micro business growth.
- Use the existing model, if one exists, or develop a new model, if one does not.
- Use the model, which should be applicable to micro firms, to categorise micro firms into various growth types.

- Identify the internal factors that influence growth.
- Test and verify whether the model is applicable to the South African small business environment.
- Illustrate the growth problems that may be experienced by the owner-manager depending on the respective growth types of the firm.
- Highlight the management strategies for various growth types that were employed to conquer the barriers to growth.

1.5 Delimitations and Limitations

The research only focuses on how owner-managers manage the growth factors in the various growth types that are within their control, referred to as “internal factors”, such as motivation, desire, network & business advisors. It focuses on how the owner-manager adjusts the business within the growth process. Therefore, the research does not focus on “external” growth factors such as economic demand and poorly skilled workers which are not within the realm of the owner-managers control.

The perspective of the research is from the owner-manager and the related people of the small business and not from outside parties such as customers. The research is limited to the opinions and perceptions of owner-managers, key strategic partners and other related people of small businesses in Gauteng, South Africa.

The research only investigates the data pertinent to small business growth, its problems and strategies employed. The research therefore does not identify the contribution of small business growth to the success of the company.

1.6 Assumptions

There are no known assumptions that may hinder the research findings.

2. Literature Review

2.1 Introduction to small businesses

Zimmer & Scarborough (1994) noted that the twentieth century saw the largest number of small businesses. They have become the anchor of many countries economic systems around the globe through their high rates of production. Firms such as these have the greatest potential to generate growth are the most likely to contribute to an economy. Hill *et al* (2002) insist that small businesses play a significant role in providing possibilities for employment, innovations, money, variety, self-fulfilment and independence. Small businesses have thus become an important player in global economies and many economies allow them to play a large role because they are dependent on their performance.

No longer are there assumptions that small businesses are a smaller version of larger firms on account of the work of Wynarczyk, Watson, Storey, Short & Keasey (1993) and Storey (1994), amongst others. It is now accepted that small businesses have unique characteristics that shape the way in which they operate *(*Hill *et al*, 2002).

There have been many attempts to define the small or medium sized enterprise in quantitative terms, but there is considerable debate amongst researchers. Perren (1999a) believes that the number of employee method is the most widely used and the most commonly understood. Curren, Blackburn & Woods (1991) comment that using the number of employees to classify enterprise types can create variances.

Other quantitative criteria for organisation definition include assets valuation and market capitalization. However, there has been widespread debate about a small business definition as emerging economies vary significantly in size, resources and levels of development. A small business in Turkey for example might be a big business in Bosnia and small business markets in South Africa might fall into the big business market in Rwanda or Burundi.

In 1996, the European Union (EU) Commission set out to define SMEs according to quantitative attributes. They used criterion such as number of employees, annual turnover, annual balance sheet total and percentage ownership i.e. independence.

This effort was an attempt to provide meaning for all member countries (see table 2.1 below).

Table 2.1: EU Definition of SMEs

Criterion	Micro Firm	Small Firm	Medium Firm
Maximum number of employees	9	49	250
Maximum annual turnover	2m Euros	10m Euros	50m Euros
Maximum annual balance sheet total	2m Euros	10m Euros	43m Euros
Maximum percentage owned by one, or jointly by several enterprise(s) not satisfying the same criteria	-	25%	25%
Note: To qualify as a SME, both the employee and the independence criteria must be satisfied, plus either the turnover or the balance sheet criteria.			

Source: DTI (2002)

The National Small Business Act, 1996 provides a South African perspective on the definition of a Small Business and is defined as "an organisation:

- which is owner/manager/group controlled; but
- has full-time employees less than 50 in number; and
- has an annual turnover less than R15,000,000,
- of which the majority of business is conducted in or from South Africa.

The latter qualifier acts to ensure the inclusion of enterprises with highly seasonal or informal workforces which nevertheless comprise substantial business entities with fixed investments" (National Small Business Act, 1996).

The EU definition has been widely accepted across the SME community and provides the basis for many other classifications of small businesses. Perren (1999a & 1999b), O' Gorman (2001), Watson and Hogarth-Scott & Wilson (1998) have all defined firms according to some or all the criterion.

The most popular definition uses the number of employees which has been useful for studying small firms (Ghobadian & O Regan, 2000). This research will make use of the definitions as can be seen in section 1.1 and its use is explained in section 2.2.

2.2 Understanding small business growth

The definition of an enterprise (section 1.1), which is every small business, is defined as an organisation that has the objective to create wealth. Additional profits are usually presented with growth, therefore growth allows for the achievement of wealth and development of the organisation (Mohr & Fourie, 2004).

Table 2.1 in section 2.1 defines SMEs according to employees, turnover and balance sheet total. Researchers, however, have used their own definition of what they believe constitutes growth. Some used increases in employee numbers alone (Vinnell & Hamilton, 1999; Fielden *et al*, 2000 and Ghobadian & O Regan, 2000), while others used a combination of both employees and turnover (Churchill & Lewis, 1983; Perren, 1999a & 1999b and O' Gorman, 2001). Others even created their own criteria (Poutziouris *et al*, 1998; Watson *et al*, 1998 and O' Gorman, 2001). Some researchers ignore the globally accepted EU criteria and changed the numbers required to satisfy the criteria e.g. less than 500 employees constitutes a small business (Helms & Renfro, 1994).

It was difficult to decide which measure of analysis should be used for this study. Simply concentrating on employment growth is suitable for four reasons. Firstly, it provides a real and easily identifiable measure of size of the business. Secondly, the number of people, and not turnover, is important because employees alter a small firms structure. Thirdly, there are positive correlations between growth in employees and growth in nominal and real sales (Storey, 1994). Finally, obtaining industry employment trends are easy making the comparison to the small firm relevant (Vinnell & Hamilton, 1999).

The danger to using just employees is that sometimes there is a negative correlation between growth in employees and growth in sales (Storey, 1994). Also, the impact of technology and how it raises productivity is not captured when using employee numbers (Perren, 1999a & 1999b; O' Gorman, 2001 and Hill *et al*, 2002). This research therefore characterises growth as an increase in the numbers of employees and turnover and defines a small firm in section 1.1.

Growth can also be achieved rapidly or slowly depending on the success of the organisation. Various studies have attempted to explore these types on their own to establish whether different attributes and challenges exist for. Rapid growth firms exist mainly in rapidly growing industries such as technology, while slower or gradual growth firms can be found in sectors such as manufacturing, wholesaling and retailing.

Some researchers provide an understanding of growth by categorising growth according to stages. In presenting their research, some referred to the stages as life-cycle stages (Quinn & Cameron, 1983; Helms & Renfro, 1994; Smallbone *et al*, 1995; Poutziouris *et al*, 1998 and Hill *et al*, 2002), while others termed them growth stages (Gibb & Scott, 1985; Burns, 1989 and Dodge & Robbins, 1992) or developmental stages (Churchill & Lewis, 1983; Quinn & Cameron, 1983 and Scott & Bruce, 1987). It was apparent that no effort was made in the literature to differentiate between these terms and several authors used them interchangeably. The researcher continues to do so in this research.

Churchill & Lewis (1983) in earlier literature reveal that any small firm that experiences growth will go through a life-cycle process of growth stages. Burns (1989) postulated that growth is experienced in the early years of the organisational life and then it tapers off into eventual decline. Smallbone, *et al* (1995) argued that small businesses do not move through a series of stages in an incremental way. Recent evidence suggests that growth can be demonstrated in all small businesses across different sectors and at different maturities of the firm. The misunderstanding between early and current research could be because many of the earlier models assume that the firm must pass through all stages of growth in a linear manner or die in the attempt.

Poutziouris, *et al* (1998) provided a table of some of the published growth models. The table 2.2 below has been updated in chronological order with additional researchers and is a summary of some of the models developed.

Table 2.2: Small business growth models

Researchers	Understanding growth approach	Empirical procedure
McGuire (1963)	**5 stages** 1. Traditional small firm 2. Planning for growth 3. Take-off 4. Mass production 5. Management	**No empirical evidence** A formulation of a growth model where small manufacturing firms progress through five stages of economic development.
Steinmetz (1969)	**4 stages (and 3 phases)** 1. Direct supervision 2. Supervised supervision	**No empirical evidence** A successful small firm survives four stages of growth and three critical

	3. Indirect control 4. Divisional organisation	phases of growth, occurring at the end of stages 1, 2 and 3.
Greiner (1972)	**5 phases (and 5 (sub)-stages)** 1. Creativity 2. Direction 3. Delegation 4. Coordination 5. Collaboration	**No empirical evidence** Firms progress through five phases of business growth (evolutionary managerial, developmental structure and revolutionary managerial crises) as they develop from small and young into big and established firms.
Stanworth and Curran (1976)	**3 'Social Identities'** 1. Artisan 2. Classical entrepreneur 3. Manager	**Support from an in-depth study over six-year period** They propose a social perspective of growth in the small entrepreneurial firm. The business growth orientation is governed by the aspirations-social identity of owner-manager who embraces the entrepreneurial role.
Churchill and Lewis (1983)	**5 growth stages** 1. Existence 2. Survival 3. Success-disengagement Success-growth 4. Take-off 5. Resource maturity	**No empirical evidence** Managers of successful small firms were consulted for the revision of the perceived small firm growth model (*a la* Greiner). The proposed business development framework delineates five evolutionary stages of growth characterised by an index of size and diversity-complexity in terms of managerial challenge.
Vozikis (1984)	**3 stages of growth** 1. Start-up 2. Early growth 3. Later growth	**Empirically tested (sample 117)** This investigation con firmed the existence of a diverse small firm microcosm at the beginning/end of the organisational life-cycle. There was statistically significant difference in the small firm problem among the stages of development.
Gibb & Scott (1985)	**Business development process** Parameters of the model 1. Performance 2. Base for development 3. Internal and external 4. Development strategies	**Longitudinal study of 16 firms** Their proposed small firm growth model was heavily based on product and market development strategies. Their research incorporated experimental `action policy inputs' designed to evaluate the impact of different `software' support schemes on the business development process.
Scott and Bruce (1987)	**Synthetic 5 stages of growth** 1. Inception 2. Survival 3. Growth 4. Expansion 5. Maturity	**No empirical test** Their proposed synthetic model draws on previous researchers (extensively on the work of Churchill and Lewis) of small business development, and is a diagnostic tool of firms' position and growth strategies, to achieve the development of small firms along their life-cycle.
Dodge and Robbins (1992)	**4 stages** 1. Formulation 2. Early growth 3. Later growth 4. Stability	**Empirically tested (sample 364)** A search of empirical evidence supporting their proposed four stage growth model; relating to the major (internal and external) problems encountered by small firms in each stage of development.

Perren (1999a & 1999b)	**3 growth classifications** 1. Growth 2. Attempted growth 3. No growth	**Empirically tested** Empirically verified framework that explains how the host of independent factors identified interact to influence the gradual growth of small firms. Case study approach to compare firms that achieved the different levels of growth and between different sectors.

Adapted from source: Poutziouris, *et al* (1998)

The various approaches have received much criticism in their understanding of growth, but all researchers agree that growth can be categorised and identified. They further accept that small businesses development can be categorised by discrete growth stages, types or phases (Gibb & Scott, 1985; Keats & Bracker, 1986; Bygrave, 1989; Covin & Slevin, 1991; Davidsson, 1991; Naffziger, Hornsby, & Kuratko, 1994; Storey, 1994; Smallbone *et al*, 1995; Jennings & Beaver, 1997; Poutziouris *et al*, 1998; Deakins & Freel, 1998; Perren, 1999a & 1999b and Hill *et al*, 2002).

2.3 The importance of growth

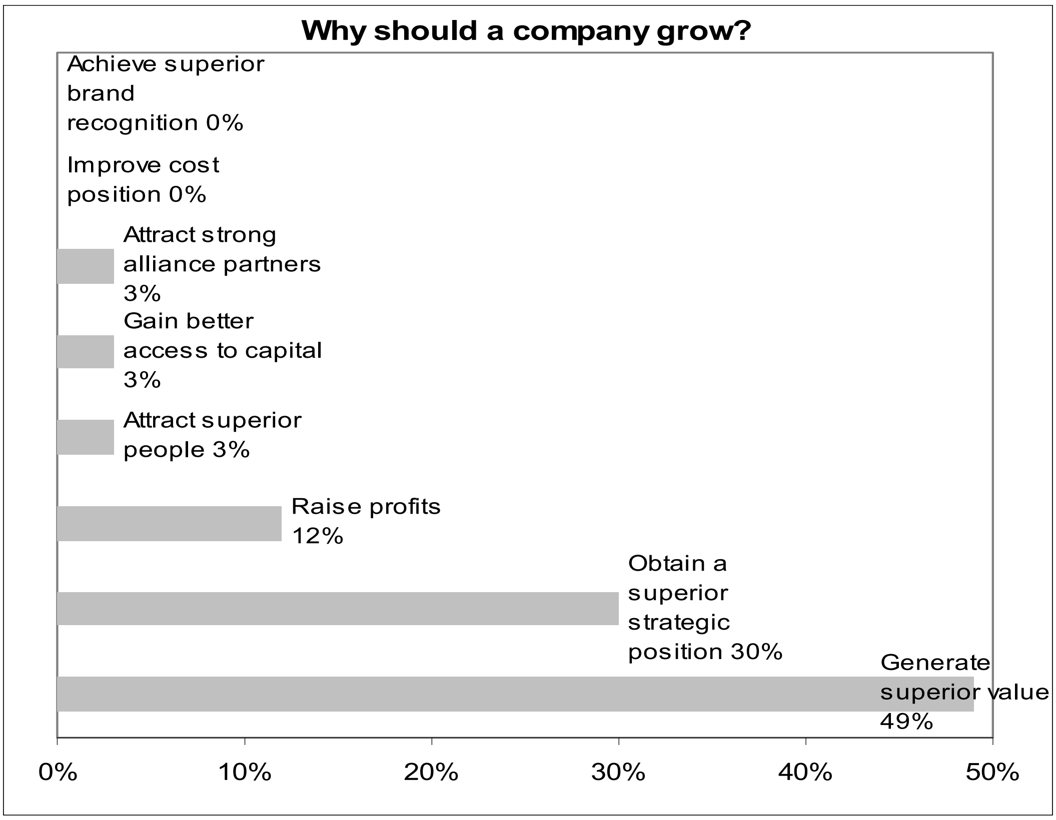
Growth of a business is taken as an obvious goal in most corporate finance literature. Ross, Westerfield, Jorda & Firer (2003) reveal that this is because growth is associated with either growth in assets and growth in turnover, which usually leads to an increase in retained profits. Simply, profits allow the business to survive. Increased profits allow the business to develop from an early state to a more advanced one. Developing the business, which is improved with experience, usually refers to changes in the business that enhances its long-term survival. Some examples are improved systems, revised policies and practices and increased resources (Hill *et al*, 2002).

Growth of the business is referred to as creating value. Value is the means with which to attach a financial amount to pay for any business. Of course, different valuation methods exist, but these are all linked to assets, turnover and future profits (Ross *et al*, 2003). Many owner-managers, who wish to increase the value of their business, target growth instinctively through their own management decisions. Furthermore, owner-managers pursue growth in order to obtain additional wealth for themselves and their employees from increased profits associated with growth. This, Hill *et al* (2002) explains allows the owner-manager and employees a sense of self-fulfilment and independence. Finally, if the owner-manager wishes to sell the business, it will most likely be valued according to assets, turnover and future profits. Therefore the higher these prospects are, the higher the amount the owner-manager will receive for the sale of the business.

Small firms overall contribution to a country's Gross Domestic Product (GDP) is an example of the importance of small firm growth to an economy. Improving the competitive advantage will drive growth of small businesses, which is important to individual firms and to the economy because it creates a vibrant and healthy firm and economy (Deakins & Freel, 1998 and Hill *et al*, 2002).

Countries have encouraged separate associations and many have established development schemes. Most of these are run through a Department of Trade and Industry, to promote growth of small businesses (Deakins & Freel, 1998 and Watson *et al*, 1998).

A study conducted by Kroeger, Traem & Rockenhaeuser (2000) asked over 640 CEOs, mainly from Europe, to identify from the list below, the answer to the following question, "Why should a company grow". The results are indicated below:



Source: www.atkearney.com

Theory into the growth process of small businesses is largely under researched because the literature has revealed a number of causes for growth that are further influenced by a range of other factors (Churchill *et al*, 1983; Smallbone *et al*, 1995; O Farrell *et al*, 1998; Poutziouris *et al*, 1998; Deakins & Freel, 1998; Perren, 1999a & 1999b and Hill *et al*, 2002). Vinnell & Hamilton (1999) maintain that growth continues to be both very rare and poorly understood.

There is, however, a consensus that growth is not a random or chance event, but is associated with specific firm attributes and behaviours (Perren, 1999a & 1999b). Understanding the growth of small businesses will allow owners and managers to plan for the next stage of growth and its challenges therefore ensuring a smoother operation and possible organisational success.

Further research into how small businesses grow and how they negotiate the challenges in each stage of growth is suggested (Hill *et al*, 2002). Therefore it would be suitable to research the nature of the growth problems for small businesses.

2.4 The growth problems experienced by small businesses

Small businesses periodically face barriers that hinder the performance and can easily cause bankruptcy or the sale of the business. Certain “barriers” to growth or growth problems may hinder growth between stages (Gibb & Davies, 1990 and Hill *et al*, 2002). These barriers can be either internal such as lack of finance, management experience and strategic abilities and motivation or external including lack of skilled employees or government controls. Small businesses tend to suffer from external and internal barriers more than larger businesses (Poutziouris, 1995; Perren, 1999a & 1999b and Vinnell & Hamilton, 1999).

The problem with small firm growth is that it usually experiences a small growth spurt, but then the majority of firms plateau in terms of sales growth (Churchill and Lewis, 1983 and Burns, 1989). Theory into the growth of organisations implies that growth stalls because the organisation cannot effectively manage the complexities and demands associated with the growth process (Deakins & Freel, 1998 and Hill *et al*, 2002).

The earlier small business growth stages show a more informal organisational structure and are where the problems are the most severe. Many small businesses have failed to adapt and develop the organisation and management structure toward a more disciplined and transparent framework to continue growth over the long term and through the next stages (Poutziouris, 1995). As a result, the small business fails to adapt correctly in their systems, processes and practices, which can stall or prevent small business growth. Deakins & Freel (1998) comment that the organisation is bound to experience some growing problems until it reaches a level of learning through experience.

If the business is able to conquer these barriers the business should reach its full growth potential and effectiveness (Churchill and Lewis, 1983; Storey, 1994; Poutziouris *et al*, 1998; Perren, 1999a & 1999b; O' Gorman, 2001 and Hill *et al*, 2002).

It is, therefore, important to acknowledge whether growth problems exist. The first research question posed in this research is:

Research question 1a: "Do small businesses experience growth problems?"

2.5 The nature of growth problems experienced by small businesses

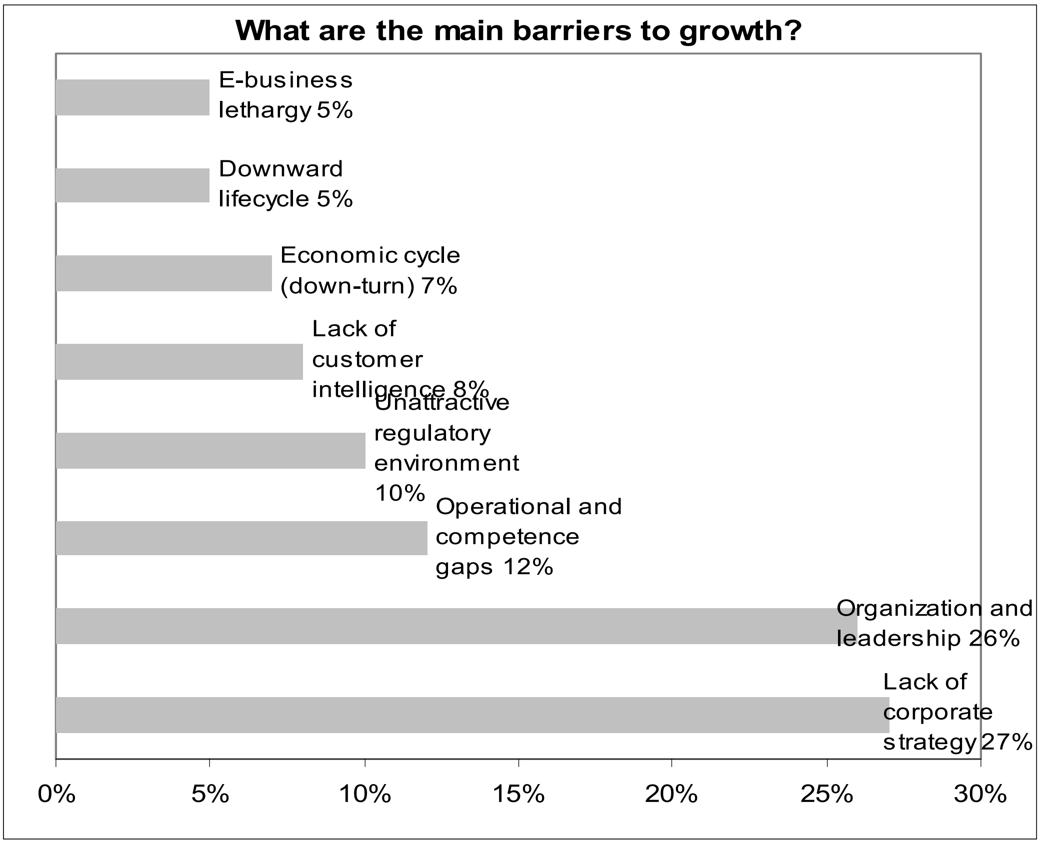
In order to achieve the goal of growth and development, small businesses spend a considerable amount of time, energy and money handling the challenges associated with it. Avoiding a crisis situation is a common feature for the business and requires handling any number of challenges ranging between five and seven simultaneously. The threat of crisis is usually never any one factor, but rather a combination of problems (Hill *et al*, 2002).

One of the qualitative attributes of small businesses is that ownership is either a sole proprietor or partnership, especially in the early development stages. The owner is therefore central to decision making and management in the organisation (Churchill & Lewis 1983). Structural and strategic changes to the business by the owner or manager can influence the growth ability of small businesses at any stage. Due to the pressures placed on one or a few individual decision makers it is difficult to solve the challenges throughout the firm's life through key decisions so that growth can be accomplished (O' Gorman, 2001).

Research reveals that managers of small businesses seldom perform strategic development plans instead they handle development and change through a combination of knowledge and reactions to critical events. Furthermore, broad plans that are in place provide only a general direction for the small business. This shows that in the absence of strategic plans, learning supports events after the growth challenges have been resolved (Hill *et al*, 2002).

Hill *et al* (2002) saw that changing markets caused customers to move away from original product offerings because they were, amongst others, too narrowly defined. It became challenging to attract funding required for the necessary resources. Often small businesses realised that they had failed to build the required organisational structure to accommodate the accelerated growth. It emerged that the owners and managers had no concept of how to handle the rapidly growing organisation.

Kroeger *et al*, (2000) asked over 640 CEOs to list what they thought were the main barriers to growth. The results are indicated in the graph below:



Source: www.atkearney.com

In order to better answer the first research question of whether small businesses experience growth problems, it would be more effective to understand the nature of any growth problems that exist. This would allow the growth problems to be better understood and possibly avoided:

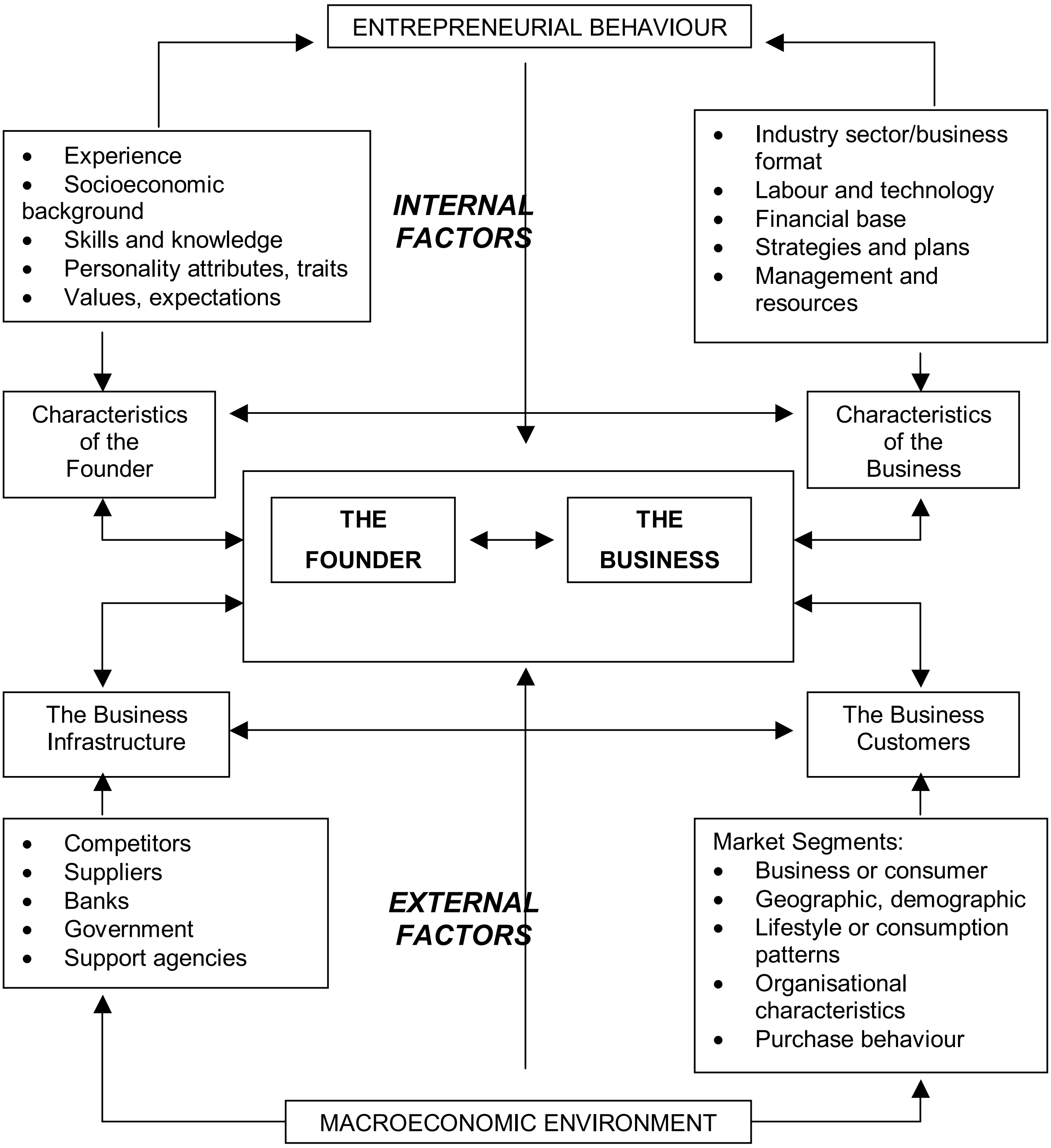
Research question 1b: "if small businesses experience growth problems, what is the nature of the growth problems?"

2.5.1 Understanding growth problems of small businesses

The literature in the previous section points to a large number of factors that effect growth in small businesses. Many researchers have sought to define the nature of growth problems according to various themes. Vozikis (1984) and Poutziouris (1995) arranged the various growth problems under the headings of management, production/operational, finance and marketing functions. The well-researched life-cycle models arrange the problems under the respective stages of growth. Perren (1999b) arranged the growth problems according to the whether the owner-manager is able to control them or not.

Other researchers selected specific areas, such as finance, competition or scale economies, to focus their research. Wills (1992) explained that, subject to earlier belief, not all problems and barriers to small business growth are external. Wills (1992) proved that management plays a central role in determining the success of small businesses. He focused his research on the improvements necessary to ensure a quality of management to best resolve small business growth challenges.

Watson *et al* (1998) captures the range of factors that affect the small business as external factors and internal factors in figure 2.1 (below). Figure 2.1 supports that there is no simple method of dealing with growth challenges (Smallbone *et al*, 1995). It shows that the business will experience problems that stem from the founder or owner-manager such as lack of experience or skills. Further, problems related to the business such as lack of finance can also hinder the business. These are referred to as the "internal factors" and are controllable by the entrepreneur by his behaviour. Similarly, the macroeconomic environment makes up the external environment and has a direct effect on the business and the owner-manager. Factors such as banks, suppliers and consumption patterns contribute to the macroeconomic environment. These "external factors" are out of the control of the owner-manager.



Source: Watson *et al*, 1998
Figure 2.1: Factors effecting small business growth

2.6 The effect of growth problems on the small business

A large number of factors can impact on small business growth. The literature shows that growth is pertinent to certain business performance outcomes, namely failure, survival and growth (Churchill & Lewis, 1983; Gibb & Scott, 1985; Gibb & Davies, 1990; Smallbone *et al*, 1995; Poutziouris *et al*, 1998; Perren, 1999a & 1999b; O' Gorman, 2001 and Hill *et al*, 2002).

In 1969, Labour Prime Minister Harold Wilson commissioned an inquiry into the state of the UK's small firms sector; as a result, the Bolton Report (1971) was created and demonstrated that the economic success of Japan and West Germany was partly based on both countries having thriving small firms sectors. Moreover, the report revealed that numbers of small firms were declining in the UK at a much faster rate than in other Western countries. Since the Bolton Report (1971), there has been a surged interest in small businesses. Furthermore, a multitude of research has sought to identify the characteristics that are common amongst the entrepreneur and distinguish them from the other members of the business community. Some research attempted to unravel what contributes to small business success, however, the outcome was that there is no simple pattern to growth (O' Gorman, 2001).

Although many researchers have highlighted a large amount of possible influencing factors, there is insufficient literature focused on how the combination of factors influences small business growth. Further research highlights that that there is evidence that indicates a complex set of interrelated factors that increase or decrease the probability that the business will become successful (Watson *et al*, 1998 and Perren, 1999b).

2.7 The methods of dealing with growth problems

From the literature in the previous section (section 2.6), it is clear that there is no singular way to deal with growth problems. The suggestion from Smallbone *et al* (1995) is that small businesses do not follow a linear growth pattern supports this. Empirically verified models for growth, however, have been lacking in the research. Instead there are a host of models and theories attempting to explain the growth process.

Table 2.2 provided models from various researchers that have been used to approach small business growth. Section 2.7.1 and 2.72 refers to two methods that have been used to develop models to approach small business growth.

2.7.1 Growth life-cycles

Several researchers suggest that life-cycle models can help to understand the complexity of the growth phenomenon and the effects that this provokes in small businesses (Chandler, 1962; Churchill & Lewis, 1983; Quinn & Cameron, 1983; Gibb & Davies, 1990; Yusuf, 1997 and Hill *et al*, 2002). This is a way to understand the nature of growth problems using a distinct set of stages of evolution within the small businesses development and is well researched. This type of modelling assumes that the specific stages fit with anecdotal real-life examples and provide a simple framework for conceptualisation (Perren, 1999a).

It is believed that organisational development follows predictable patterns and this allows life-cycles to be segmented into different stages. The number of stages identified depends on the types of research that are carried out and as much as between three and ten stages are modelled with their own distinct set of growth challenges (Yusuf, 1997).

The grounding for the nature of this approach is in Chandler's (1962) theory that small businesses exhibit patterns in their structure in response to market challenges and general growth.

Further research by Gibb & Davies (1990) forms the basis of much other research in this area. In their research, Gibb & Davies (1990) examined most of the published growth life-cycle models and identified four approaches to using these models:

- Personality-dominated approaches: concentrate on the impact of personality and capability on growth including the entrepreneur's personal goals and strategic business aspirations.

- Organisation development approaches: address the stages of organisational development and characterise the growth patterns for each. They include the impact of finance, ownership and control, management styles, market effects and family business tradition on the growth process.

- Business management approaches: attend to business skills and general management, planning and control. Furthermore, the formal strategic planning to outline the growth and development of the business is mainly addressed.

- Sectoral approaches: address the growth constraints and challenges in the context of regional development or development of specific sectors.

One of the main motivations for using these models is the ability to create a framework of the options facing the small business at any given time. It allows for in-depth insight into each process adding tremendous value for the owners and managers. The value is reflected in the way that businesses are able to predict changes in growth patterns and future problems because of the cyclical nature of the model.

Churchill & Lewis (1983) identified five stages of growth, each stage of growth characterised by an index of size, diversity, and complexity. Each stage was then described by five management factors: managerial style, organisational structure, extent of formal systems, major strategic goals and the owner involvement in the business.

Life-cycle approaches, which imply an early stage of inception, followed by development or survival then later growth or maturity and eventually decline or death, have received numerous criticisms. Although these modelling approaches have received much criticism, they are applied in most research. Firstly critics reveal that they are too simplistic, too cyclical and ignore the possibility of jumps, spurts of growth or repeating of stages (O'Farrell & Hitchens, 1988). Secondly other research has set out to prove that small businesses do not follow a linear pattern in development, meaning that it can repeat or skip stages of growth at any time. Finally the impact of technology, value added and other situational variables are not considered (O' Gorman, 2001).

Researchers for this approach argue that strategies, activities and organisational structures can be followed more clearly for the prescribed stage (Quinn & Cameron, 1983). Therefore the focus of much research in this area is to investigate how the small business owner-managers negotiate the hurdles in the respective stage to achieve the desired growth and development.

2.7.2 Integration of growth factors

Seven models developed by various researchers have attempted to integrate what was thought to be the influencing factors of growth into a model. The models allow us to understand the growth factors in terms of small business growth rather than simply listing the factors or concentrating on one specific area of growth:

- Durham University Business School's (DUBS) model (Gibb & Scott, 1985);
- Keats & Bracker's (1988) theory of small firm performance;
- Bygrave's (1989) entrepreneurial process model, adapted from Moore (1986);
- Covin & Slevin's (1991) entrepreneurial growth model;
- Naffiziger, Hornsby & Kuratko's (1994) model of entrepreneurial motivation;
- Jennings & Beaver's (1997) management perspective of performance; and
- Perren's (1999a & 1999b) diagnostic toolkit for micro enterprise growth.

These models proved a number of useful insights into the growth process. Firstly, the success, and therefore competitiveness, of any business is dependent on a range of situational and contextual factors. Secondly, failing to understand what influences the organisational success may cause it to fail regardless of one's growth motivations. Lastly, if growth can be categorised and the influencing factors to achieve this growth can be measured, managers will be able to manage the organisation better and ensure success.

2.8 A growth typology for dealing with growth problems

It is clear from the literature that there are a number of models that are based on growth life-cycles. Specific criteria dictate the stage the business is in. The growth stages and criteria for each are different across all models. Furthermore, very few are empirically verified. Any researcher wanting to replicate the research using a model will spend more time on the classification than on the investigation because each model has been developed under specific conditions (Perren, 1999a). Therefore, fitting the correct model to the research requirements becomes extensive and problematic.

As a result, an 'integration of growth factors' model would be more practical for the purpose of the research. Perren's (1999a & 1999b) diagnostic toolkit for micro enterprise growth is chosen because the research limits the analysis into three types of growth (growth, no growth or attempted growth) that are easy to understand and uncomplicated to classify.

Perren (1999a & 1999b) classified small businesses into the following three types of growth using turnover and number of employees:

- Growth enterprises showed considerable growth in employee numbers and turnover,
- Attempted growth enterprises were those that showed initial early growth, expanding beyond micro enterprise levels, but experienced a remarkable decline in terms of employee figures and turnover; and
- No growth enterprises exhibited only flat turnover and employee numbers.

Perren (1999a & 1999b) combined a number of factors from relevant research to determine independent factors that affect the growth of and how they interact with small businesses. He neglects to classify the organisation into detailed stages. This choice of model is chosen to bring the research closer to understanding the problems that are faced in the three growth types. This model can be understood in the following section.

There are a host of ways of dealing with growth problems according to the extensive research. Therefore research question number two would assist the understanding of small business growth problems further:

Research question 2a: "Is there a topology for dealing with the small business growth problems?"

2.9 The symptoms for each growth type

Perren (1999b) identifies the following symptoms for the following growth types:

- Growth enterprises: have increased the number of employees beyond the micro phase of nine and have shown a consistent increase in turnover.

- Attempted growth enterprises: are those enterprises that have initially experienced early growth beyond the micro phase but have shown a clear reduction in the number of employees and turnover.

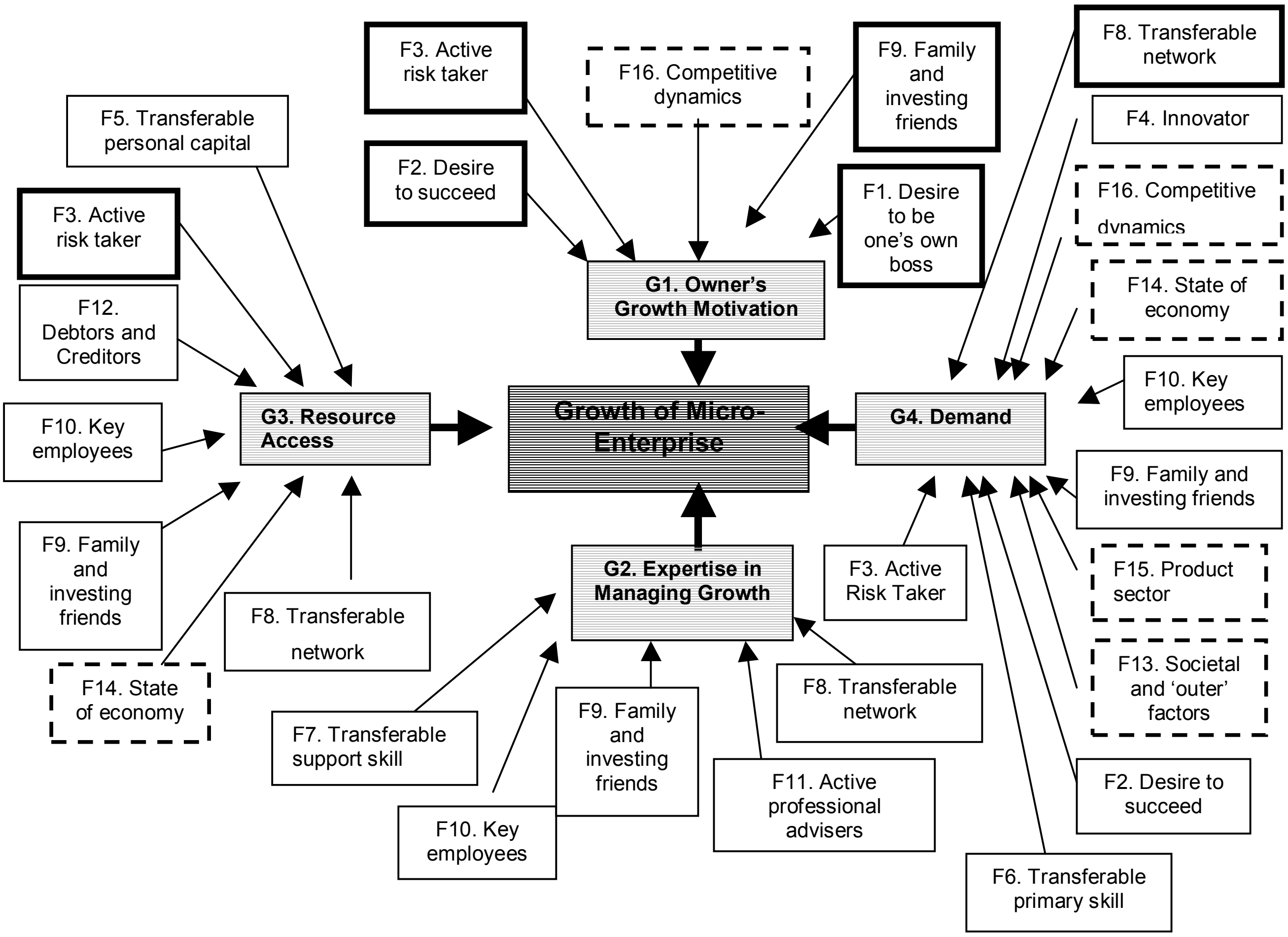
- No growth enterprises: have experienced levelled turnover and employee numbers.

The work of Gibbs & Davies (1992) simply identifies independent factors that affect the growth and development of small businesses. The research fails to address how independent factors interact to affect the growth of the business.

Perren (1999a) derived a framework of sixteen independent factors that influence the growth of small businesses from SME literature. Based on the work of Sekaran (1992), Perren (1999a) used a diagnostic toolkit with a Socratic questioning approach to identify four interim growth drivers, from the independent factors, which he showed leads to growth of the small business. Perren (1999a & 1999b) combined the independent factors to determine those that affect the growth of small businesses and how they interact.

The independent factors can be seen in Figure 2.2 (below) as the squares (labelled F1-F16) pointing to one of the four interim growth drivers (labelled G1-G4).

The independent factors are grouped into three categories illustrated in the key in Figure 2.2. The thinly lined boxes represent the factors that are related to the owner-managers psychological make-up and require an element of self-awareness in order to influence. These factors are within the control of the owner-manager. Simply, the owner-managers will need to consider their own feelings and wishes in order to change these. The dashed lined boxes are mostly external and are beyond the control of the owner-manager. These will not be evaluated in this study. The bold square boxes represent the factors that are mostly internal to the business and are within the control of the owner-manager. These categories are not intended to be fixed, but are determined using a common sense approach by understanding the level of control that the owner-manager is likely to have over them.



Key

Factors that the owner-manager has control over requires owner-manager self-awareness.

Factors that are pervasive and the owner-manager has little control over.

Factors that the owner-manager has more control over.

Interim Growth Drivers.

Source: Perren (1999b)

Figure 2.2: Empirically verified factors influencing micro-enterprise growth

Perren (1999a &1999b) evaluated the impact of the independent factors on the each growth driver separately for each of the three growth types. He suggested that a business could only achieve growth beyond micro enterprise phase if the combined influence of the independent factors on the interim growth drivers were positive.

It would be suitable to understand whether there are any signs that point the researcher to the various growth types. Therefore, a further research question must be answered:

Research question 2b: "If there is a growth typology for dealing with growth problems, what are the symptoms of the various growth types in the topology?"

2.10 Growth typology management strategies for each type of growth

Perren (1999a) confirms that each case has its own set of factors that influence the development of the business. However, the independent factors that influenced an interim growth driver in a number of cases showed a distinct combination of elements common to each. Perren (1999b) states that growth beyond the micro-enterprise phase of growth can only be achieved by combining a number of independent factors which must all have a positive effect on the business.

There has been much debate about the strategy of the small business and the level of control that the small business will have over the influencing factors (Mintzberg, 1998). The research does not become involved in this debate, but rather adopts a pragmatic approach (Perren, 1999b).

Perren's (1999a & 1999b) research allows the owner-manager to analyse the influencing factors on the respective growth driver and adjust the strategies of the small business to take compensate for the factor or to counter balance it.

Although specific strategies are not given in Perren's (1999a & 1999b) research, he felt that they are implied. Perren (1999b) believes that the owner-manager can develop a distinctive set of managerial techniques, styles and approaches that are appropriate for each growth type. This is primarily because a pattern of functional problems, priorities and issues are experienced by the small businesses (Quinn and Cameron, 1983). The owner-manager is able to diagnose the small business and think creatively about the growth opportunities to find ways of compensating for deficits in particular factors (Perren, 1999b).

The research can be leveraged further if the owner-manager uses the tools provided together with the assistance of a business advisor to develop growth strategies for the future (Perren, 1999b). The knowledge of how much the independent factors impact the business would be extremely valuable to management so that they can devise appropriate strategies.

As a result the third research question is posed:

Research question 3: "What are the possible management strategies for each growth type?"

2.11 Management strategies in general

Perren (1999a & 1999b) failed to state specific management strategies for growth of small businesses. These strategies are required that would be applicable to achieving small business growth or to counter balance the owner's growth motivation (G1) and expertise in managing growth (G2) growth drivers and their related factors.

Table 2.3: Interim growth drivers and Independent factors

G1. Owner's Growth Motivation
F1. Desire to be one's own boss
F2. Desire to succeed
F3. Active risk taker
F9. Family and investing friends
F16. Competitive dynamics

G2. Expertise in Managing Growth
F7. Transferable support skill
F8. Transferable network
F9. Family and investing friends
F10. Key employees
F11. Active professional advisers

Source: Perren (1999b)

Small business growth literature was reviewed to create an indexation of the internal management strategies that are used by owner-managers to achieve small business growth. These strategies are listed below and are set out according to themes such as owner-manager traits, business orientation, financial function, marketing and operational function and human resources function.

2.11.1 Owner-manager traits

- Past industry experience: (Deakins & Freel 1998; Watson *et al*, 1998; Fielden *et al*, 2000 and O' Gorman, 2001).

- Access to a network of contacts: (Churchill and Lewis, 1983; Deakins & Freel 1998; Watson *et al*, 1998 and Fielden *et al*, 2000).

- Entrepreneurial sacrifices: the sacrifices the owner-manager made throughout the business and to become an entrepreneur leads to a highly motivated individual (Deakins & Freel 1998 and Watson *et al*, 1998).

2.11.2 Business orientation

- Commitment to growth: making growth an ongoing opportunity and priority (Deakins & Freel 1998; Watson *et al*, 1998; Vinnell & Hamilton, 1999; Fielden *et al*, 2000 and O' Gorman, 2001).

- Focus on corporate strategy and mission: leads to purposeful growth-oriented activities (Churchill and Lewis, 1983; Deakins & Freel 1998; Poutziouris *et al*, 1998; Fielden *et al*, 2000, 2000 and O' Gorman, 2001).

- Participation in inter-organisational relationships such as strategic alliances and joint ventures to allow for complementary skills, sharing work and sharing resources (Deakins & Freel 1998; Fielden *et al*, 2000 and O' Gorman, 2001).

- Add unique value: helping a customer maximize utility, reduce constraints, while increasing organisational effectiveness in a differentiated manner (Watson *et al*, 1998; O' Gorman, 2001 and Hill *et al*, 2002).

- Customer orientation: ongoing understanding and interest in customer needs and desires (Deakins & Freel 1998; Watson *et al*, 1998; Vinnell & Hamilton, 1999 and Hill *et al*, 2002).

2.11.3 Financial function

- Financial planning and management: Managing and accounting for the financial activities and requirements of the firm such as allocation of funds, working capital, loan capital and gearing ratio of the business (Churchill and Lewis, 1983; Deakins & Freel 1998; Poutziouris *et al*, 1998; Watson *et al*, 1998; Vinnell & Hamilton, 1999; Fielden *et al*, 2000 and Hill *et al*, 2002).

- Access to external capital: (Churchill and Lewis, 1983; Deakins & Freel 1998; Poutziouris *et al*, 1998; Watson *et al*, 1998; Vinnell & Hamilton, 1999; Fielden *et al*, 2000; O' Gorman, 2001 and Hill *et al*, 2002).

2.11.4 Marketing and Operational function

- Product specialisation and innovation: the ability to produce a product that the market demands (Deakins & Freel 1998; Poutziouris *et al*, 1998 and Vinnell & Hamilton, 1999).

- Productivity: (Deakins & Freel 1998; Poutziouris *et al*, 1998 and O' Gorman, 2001)

- Method of sales & distribution: (Churchill and Lewis, 1983; Deakins & Freel 1998; Poutziouris *et al*, 1998; Vinnell & Hamilton, 1999; Fielden *et al*, 2000; O' Gorman, 2001 and Hill *et al*, 2002).

2.11.5 Human Resources function

- Manner in which to manage personnel: training, employee development, remuneration, recruitment process, employee empowerment and non-financial incentives (Deakins & Freel 1998; Poutziouris *et al*, 1998; Vinnell & Hamilton, 1999 and Fielden *et al*, 2000).

- Management specialisation: specialised expertise in certain areas of the firm (Churchill and Lewis, 1983; Deakins & Freel 1998; Watson *et al*, 1998; Poutziouris *et al*, 1998; Vinnell & Hamilton, 1999 and Hill *et al*, 2002)

- Management and employee development: abilities and efforts of employees to maintain their focus on the businesses strategies (Churchill and Lewis, 1983; Deakins & Freel 1998; Watson *et al*, 1998; Poutziouris *et al*, 1998; Fielden *et al*, 2000 and Hill *et al*, 2002).

The researcher needed to identify all the internal strategies that were available to the owner-managers to provide a reference for the management strategies that were uncovered in the case studies. The final research question, therefore, is presented:

Research question 4: “What are the possible management strategies in general?”

The researcher identified the internal strategies used by the owner-managers in thorough case study research and tried to relate them according to this indexation. Special care was taken not to label the strategy employed by the owner-manager for the purposes of fitting it to the list.

3. Research Questions

3.1 Problem Statement

What are the owner-manager strategies available to achieve the growth needed to transition from the micro to the small business stage?

3.2 Research Questions

1a) Do small businesses experience growth problems?

1b) If small businesses experience growth problems, what is the nature of the growth problems?

2a) Is there a growth typology for dealing with growth problems?

2b) If there is a growth typology for dealing with growth problems, what are the symptoms of the various growth types in the topology?

3) What are the possible management strategies for each growth type?

4) What are the possible management strategies in general?

4. Research Methodology

Chapter 4 explains the research methodology of this study and how it was applied to answer the research questions in the preceding chapter.

The method that was employed in this study was a qualitative analysis of data collected through case studies. Section 4.1 motivates the methodology chosen. Section 4.2 describes how the results of a selection of in-depth interviews were interpreted. The case selection, interview sample and research design are set out in section 4.3 and 4.4. This is followed by a description of the data collection process, data analysis and interpretation. The final section relates to validity and reliability of the research.

4.1 Choice of Methodology

This section explains why the choice of qualitative research was suitable and why a case study was an appropriate methodology for this study.

4.1.1 Qualitative research

Gaining detailed insight from the owner-managers and related people about their specific experiences allowed for relevant and comprehensive data (Perry, 2001). Chetty (1996) suggests that total data must be analysed to provide some form of meaningful pattern. The success of the cases provides learning and a level of understanding which may support owner-manager practices for similar situations (Leedy & Ormrod, 2001).

The choice for qualitative research was clear because of the nature of the data collected and on the purpose of the research. When the aim was to understand the nature of complex phenomena with the purpose of better understanding or describing the phenomena and building theory, Leedy & Ormrod (2001) suggest qualitative research as the most appropriate choice.

The aim of the research was to facilitate a better understanding of the growth problems of small businesses through the examination of a range of factors. The purpose was to provide insight and uncover strategies based on the learning from the study. Qualitative research was therefore more suitable to collect data, analyse data and communicate the findings than quantitative data.

Qualitative research had certain implications for the proposed research and this is discussed in the following section.

4.1.2 Case study method

Case studies have an important feature in that it has scientific credentials and its evidence can become the base for professional applications. There are certain types of research problems that are suitable for the case study approach. Given that the research studied several cases in-depth for a period of time, the case study method was used (Perry, 2001). Case research was used as a creative alternative to traditional approaches to describe and emphasise the owner-managers perspective as central to the process.

Perry (2001) defines case research and adds that the following must be considered before embarking on this technique above other qualitative techniques:

- Contemporary and dynamic phenomenon: The research focus was to gain better understanding into how small businesses grow. It was mentioned in the literature review section (chapter 2) that modern evidence indicates a complex set of interrelated factors that that effect small businesses growth and performance (Watson *et al*, 1998 & Perren, 1999b). Very few of the models mention how the various factors interact together to influence the development of the firm. Many researchers have simply listed the factors because of the sheer complexity (Perren, 1999a).

- Unclear boundaries between the phenomenon and context: The different modelling approaches to understanding the growth of small businesses that have been used in the past cause variances among the symptoms of growth problems. Leedy & Ormrod (2001) state that case research is particularly useful when the problem is unknown or insufficiently understood.

- Explanation of causal links are too complex and clear outcomes impossible: Many researchers have attempted to unravel what the growth problems that effect small businesses, however, the outcome was that there is no simple pattern to growth and growth does not follow a linear form (O' Gorman, 2001).

These considerations were all suitable to the research problem therefore justifying case research as the most suitable method.

Modern practitioners and researchers have come to appreciate the subjective richness of owner-managers recounting their experiences and the meanings implicit in them to help guide business practice. The research was aimed at offering new learning and adding to the theory. This technique was a unique and valuable method of eliciting and understanding phenomena, which may be of interest to the small business community.

4.2 Underlying Assumptions of the Methodology

According to Klein & Myers (1999), qualitative research can be conducted in either the interpretive paradigm or the functionalist paradigm. The research was approached in a way that the study of the entrepreneurial small business reflected its individual and unique characteristics and the circumstances within it. This research was better suited to being conducted in the *interpretive paradigm*.

The following assumptions were held to ensure that the research was conducted correctly:

- Ideographic methodology: lends itself to experience or firsthand knowledge of the problem rather than obtaining meaning in numbers (Nomothetic methodology). The research investigated a few cases because understanding the specific phenomenon in its context was important. This allowed for confirmation of the theory and possibly adding to the present theory (Burrell & Morgan, 1979).

- Anti-positivism: assumes epistemology meaning that the researcher interacts with that being researched. Positivism requires experiments and measurements in the research which did not form part of this research. Moreover, the research did not pose any sub problems or propositions to gain regularities or casual relationships and did not seek generalisation to a population therefore justifying an anti-positivism approach (Klein & Myers, 1999).

In conclusion the interpretive paradigm better suits the requirements of the research which was to provide insight from a specific occurrence.

4.3 Case Selection and Interview Sample

4.3.1 Population

The population comprised companies that complied with the definition of small businesses (section 1.1), which were based within the Gauteng region in South Africa.

4.3.2 Case selection

The research did not use random sampling for the case selection. Instead the researcher allowed small business specialists, who were known and respected by the researcher, to identify small businesses that fell within the each growth type of the chosen model. This method adhered to replication logic to ensure that the cases selected were the most appropriate (Perry, 2001). Once identified the small business owner-managers and related people were contacted and requested for the study.

The researcher conducted multiple case studies to investigate different small business cases. Perry (2001), comments that there is no correct number of cases that should be researched in case research. Due to financial and time constraints, the researcher only selected three cases. One case from each of the growth types was selected:

Growth Type	Pseudonym
Growth	Star
Attempted Growth	Question mark
No Growth	Dog

In the interest of protecting anonymity pseudonyms were used throughout the research for all people and companies.

4.3.3 Classification of cases

The business was sent an introduction letter (Appendix A) to introduce the researcher to the owner-manager and company. Attached to the introduction was an initial classification questionnaire (Appendix B), which was adapted from Perren (1999a & 1999b), to understand the stage of growth that the business was in and to define the business. This initial classification questionnaire was vital to verify that the business complied with the research definition of small businesses and to confirm the suspected growth type. The data from the initial classification questionnaire was used in a classification instrument (Appendix C), which was adapted from Poutziouris, *et al* (1998), to score the business to grade its growth type.

4.3.4 Interview sample

The researcher interviewed owner-managers and key related people from each of the cases. Due to the nature of small businesses, the owner-managers were involved operationally and knew the most information. Therefore, they provided the most relevant information because they were central to most of the business history, growth problems and strategies. However, at least two additional related people per case, such as outside shareholders, key strategic partners or key employees of the organisation, were also interviewed.

4.4 Research Design

An initial classification questionnaire (Appendix B) and classification instrument (Appendix C) were adapted from previous research in the literature review and applied to a sample of small businesses. The initial classification questionnaire ensured that the business fitted the definition of small business. The classification instrument scored the characteristics of the business according to various criteria to establish the growth type. A case study interview agenda (Appendix D) was conducted for each of the case studies to capture the growth experiences of the small businesses. The interview agenda questionnaire uncovered information which the researcher considered to be influential in understanding whether growth problems existed and the symptoms and nature of them. The information was then applied to determine what internal management strategies the small business used.

These were evaluated according to the internal management strategies from the literature review to establish whether any of these were evident and whether there were others that could be added as valuable internal management strategies.

The primary outcome of research design was that a logical thread flowed from the literature review to the development of the research questions then to the data collection and verification and finally to the conclusions. The conclusions were aligned with the research questions posed.

4.5 Data Collection Process

Yin (1994) indicates that there are at least six sources of evidence for data collection that may be used in the case technique: documentation, archival records, interviews, direct observation, participant observation, and physical artefacts.

Numerous sources of data was collected such as taped and oral evidence of each persons experiences, semi-structured interviews and direct observation of the owner-manager and key employees interactions with employees. In addition, secondary sources (see section 4.5.4) were consulted to obtain background information about the business and its industry.

Before the data collection phase, the initial classification questionnaire (referred to in 4.3.3) comprised questions that the researcher was able to use to allocate a score to rate the business according to various growth types using a classification instrument. The initial classification questionnaire and classification instrument were included in Appendix B and C respectively.

4.5.1 Refining the interview agenda

Perry (2001) suggested that the interview questions and agenda should be refined and tested before conducted in the field. According to Yin (1994) this step is an integral part of the writing process and enhances the structure of the research. Furthermore, the researcher is inexperienced in case research and Miles & Huberman (1994) emphasise the importance of “pre-structured research” for new qualitative researchers. The case study interviewer agenda was developed and refined with the help of an academic research expert before the interviews were conducted and remained the same for all interviews in the data collection process. This improved the reliability and validity of the research. The interviewer agenda was included in Appendix D.

4.5.2 Semi-structured in-depth interviews

The researcher visited and interviewed all the owner-managers from three cases. Further, the researcher interviewed two to four related people from each case such as outside shareholders, strategic partners and key employees using the same interview agenda as the owner-manager to ensure the richness of the data collected. Each of the interviews was no less than 150 minutes in duration.

Due to the nature of small businesses, the number of people that were central to all major decisions was limited. The researcher conducted in-depth individual interviews with all of them.

The interviewers aim was to gain the owner-managers and related people's longitudinal perspective of the small businesses history and the factors that influenced growth (Perren, 1999a). The secondary data attained beforehand was verified and used to support the interview. The intention was to perform the interview by asking the right questions so complex issues were allowed to emerge through thoughtful consideration instead of being closed down prematurely without being allowed to develop (Mintzberg, 1998). The interview was based on open-ended questions so that the interviews were flexible. This was done by following some guiding topics and by supporting the use of open-ended questions to encourage the respondents to express their experiences, attitudes and ideas for each growth stage. The questions served as an agenda of the issues that were covered in the interview. Further questions were asked when the need emerged in the interview.

The research hinged on the case study interview agenda. Refining the interview agenda and questions served as a means to standardise the interview for all cases.

4.5.3 Direct observation

The researcher spent eight to ten hours at each case site observing the business and observing the owner-managers and key employees' interactions with employees.

This observation was an opportunity to gain further insight from the owner-manager or key employees.

4.5.4 Other data sources

Documentation and other data, which was provided after the initial introduction and during the interviews, were included in the collection of data. The documentation and other data included:

- notes from observations;
- newspapers and relevant publications;
- brochures and surveys;
- company memoranda, charts, graphs, company and client reports, plans, accounts, loan applications and informal records of managers;
- relevant research of other researchers; and

4.5.5 Data storage

A database was created to collect all the material from interviews, secondary data and direct observations. The data was collected in a structured way to ensure that it could be accessed easily at any stage by the researcher or a third party to review and verify the conclusions of the research. The data was stored on CD-Rom and notes were updated whenever possible in the research process. The original research notes were stored in a chronological order and the audio recordings were transferred to the CD-Rom.

A recording of the events that take place in the research process was maintained. This record commenced after the research proposal was approved and was concluded after the final completion of the research report. This record was linked to the case study database so that any third party could verify the conclusions of the research.

4.5.6 Triangulation

Triangulation was necessary in the case research to ensure the validity of the process. Yin (1994) suggests the use of multiple sources of data to provide a more objective understanding.

The interviewing of two to four related people per case such as outside shareholders, key employees and strategic partners apart from the owner-manager in each case ensured the richness of the data collected. Furthermore, the direct observation in each case enhanced the richness of the data collected. The review of other sources of data (as mentioned in section 4.5.4) in conjunction with the interview evidence in the research lent itself towards triangulation.

4.6 Data Analysis and Interpretation

4.6.1 Data analysis

"Data analysis consists of examining, categorising, tabulating, or otherwise recombining the evidence to address the initial propositions of a study" (Yin, 1994).

This research lent itself to a consistent data analysis that did not commence once the data collection was completed. The nature of the research, multiple case studies in the interpretive paradigm, imposed that data analysis and interpretation took place during the data collection (Miles & Huberman, 1994 and Leedy & Ormrod, 2001).

There was a systematic approach to the recording of the data so as to allow for a flexible data analysis and no confusion in the observations and interpretations. The data was audio recorded as oral evidence and an abundance of notes were kept. The researchers notes were analysed in the same way and the discussions were coded so that a framework could be applied to the analysis based on topic areas (Miles and Huberman, 1994).

Content analysis and frequency tables were used to distinguish among data that related to the theoretical model. In order to accurately reflect the appropriate weighting across all data sources, the data focused on the number of people that raised a specific point, not the number of times the point was raised. This was to compensate for people who felt very strongly about certain issues or because the issues might have been the closest in their recollection of events.

The codes were refined in the ongoing analysis as the research progressed and were applied to all the data to provide some form of meaningful pattern. Cross case analysis was vital to the interpretation of the research. The frequency table accounted for the capturing of cross case analysis. As mentioned in the literature review, small businesses did not experience the same growth constraints but rather displayed a distinct pattern of growth problems in achieving growth (Perren 1999a). It is only through cross case analysis that this pattern emerged.

Miles & Huberman (1994) spoke of data reduction as an important component of data analysis. Although this was necessary to interpret the idea being described it missed the vital issue of levels. The researcher was careful not to eliminate relevant data in order to acquire meaning. Therefore, a holistic view of the data linked the specific data with the broad and a comprehensive audit trail of how one was connected to the other was exercised.

4.6.2 Data display

The research findings were displayed in a logical order with relevant content and within the context of the cases. Tables, charts, diagrams and maps were used to provide the reader with a clear understanding.

Each case has a developed overall picture of understanding so that findings might be synthesised.

4.6.3 Data interpretation

The multiple case studies approach allowed for the idiosyncrasies of the individual cases to be explored. The need to organise the complex evidence without losing its richness lead to a variable focus approach (Perren 1999a). On occasion, a broad view was necessary for cross case analysis and at other times a specific focus was required within each case. The researcher, however, ensured a holistic perspective so that the evidence was seen within the context of the study.

During the interpretation, the research uncovered new insights into the growth process of small businesses. The interpretative paradigm allowed for interpretation to take place during both the data collection phase and the data interpretation phase.

As mentioned in Data Analysis (section 4.6.1), it was important to maintain both a holistic perspective and a specific perspective on the evidence. The interpretation originated from the patterns that emerged in the data, owner-managers and other related people's reflections and recollections of the events and the researchers understanding.

The oral evidence during the semi-structured interviews for each of the owner-managers was the most valuable for this research. To preserve the richness of the autobiographic nature of the research, the researcher used pseudonyms for all people and companies. Care was taken to ensure that the interpretation was as close to the data as possible.

4.7 Validity and Reliability

4.7.1 Internal validity

The research was limited because it was a qualitative study, interpreted and analysed by a single person, the researcher. As in the triangulation section (4.5.6), Yin (1994) suggested using multiple sources of evidence as the way to ensure construct validity. This study used company data and documents, interview evidence and instruments and other data as multiple sources of evidence.

The research made use of Yin's (1994) further suggestions for using multiple sources of evidence to improve construct validity:

- Interviews with different people in the organisation and at different levels of responsibility if they are relevant to the case.
- Confirmation of conclusions with the respondents after interviews

Furthermore, prior theory, probing questions and deep listening was employed to further enhance the internal validity.

4.7.2 External validity

External validity refers to the ability to generalise the findings beyond the research to the population (Perry, 2001). The external validity was more difficult to attain in case study research because generalisability was not promoted in case research. Furthermore, the cases were not selected using random sampling.

Perry (2001) comments that the external validity can be improved by careful choice of the case and in its procedures which are followed. Case procedures were established early in the research planning and were set out in Appendix E. The research used a classification instrument in and rating system (section 4.3.3) of each business to ensure that the business adhered to the growth type definition, which helped improve external validity.

4.7.3 Reliability

This section relates to the need for consistent results in the research so that a third party may verify the research, if performed in the same way (Perry, 2001).

Standardised instruments were not be used to allow for semi-structured interviews. As a result subjectivity may have occurred from the biases of the researcher, owner-manager or related people. Yin (1994) stated that the development of a formal case study protocol provides the reliability that is required of all research. Further, it is essential in a multiple-case study.

This research developed a protocol which included the following sections:

- An established procedure: analysed and stored the data and provided a location of the data sources. These were set out in sections 4.5 and 4.6.
- Case study questions: the questions the investigator kept in mind during data collection. The interview agenda was shown in Appendix D.
- A guide for the case study report: the outline and format for the report.

A disciplined approach to the research was important for the overall progress and reliability of the study. Yin (1994) proposed that the report be planned at the start.

4.8 Conclusion

This chapter explained the research methodology of this study and how it was applied to answer the research questions in the preceding chapter. The method that was employed in this study was a qualitative analysis of data collected through case studies.

The researcher conducted multiple case studies to investigate different small business cases. Semi-structured interviews were adapted from previous research and based on the research questions posed in the literature review. The interview agenda was developed to allow for the pertinent information to become known. This was done by following some guiding topics and by supporting the use of open-ended questions to encourage the respondents to express their experiences, attitudes and ideas. Interviews were conducted with the owner-managers and two to four related people per case such as outside shareholders, key employees and strategic partners to ensure the richness of the data collected. A number of sources of data were collected during the collection of data phase. Content analysis and cross case analysis were used in the data analysis to distinguish among data that related to the theory. The focus of the data analysis was to understand any unique aspects that emerged or whether any patterns or trends surfaced. The interpretative paradigm allowed for interpretation to take place during both the data collection phase and the data interpretation phase.

5. Presentation of Findings

This chapter provides a description and discussion of the findings for each of the cases studied. A description for the three cases: Star, Question Mark and Dog is provided in section 5.1 to provide context for each of the cases and a record of how each grew. The description of the results of the data collection is recorded for the each of the cases in section 5.2, 5.3 and 5.4. The approach of section 5.2, 5.3 and 5.4 intends to present and discuss the findings of each of the cases reflecting the structure as it was set out in the interview agenda (Appendix D). The literature review refers to Perren's (1999a & 1999b) model that was used to understand the growth problems for each of the cases studied. Perren (1999a & 1999b) revealed that there are two internal drivers for small business growth: owner's growth motivation and expertise in managing growth. In order to understand these growth drivers and the interrelated factors, please refer to Figure 2.2 on page 26 for an A3 foldout of Perren's (1999a & 1999b) model.

5.1 Description of each Case

Many researchers have used various definitions to describe growth. Some used increases in employee numbers alone (Vinnell & Hamilton, 1999; Fielden *et al*, 2000 and Ghobadian & O Regan, 2000), while others used a combination of both employees and turnover (Churchill & Lewis, 1983; Perren, 1999a & 1999b and O' Gorman, 2001). Perren (1999a) is the main researcher on which this research is based, therefore the case studies are classified into three types of growth using turnover and number of employees. Table 5.1 outlines these factors for each of the cases.

Table 5.1: Description of each case

	Growth Case: Star	Attempted Growth Case: Question mark	No Growth Case: Dog
Maximum number of employees	26	25	4
Maximum turnover	30,000,000	8,000,000	1,000,000
Number of employees in Year 1	1	7	2
Number of employees in Year 2	2	12	3
Number of employees in Year 3	7	25	3
Number of employees in Year 4	11	20	4
Number of employees in Year 5	20	16	4
Number of employees in Year 6	23	N/A	N/A
Number of employees in Year 7	26	N/A	N/A

Figure 5.1 below illustrates the year on year record of the number of employees for each of the cases.

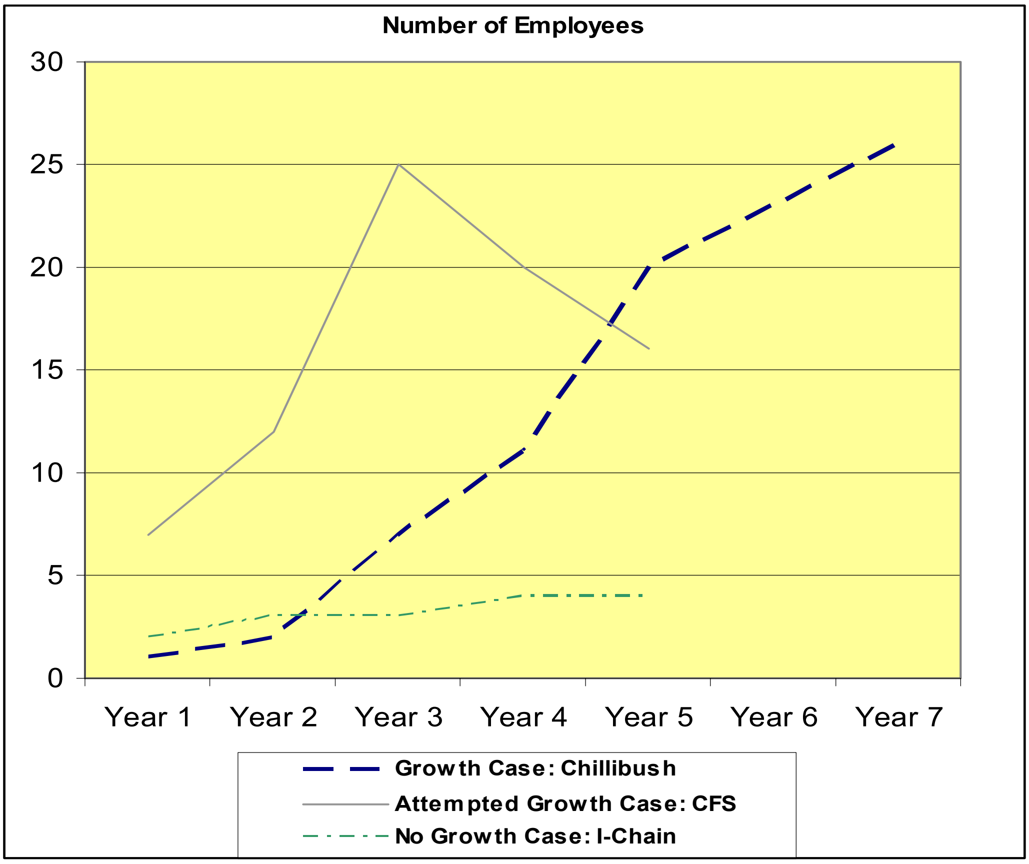


Figure 5.1: Number of employees across cases

Star grew its turnover and employees steadily over the years, while Dog held constant its number of employees. Question Mark experienced a sharp spike in the number of employees for the first three years and then plummeted over the following two years.

5.2 Growth Case: Star

5.2.1 Introduction

Star is a successful marketing company. The company has developed expertise in marketing, advertising and public relations. It was founded by Nancy in August 1998 because of her desire to provide better customer service to the marketing industry. In 2004 they were rated amongst the top three small advertising agencies in the Financial Mail Ad focus and 17th the Ad Review "Big League" for all advertising agencies. Star currently employs over 30 people and boasts an impressive client portfolio of auditing, mining, financial and newspaper companies.

Nancy realised the opportunity to offer "through the line" marketing, which is a one stop marketing service that offers everything from strategy development to PR, advertising, media planning and design. After trying to do all of these services, Nancy realised that this was not possible. Other agencies have achieved this by buying another company and incorporating it into its existing company. Nancy decided to grow the business organically by employing specialists for each of the areas where she saw opportunities, such as Media planning and Public Relations. She believes that this is her point of differentiation from the other agencies.

In the past year, Star employed key partners, Percy, Joe and Ann. Joe took over the management of the creative side of the business while Percy is the chairman of the board of directors. Ann has been identified to take over from Nancy as the managing director of the company, something Nancy is very excited about.

5.2.2 Diagnosing Owners Growth Motivation (G1)

Desire to succeed (F2)

<u>Business ambitions</u>

Nancy was determined to mould the Star culture from the good points taken from previous work experiences. "I wanted to be able to go to work and take my dogs". Nancy was driven by the need to be independent and the ability to build her self esteem. She strives for a company where everyone is friendly and gets along. Ann was determined just to "survive", which was to cover overheads of R20,000 per month. At the beginning stages, Ann never imagined the company to have a large number of employees or a large turnover. Joe wanted to be involved in a business to make his mark in the market place and wanted to work hard and enjoy the results of success. “When I started, I was willing to do anything for anyone in terms of marketing, communications, PR advertising and writing,” Nancy says. After about a year, she realised that Star had to focus on its skills and stop offering non specialised services like Public Relations. Star focused rather on design and advertising. Nancy was overworked and tired in 2003, which was mainly from financial pressure. Nancy alleviated this by employing Matt to bring the business management experience to the business and be the partner to share frustrations with.

Joe joined and commented that Star was unfocused on its goals. Nancy spent more energy on an employee’s birthday than on a creative concept. Nancy has worked very hard in the past four years, trying to grow the business. Today, Joe and Ann are passionate about the company goal to achieve R100m turnover within 5 years. Nancy is sceptical about it, but supports and empowers Ann and Joe to reach these goals.

Currently, Nancy admits that she is more tired than ever and is becoming desperate to take a lesser role in the business. She encourages the right people to take over some of her responsibilities. Joe has played a central role in changing a lot of the way the business was running, which sometimes caused conflict between employees. Joe also has a different style of working and managing than what Nancy is used to, which contributes to her lower energy levels. Nancy thinks that Joe and Ann are managing the company well and is confident to remove herself from the daily stresses of the company. She would like to drive the strategy of the company and possibly perform part time consulting for a handful of clients.

Measures of business success

Star measured profits and cash flows in the first four years. Nancy monitors the amount of personal capital she has to inject. Nowadays, Star measures the level of retained income. This is to maintain a focus on increasing the value of the equity. Ann comments that profit margins per client are a clear measure of success. This is also because Star bases employee incentives on them. Star has set a target to bill R100m in the next five years.

Nancy also measures her business success on the amount of self-esteem she has each day. She also looks for employees laughing and high morale. Star monitors its reputation and credibility in the market place because the industry is driven through word of mouth advertising. This measure is made tangible through the top two industry rankings for best advertising company from Financial Mail and Finance Week. Star aims to grow in these rankings each year. Star aims to be in the top 10 of all agencies. Ann measures the number of happy clients. Joe hopes for a truly South African business from all races and creeds which is functioning optimally. Joe explains that financial success is a by-product of running a good business. Joe would like Star to achieve a Cannes gold award.

<u>Business growth vs. other measures</u>

All the partners agree that achieving business growth is important above all measures. This is the main reason why Nancy has allowed Ann and Joe to manage the company the way they do. She realised that her approach will not aggressively drive growth. Nancy admits that she agreed to the empowerment deal between Joe and Percy to achieve growth. Joe would prioritise business growth above any other measures. He says that non-financial successes cannot exist without growth.

<u>Personal control</u>

Nancy does not mind to relinquish control once the right people are in the correct positions. Then, she actually encourages it. The encouragement is linked to her burnout experienced from overworking in recent years. Before then, she was more hesitant to do so. Nowadays, she wants to let Joe and Ann run the company while she attends monthly shareholder meetings. Ann relinquishes personal control to people she thinks holds the level of competence to do the required tasks. Once that is established, Ann is supportive and only requires regular feedback. Ann likes to sit close to her team to pick up on conversations and events. Joe likes to keep informed through regular feedback and meetings. Joe is prepared to give up more control as long as he has quantitative measures to manage.

Desire to be ones own boss (F1)

<u>Delegation</u>

Nancy links the amount she delegates based on the person’s level of competence. She is satisfied as long as the basics of the task are accomplished. She acknowledges that the style of work will be different when other people do it, but is not bothered about it. Ann has no problem delegating as long as she trusts the person’s level of competence. Joe delegates to staff in a way that provides enough responsibility and limits failure. Joe delegates to people he is sure are competent. Joe has already started delegating responsibilities since joining the company.

Active Risk Taker (F3)

<u>Size of the business for security</u>

Being secure would mean that Star would be able to repay her loan capital back. Nowadays, Nancy feels that you cannot pitch for new business without black empowerment. Consequently, the empowerment deal has made her feel far more secure about the future of the company to grow beyond small business status. Although the current level of turnover has made her feel secure, a 50% growth in turnover would make her more than satisfied. Ann feels secure at this current stage of the business. She is happy with the culture, staff and skills at Star. Joe is secure now that the company has doubled its turnover in a few months. Being profitable at every stage of the company growth is important. Joe is pleased with the management team and the way that they are managing the company. Joe will feel more than secure if Star wins an upcoming deal of R8m per annum. The company will then be able to cover overall monthly expenses. Two months ago, Matt left Star. He never communicated a clear financial picture for the partners and always made the partners feel unsettled. Now that Nancy has taken over the finances from Matt, she clearly communicates cash flow and turnover potential clearly, making the financial management far better.

Family 'investing' friends (F9)

<u>Family Problems</u>

Nancy acknowledges, "I think I am lucky because there were no problems that affected my drive". Her family and friends are very helpful and supportive. Nancy's parents provided the first capital for the business and continued to provide little things like little tables and blinds. Ann's boyfriend is very supportive. She feels that choosing the right partner that feels as passionately about work is the key. They are both involved in corporate business which helps a lot. She finds that you have to make an effort with your partner in order to keep it working. She often takes her work home instead of finishing it at the office in order to spend more time with her boyfriend. Joe finds his family and friends incredibly supportive with his ambitions. He is not married and his son is already independent and out the house. He believes that choosing the right partner is the key to limiting problems. Joe has never had a partner that is not as passionate about his business and work as he is.

Competitive Dynamics (F16)

Scale of business

Nancy is pleased with the level of income to the amount invested. She is sceptical about being able to achieve R100m in 5years. This is because she feels that this level might be too large for the company to handle in terms of its current resources. Ann is satisfied with the scale of the business for the current stage of growth.

Competitive dynamics on decisions

Star is not that influenced by any one competitor because the Star has such a wide offering to the market. The partners are aware of the main players in specific lines, but do not base decisions on what competition is doing. They have two competitors that they use as benchmarks, for creative work and for market share. The billing of clients and payment structures are changing and the industry is moving towards obtaining monthly retainers for business. This structure reduces the income margins but is replaced by a secure income streams. Star is also starting to offer this type of service.

Reduction in margins

Star recently moved its billing structure from project costing to monthly retainers, which has caused a reduction in margins. The monthly retainers are more fixed, which has allowed the company to focus less on determining margins to cover monthly overheads. Ann would not change margins to secure a client because there is a minimum profit margin that has been set by the company to be able to cover costs. The retainer business caused the margins to be fairly low as it is. The industry has also become transparent in its pricing, which clients are starting to accept.

Suppliers change volumes

Star has a large amount of suppliers to choose from that offer standardised services. There is no danger of non-delivery from suppliers because it can use another.

5.2.3 Diagnosing Expertise in Managing Growth (G2)

Transferable Support Skills (F7)

Management skills from previous jobs

Nancy worked as a sales manager for a media company for about a year and then joined an advertising agency's media monitoring division for a short while. Nancy had a secretary and two or three people under her. Nancy then joined a medium sized advertising agency for a year to work on advertising and film sets. Nancy met Ann at the media company. There were little or no systems, structures or plans in place when Star started. Neither Nancy nor Ann had any experience in administration, Human Resources or Bookkeeping. Even today, Nancy still hates having to do all these functions. She actually sees it as a weakness to the company because there is little time for her to focus on areas such as client service and strategy. Ann first worked for a media company as a media manager and then moved to a Public Relations agency briefly. Ann joined Star for 18 months, but left to join a large IT software company in a senior marketing role. She grew to Marketing manager within four years, where she performed a full marketing role, which is larger scope than Star offers. She became unchallenged in her position at the IT company and joined Star again to head up Operations and Public Relations. Her marketing role at the IT company has helped her to service clients because she understands the background to clients' needs and frustrations because she was once there. Ann brought knowledge of large organisations' policies and procedures. Joe had previous experience at an advertising agency as a writer. Joe was persuaded by a top advertising executive to join the industry because he liked Joe's poetry. Joe excelled at creative strategy when he ran his own business later.

Key Employees, partners (F10)

Nancy outsourced all her creative work to a consultant that was based at Star, between 2000 and 2001. In 2002, Nancy gave up 15%of her equity to bring on Matt as a partner. Nancy's release of equity was mainly because she sought a confidant to share experiences and frustrations with. Matt was brought in to add financial expertise to the business because of his MBA and financial background. Matt had no agency experience at all, but he had a small business of his own where he had IT and general management experience. He was also responsible for IT and new business.

Tom was a highly acclaimed creative director from the advertising industry. He was the group creative director at a large agency in Durban, which is where Nancy met him. He brought all that agency knowledge with when he joined in 2004 to oversee the studio as creative director. Star was seeking to merge with a black empowerment company. Tom and Matt attempted an empowerment deal that was unsuccessful.

Nancy started the Public Relations department in 2003 by employing a manager through word of mouth. Nancy realised that that it was cheaper to do the function in house than to pay for it in the market. “Star outsourced work of about R10,000 per month, so I employed someone for double the amount but had spare capacity to grow.” Star is now responsible for R3 million of total annual turnover.

Nancy spearheaded a second empowerment deal with Joe and Percy in 2004 and chose not to involve Tom and Matt. Joe and Percy were bought into the business as equal partners of 13% each. The new equity offering to Joe and Percy was on condition that they are responsible for R15m of new business in order to pay back the equity offered. Tom and Matt were very resentful because they were not involved in shaping the deal. Joe and Tom did not get along because Joe is a highly competent driver personality and has strong marketing and leadership skills. Joe and Tom also had conflicting ideas for the direction of the business. Joe also wanted to lead the company, which was in contravention to Tom’s desire to do the same. The tension was enhanced because Joe’s contribution overlapped with some of Tom’s and Matt’s, which offered an opportunity to uncover some incompetence. Matt and Tom left the company in 2005 and Matt surrendered his stake in the business.

Joe does not have administration or support systems experience, but brings strategy and general management skills from running ran his own advertising agency. Since Ann returned to Star in 2004, she has been instrumental in operations management. Ann acquired a 4% stake in 2005. Joe says “Ann is key in Client Service. Emma is also great in traffic and Martha is doing well in production.”

Family ‘investing’ friends (F9)

Family help

Nancy’s parents put up their pension as security for Star and made small contributions to the office equipment. “My parents used to come in on weekends and paint old tables and chairs so that I could have a boardroom table for meetings”. They played a very central role Nancy’s emotional support. Nancy’s Sister gave her R5,000 and her boyfriend gave her R10,000 in 1998. Her Dad is a qualified bookkeeper and helped with finances in the beginning. Her Mother assisted marginally on the creative side. Her sister helped the company with legal aspects because she is a qualified attorney. The family assistance has reduced considerably in the past two years. Nancy’s boyfriend is the founder of a top South African management consulting firm and was instrumental in the organisational design and roles and responsibilities for all employees. He is a MBA and writer of a top financial business book from the 1980’s. He assisted in designing optimal processes and sorting out the financial management. He also conducted formal workshops at Star to address ways to attain new business.

Professional Advisors (F11)

Professional advisors

In 2005, a consultant came in to audit the business and designed new job descriptions, business processes and organisational design for a period of three months. She had been a top advertising executive that Joe had worked with before. He wanted her to comment about the way in which the business was being run and suggest areas of improvement. Recently a friend of Nancy's assisted with the financial management function in professional capacity. He helped with the budgeting and financial management per department. Star outsource IT management and administration.

Steps to obtain advice

Each employee knows how vital contacts are, so put they brainstorm who they know can help on certain issues. Star has not gotten to the stage where they are going to employ professional consultants.

Transferable network of contacts (F8)

In first year, Nancy wrote approximately 100 letters to every person she knew and introduced what her new company did. Two came back and materialised as new business. Nancy has used contacts and friends for advice on any matters. Her contacts stem mainly from university and personal relationships. She recently had a friend from a top recruitment company help with outsourcing the payroll. She met Joe and Percy at university. Nancy does not make a habit of surrounding herself with friends for business networking and refuses to network out of the office. Her contacts are mixed between non-industry and industry related businesses. “I have some strong contacts in the industry and can call on them if I need to,” says Nancy. “I recently met with one of my competitors to obtain information about which methods to use when billing clients. I realise that I need to be more active in my networking”, says Nancy. Nancy called a friend to install a server. Nancy can make calls to friends if Star needs business.

Ann only knows people from the IT industry who can aid the business for support systems. Ann has asked some friends that have creative experience to give feedback about work. Ann banters with her friends about pitches won and lost as well as industry trends. Ann says that she would never call on a friend or acquaintance for business because she does not like to ask for favours. She likes to separate her business from friendship. Ann used her IT company contacts to find an IT software programme that was suited to the advertising industry. Star bought it outright, the only agency to do this, which added to its competitive advantage and has become a huge cost saving.

Joe knows most of his contacts from previous work. Joe has a mentor who was very senior in the advertising industry and was the first South African to be a judge at Cannes. He also won gold at Cannes, which is a highly acclaimed industry goal. Joe gains many ideas from him about Star and speaks about how industry trends. A previous work mate helps Joe on the design of some aspects of new business. Joe does not call on mates to help him with new business, because he prefers not to ask for favours. Joe believes that networking is important for growth.

5.3 Attempted Growth Case: Question Mark

5.3.1 Introduction

Question Mark supplies electronic customer feedback devices that provide information for management to manage day to day operations. The company extracts the feedback data from customers into meaningful statistics and analysis which is applicable to manage many environments. Question Mark has mainly banking clients but is focused on growing the customer base to include a host of different industries.

Question Mark was founded by two brothers, Rob and Dan, and Grant. Rob was involved full time in 2000 to launch the concepts of Dan, Grant and himself. For the first year, Rob developed the software and hardware for the product. Due to employment obligations, Grant only joined Rob a year later in May 2001. Dan never wanted to be involved in the operations and only provided capital. Dan had another company named Graystone, which specialised in designing and manufacturing technical hardware and software. Dan extended Graystone's services to Question Mark and produced the first hardware products for them. Question Mark felt that the competitive advantage did not lie in the hardware and channelled all its energy in the customer service and information offerings. Question Mark only assembles and tests the hardware and relies on vendors to design and develop the hardware.

Question Mark invests heavily in the technology and automation of its product. As the business becomes more efficient in its technology, Question Mark reduces the number of staff to maximise reduction of cost opportunities. Question Mark further reduces the scale of the business by outsourcing support services such as bookkeeping, financial management, payroll, and technical design. They vary the degree of outsourcing to suit the growth cycles of the business.

A technical director joined Question Mark in December 2001 to provide technical expertise. He acquired a 1% stake in the business in January 2005. Dan sold his stake in Question Mark in 2002 because he found his relationship with his brother to be suffering.

Question Mark entered into a strategic partnership in 2003 with a market research company, by selling a stake in exchange for additional customers, support services and product development. The partnership did not increase the performance of the business, so Rob asked Dan to buy out the market research company's stake in 2004. Since then, Rob and Dan are focused mainly on establishing an international franchise to grow sales. In June 2005, Question Mark had 16 employees.

5.3.2 Diagnosing Owners Growth Motivation (G1)

Desire to succeed (F2)

Business ambitions

In year two of the running of Question Mark, Rob was determined to grow the small business and to a medium size. Nowadays, Rob thinks that he has laid the foundations for a global business because most of the revenue is royalty based. "For the next 10 years, I hope to focus on growing the international side of the business", Rob comments, "there needs to be a more stable management to handle the day to day operations in order to facilitate more growth". Grant's ambition for joining Question Mark was because he had a passion to build a business with a team that would solve great challenges together. Grant envisioned a company that employees love coming to work for. Grant hoped that his business would be involved internationally in some way. Grant was driven to make his business successful to create a promising future for his family. "I joined Question Mark because I loved the thought of owning my own business," Grant commented. "I knew that the product of my hard work would benefit my earnings". Conversely, Grant felt that it was never about making money, but rather that he wanted to add value to clients in need of solutions. Recently, Grant has focused on growing the business and was working long hours as a result. "I don't think Rob is contributing the same passion or hours for the business to achieve our desired growth. I really feel that my spirit has been dampened as a result." Dan joined Question Mark hoping that the business would develop successful products that the market place would be interested in. Today, Dan would like to see the international business grow.

Measures of business success

Rob feels that the type of clients is very important to success. He adds that a diversified source of revenue is also important because when one client is lost, the revenue of the business is not impacted severely. Rob aims to have a spread of clients that consist of both larger and smaller value contracts to diversify the income sources. Financial success, according to Grant, is achieved through the number of satisfied and motivated employees. The business should ensure that employees feel valued, play an important role and have opportunities in the company. Grant says that another measure for success is the number of satisfied customers. Currently, Grant feels that there are few quantitative measures to indicate this because the company has not spent time on developing them. In the absence of them, the partners use perception to understand the climate in Question mark.

Rob attributes financial success to growth in turnover. He feels that this is because employees focus on driving towards quantitative figures. Profits are not as important as turnover, because profits can be improved through cost cutting and other efficiencies. Grant says that the first measure of success should be financial success, which should be monitored by using cash flow in conjunction with net profit. He would also monitors the amount of profit targets achieved. Grant criticises Rob for monitoring the operating margins per client because he does not think this is an efficient measure. Grant prefers more effort being spent on monitoring debtor days. Dan believes that profits are important for success. Dan thinks meeting established goals is also an important element of business success.

Business growth vs. other measures

Rob says that business growth should be the priority before anything else. Grant comments that a company should not grow employees without increasing turnover and that employees should only be added after growing turnover. Grant would focus on growth in turnover before employee satisfaction if forced to choose. He would, however, not compromise his own happiness for business growth.

Personal control

Once Rob has established measurable targets, he likes to support his managers with the necessary authority to perform. Rob enjoys being based at the office full time in order to monitor business results. Rob believes that people earn his trust through achieving results and thereafter he relinquishes control. Rob confesses to listening to office and telephone conversations and enjoying feedback from staff to understand how the business is doing at an operational level. Grant likes to understand the type of person in his team in order to determine how to manage them. He likes to provide general direction and then leave the person to operate independently. Grant finds that he spends less time managing skilled individuals. Grant interacts a lot with his employees at an operational level without controlling the outcome. Grant believes that he will only step in to rectify a situation when he feels that it is absolutely necessary. If he does so, he likes to coach and mentor employees by giving them the power to find their own ways to correct a situation. Grant refuses to micro manage people.

Desire to be ones own boss (F1)

<u>Delegation</u>

Rob enjoys delegating and believes delegation is closely linked to ones ability to trust. The more he trusts the individual, the more he delegates. Rob explains that he measures his ability to delegate by the amount of phone calls that he receives if he leaves the office for an extended period of time. Rob says, “If I receive no phone calls, then I know that I am doing my job correctly”. Grant says that he supports employees to operate on their own with certain guidance from him. Grant evaluates each type of activity to determine how comfortable he with delegating and explains that as long as the client is not being impacted, he will delegate. “Most of the employees are fairly inexperienced so delegating is fairly infrequent”. Grant comments that delegating must be based on experience of employees.

Active Risk Taker (F3)

<u>Size of the business for security</u>

Grant would like to grow the business more than its current state. Grant comments, “I don’t feel secure at the moment because the business has one main client. We have all our eggs in one basket, you know“. Grant would feel secure if the company could retain R8 million per year. “Ideally, I would like to achieve R12 million per year to really become satisfied,” Grant adds. Grant dreams of the business growing to R100 million per year. Dan does not feel secure because Question Mark only has one main client in the South African operation. Dan thinks that the business needs to have slightly higher turnover than it has currently. Dan would feel comfortable with R12 million per year.

Family ‘Investing’ friends (F9)

<u>Family problems</u>

Rob comments that he has very little family problems because they support him. Grant says that did not take a salary for one year at the beginning because of the uncertainty of the business and the efforts in trying to secure clients and generate income. As a result, his family experienced large financial uncertainty, which was a huge stress on his marriage. It was particularly difficult for Grant because his wife is from a wealthy and successful family and was used to living comfortably. She did not like Grant investing family funds into, what she felt was a risky business. “My wife didn't support Rob as a partner because she did not like the way in which he treated his staff and felt uncomfortable with me investing in someone she had no respect for," Grant explained. "I experienced low drive because of the strain on my personal life." When reflecting back, Grant thinks that he could have made different decisions to reduce the family friction. He feels he is a lot wiser and would not be a minor shareholder again or invest in a business beyond his means. Grant feels that the long work hours did not contribute to the tension in his family. Dan and Rob comment that Grant's personal issues have hurt the business.

Dan comments his relationship with Rob suffers when they are involved in the same business. This was mainly caused by Dan disapproving of the way that Rob and Grant were driving the business. There was also tension between Dan's wife and Rob, who generally do not have a good relationship, which drained Dan. He felt that he did not want to be involved in the business as a result and became less involved.

Competitive Dynamics (F16)

<u>Scale of business</u>

Rob is trying to improve the scale of the business by focusing on where the costs are being derived. Grant is satisfied with the scale of the business. Dan feels that the international business is more scaleable than the local operation because of the royalties earned from the product.

<u>Competitive dynamics on decisions</u>

Rob battles to define who the competitors are because he thinks the products and services are so unique. He comments that market research companies could be seen as direct competitors, but that they only offer information. In order to combat this, Question Mark offers other consulting services to supplement the information generated. Rob says that Question Mark has experimented with various technologies to provide different data. They have also experimented with various suppliers to find the most suitable way for the data to be communicated and to be the most cost effective. Changing suppliers and products is very expensive, but Rob is always investigating new technologies. Question Mark is aware that the type of information will gain it competitive advantage. Dan says that having one client could bring about large rewards if managed properly.

Reduction in margins

Grant says that he would support Question Mark to reduce margins to increase volumes. He hopes there would be future business from this decision. Rob comments that Question Mark only has one major local client, so losing it would compromise the future of the company. Therefore, they would reduce margins to retain the one and only client. In the past, Question Mark has tried to increase the number of smaller clients, both local and international, to change the client mix.

Suppliers change volumes

Question Mark is fortunate to have a product that can be developed and manufactured by a large number of suppliers. Grant explains that the volumes that the manufacturers churn out are very large compared to the volumes demanded from Question mark, so they are insignificant to suppliers. He says that adding more accounts from the international business might bring them more purchasing power and allow them to negotiate better with suppliers.

5.3.3 Diagnosing Expertise in Managing Growth (G2)

Transferable Support Skills (F7)

Management skills from previous jobs

Rob ran his first business at university and has been self employed ever since. Grant managed factories and was responsible for large teams of people. He then moved into Change Management for a utility company and feels that he brings people related experience to Question mark. Grant is an engineer by trade and has experience in Business Consulting and Human Resources, for example, balanced scorecard. Grant feels that he derives a lot of the employee satisfaction and support from the approach that he takes to management. Dan has an engineering degree and has run his own business, which he recently sold to a listed company for a large sum of money. Dan's previous experience is all from his previous businesses such as managing Human Resources, Payroll, Accounting, Financial Management, Strategy, Legal and Technology.

Experience in managing staff

Grant has always managed staff in previous jobs. Dan has run a successful company with over 150 staff, which he was mainly responsible for managing.

Experience in support systems

Rob has experience in Bookkeeping and Human Resources. Grant has managed HR systems and Budgeting before. Dan comments that pricing was done without proper costing and that the financials were not being managed correctly. Dan got involved in sorting out the Debtors collections, for which he has a lot of experience. Dan feels that Question Mark had no financial management experience or legal knowledge. Dan set up the management pack that is now being complied each month for management reporting to the owner-managers.

Key Employees, partners (F10)

Question Mark partnered with a research marketing company, to obtain expertise in analysing and providing high quality information to clients. The market research company also had a range of clients that could have been targeted by Question mark for new business. Grant describes Rob as being good at marketing and administration bearing in mind his technical background. Nowadays, Rob is involved on the technical side and Grant is involved in Customer Service and Marketing. Dan thinks Grant is good at providing customers with a strategy to show how they can derive value in their business. Dan thinks Grant is weak at administration. Dan would like Grant to be responsible for Sales, although he does not fit the mould of a typical salesman.

Rob is strong at critically analysing information and contributing to innovation for the offering. Rob also has strong technical product development skills Dan thinks Rob is good at building relationships with clients and administration. Dan contributes general business management to Question mark, but only adds this expertise in a non-executive capacity. Dan also has both hardware and software technology expertise. Dan also participates as an outside business advisor.

Grant thinks the technical director has strong technical IT skills. Another employee is excellent at Account Maintenance, Customer Relations and Operations. She also has great strategic skills. An employee is skilled at analysing research and interpreting information. There is also someone to manage the automatic reporting IT system extremely well. He knows the system and its capabilities and is highly analytical. Grant’s father has general management skills from years of experience. He is also good at negotiation and problem solving. He has experience in Administration and Human Resources.

Family 'investing' friends (F9)

Family help

Grant's father is employed for part time sales in Durban. Dan became involved after an unfavourable relationship with previous alliance partners. He invested money into the business in order to release Question Mark from this relationship. Dan is not happy to be involved in Question Mark again, but will do so for loyalty to his brother.

Professional Advisors (F11)

Professional advisors

The Payroll and Financial Management is outsourced. Financial auditors advise on the business' Financial Management. They meet once per month to discuss the financial aspects of the business. Grant has a relationship with a professional consultant who helps him manage both simple and complex issues. Consultants have assisted on ways to enhance the statistical analysis as the customer service offering for the product. Question Mark uses other consultants for advice on the hardware. Business consultants have been used for Strategy, international business opportunities and Distribution expertise. Manufacturing and Product Development is outsourced to Dan's other company, Graystone. It remains consultative about the latest technology and information available to customers. Dan suggested that Question Mark use legal advisors to secure agreements between clients. Dan says that auditors and tax consultants assisted with establishing the international business.

Steps to obtain advice

Grant knew Dan's strength in the product knowledge so he asked Rob to approach him to join the partnership at the beginning of the business. Rob had contacts from playing golf and enquired about certain consulting experts for specific areas of expertise.

Transferable network of contacts (F8)

Rob drives weekly discussions with the partners about how they can optimise the network of contacts to obtain more business. Rob is part of a consortium of people of various skills, who run small businesses in various industries and look for new opportunities for other businesses. Rob comments that his biggest leads came from his golfing contacts. He also has some personal contacts through small business forums that he attends regularly. Rob attends many meetings about various subjects related to many industries through this business forum. Grant's father in law is a successful businessman and is a major client of one of the top banks in South Africa. He has operated several successful businesses with various partners and is able to provide contacts for the business. Grant cannot leverage off previous work contacts because they are unrelated. Dan has contacts from his previous business that he could use.

5.4 No Growth Case: Dog

5.4.1 Introduction

Dereck and Stan founded Dog in 2000, and began by concentrating on RFID (Radio Frequency Identification Device) technology. Dog used the RFID technology as a tracking and monitoring device for many industries. Dog found favour from the Retail, Mining and Logistics industries. Dereck and Stan had neither knowledge of the RFID technology when they started nor insight into the industry. The technology was also new to the South African market and many people were not educated about the technology's capabilities,. Due to the limited market knowledge of the technology, the market demand was poor and Dog's growth was slow.

Dereck funded his share of Dog from the sale of a successful printing business. In 2000, Stan sold his equity to Dereck and left Dog. Dereck employed Luke from Spear Technology Solutions in 2001 to run Operations and offered him equity in 2004. In 2000, Spear Technology Solutions bought 10% of Dog, leaving Dereck with 75%.

In the first year Dog secured a major sale in RFID to a large tyre manufacturer. As part of the guarantee of the tyre, the tyre company needed to monitor its tyres performance to maintain the promise to the customer. Dog sold them the concept of placing RFID patches inside the tyres as proof for the guarantee. The patches were used to record the mileage and monitor the maintenance of the tyres. Thereafter, Dog did not secure any other business in the RFID market. In the third year, Dog developed a RFID tracking device for shopping carts and sold an opportunity to pilot the idea to a major retailer. "The idea never got past the pilot stage because the customer did not invest any further," Dereck admits. Over the years, Dog invested large sums in research and development for new RFID products for different industries such as retail, construction, mining, automotive and transport. "We found that the market saw no value in the RFID for the price of the technology," Dereck adds. "The market perceived the technology as a device for information that would inform the operations management of the organisation."

Dog shifted its focus to providing asset management systems and services. The company focused the asset management primarily for Government institutions. These solutions provided the main source of income for Dog. The asset tracking offering uses bar codes that are placed on every asset to track them and integrate into the companies asset register. The benefit is that the tracking is electronic and compatible with most accounting systems. Dereck says, “Although this is the primary focus, I still feel strongly that the RFID technology is due for large growth. I want to be well established in the market to capture the demand when it arrives“.

During the course of 2003, a law was passed that made it mandatory for municipalities to track and monitor all assets. Dog bought the software for asset tracking and financial management from a company based in the United Kingdom and customised it for the South African market. Dog sold the software as an auditing tool and financial management aid to control assets for municipalities. They supplemented the sale of the software with an additional service to customers which reported the asset register and commented on the financial management of assets.

5.4.2 Diagnosing Owners Growth Motivation (G1)

Desire to succeed (F2)

Business ambitions

Dereck commented that he saw the market opportunities in RFID technology and thought he was going to make millions. He was set on making Dog a success. At first, he did not realise that he was in a technology dependent business which required a lot of research and development investment. Dereck did not perform market research before becoming involved in the company and thinks that this would have shown that the RFID market was not ready to adopt the technology. He admits that he went into the unknown without planning. In 2005, Dereck feels that he is still as ambitious for the business as ever and adds that this is largely due to the potential of the RFID technology. He admits that the market is still not ready to adopt the RFID technology fully and will spend his time focusing on other products until the market demands the technology.

Dereck feels that he is the most ambitious about Dog as he has ever been. He says that with the combination of his BEE partners, which are driving new sales, and the company’s management, Dog will succeed within the next year. Luke is far more ambitious now that he has a stake in Dog. Luke would like to focus on building the asset management business through a superior service offering. He would like to become the dominant force in Asset Management in the public sector. Luke would like to sell the business within five years for a large profit but maintain some equity shareholding.

Measures of business success

Dereck comments that success is when one achieves ones goals. Dereck comments that success comes from being able to reflect on experiences and lessons. Luke thinks growth of people whilst maintaining a low staff turnover and growing the client base are important for business success. Luke also thinks that being known in the market as the market leader or being intimidating in the market are the true indicators of success.

Dereck measures financial success mainly through profits. He also evaluates what stage the business is in to understand its growth potential. Dereck comments that one cannot ignore turnover and profit margins, because these indicate the business' potential. Luke insists that turnover is the largest factor for growth.

Business growth vs. other measures

Dereck comments that a business has to grow itself and would sacrifice profits for growth. Luke states that growth is the most important factor and that he would sacrifice all other measures to achieve it. This is on condition that he monitors other indicators to ensure that they do not have a negative impact.

Personal control

Dereck does not like reporting to anyone and says that he manages his staff closely. Luke enjoys participating in most areas of the business to be able to understand all of its aspects. Luke comments that he does not believe in controlling behaviour, but focuses on influencing behaviour.

Desire to be ones own boss (F1)

Delegation

Dereck participates more in the running of the business because he prefers not to manage at a high level. He says that this is his way of being able to steer the business in the direction he would like it to go. He adds that the bigger the company gets, the more one should delegate. He would then rely on information to manage, rather than being directly involved in the business. Dereck comments that he feels that the key to being able to delegate is purely on being able to trust people. Luke enjoys delegating because it allows him to focus on other areas of responsibility. Luke also comments that delegating is easy if the person is trustworthy.

Active Risk Taker (F3)

Size of the business for security

Dereck says that he would feel secure if he was able to earn income that would cover his basic living expenses. He would then retain his monthly savings requirement and spend money on some luxury items. At this stage, Dereck says that he is not secure and would feel secure if Dog's profits were 100% more. Luke would feel secure if Dog has enough cash flow to cover its overheads for 12 months. Luke says that he feels rather secure at this stage, but explains that it is largely due to Dereck's vision for potential.

Family 'Investing' friends (F9)

Family problems

Dereck feels that a healthy family life is critical to success. He says that if you are happy at home, you are happy at work. Dereck says, "A family will cause you to be successful because they allow you to be fulfilled in other ways that work cannot". Dereck does not have family problems, but rather a supportive family, and adds that it takes hard work to maintain. Luke has had to set aside some of his family and friends to spend time at work. Luke comments, "I would always prioritise work over my friends because my family would support me no matter what".

Competitive Dynamics (F16)

Scale of business

Dereck had to give up some of his equity to be able to grow the business. He employed Black Economic Empowerment (BEE) partners and formed joint ventures to win more contracts to grow the business.

Competitive dynamics on decisions

Dereck says that Dog has no real competitors in the RFID product. He acknowledges that the asset management market has many more competitors and admits that he is influenced by competitor tactics. Dereck says, "We compete on price and service equally because the market is so competitive". "Dog differentiates itself with its service and after sales service so we do not squabble over price because we are confident about the strong level of service Dog offers". He says that he would sooner add more service offerings than drop his price. Luke does not worry about competitors because he feels that they are far more superior in service. Luke warrants, “If competitors attack us, we would increase the investment in marketing”.

<u>Reduction in margins</u>

Government business in the Asset Management market yields the highest margins in general. Dereck comments, “We have brought the BEE partners in to assist us with achieving new business. Without them, we would not be able to win any Government contracts.” “The market is extremely difficult to break in to and so I have compromised on the higher margins to win contracts and gain new key customers,” Dereck admits. “When that happens, I try to find ways to cut costs somewhere to increase the margins.” Luke says that Dog would reduce their margins if they would receive commitment from a Government client for longer term contracts. Luke says that they would also reduce margins if the contract is won through recommendations from contacts. Dog’s pricing actually includes a discount for the client which is invested in educating the underprivileged.

<u>Suppliers change volumes</u>

Dereck comments that he is not dependent on any suppliers that would largely cause alter the business. “The South African labour market is the one we watch mostly, because Dog uses a lot of casual labour”. “We do this to keep the fixed costs down per contract, and flexible staffing helps us cover overheads.” Dereck also monitors legislation, economic and market trends such as labour, interest rates, currencies and quality of technical components to predict the future effects on the business and to minimise its impacts.

5.4.3 Diagnosing Expertise in Managing Growth (G2)

Transferable Support Skills (F7)

<u>Management skills from previous jobs</u>

Dereck did not go to university so started working in his teens. “I started in Sales with a pharmaceutical company, and shortly after, became Sales manager. My boss was never very closely involved so I did not have a direct manager. Not long after, I moved into Operations where I assisted in managing the entire organisation.” Dereck became frustrated that he was not being recognised for being partially responsible for the success of the business that he decided to start his own business. Dereck made a success of a small contact lens retail business, and then became involved in hydroponics and printing businesses. Dereck stayed in the printing business for over

10 years and sold it for a large profit. Luke was highly skilled at MS Office and was very competent on computers, which he was able to transfer to other Dog staff. Luke also had previous experience in developing marketing material and sales proposals.

Experience in managing staff

Dereck managed a few staff as Sales manager of a previous job and in his printing business. Luke had no staff management experience.

Experience in support systems

Dereck developed basic bookkeeping skills and other support skills through his small businesses. Dereck added that he also knew the basics about Administration and Stock Control, but that these functions were mainly performed by his staff. When Dereck started Dog, he had no assistance from staff and was responsible for all of the support functions. Luke had no Invoicing, Marketing, Client Management, Research, Network Support or Bookkeeping experience and still performs these currently.

Key Employees, partners (F10)

Dereck says that he relies heavily on Dog's BEE partners to gain Sales in the Government sector. Luke says that the BEE deal has increased the number of new business contacts in Government. Luke is also strong in preparing proposals and does the bulk of the Operations Management for the business. Luke is also responsible for all the support functions for the business e.g. invoicing. Luke feels that all the administration is taking valuable time away from him being able to drive the growth and management of the business. Luke adds that Dog could use someone to do all the Bookkeeping, Customer Management and proposals.

Luke studied Business Management at University and brought in general accounting and administration skills. Luke and Dereck were aligned in their thinking from the start, which Dereck comments, was the main reason he offered Luke a position at Dog. Luke was also very good at understanding conceptual ideas and was good at converting these ideas into valuable customer offerings.

Part founder of the business, Stan, had a good understanding of the technology of RFID and transferred the knowledge to Dereck and Luke.

Family investing friends (F9)

Family help

Dereck says, “I would never have involved my family in the business because it does not work well and adds unnecessary complications to the business”. “The upside to involving family is the amount of trust that other employees cannot offer”.

Luke would like to avoid employing family into Dog because of the potential conflict. Luke adds, “I would employ my brother for his supply chain experience, but would prefer to separate work from family and friends”.

Professional Advisors (F11)

Professional advisors

Wells attorneys have advised Dog of all the legal requirements. Dereck is determined to understand the RFID technology of the business through meeting with suppliers, networking, general reading and research. Dereck says that he obtained a lot of the knowledge through trial and error. Dereck says he plans to bring on a full time bookkeeper and HR consultant to manage these aspects of the business. Dog uses a consultant to inform them about RFID. Dog auditors have been used for financial management advice. Dog used some marketing advisors in the past to provide input into marketing material and possible marketing channels. Luke feels that they have made limited use of advisors.

Steps to obtain advice

Dereck offered his attorneys a share in the business within two years of starting because Dog was involved with many legal contracts and did not have the expertise. Dereck approaches the auditors as financial advisors and shares general business issues with them. Luke says that he would be able to call on various consultants if needed.

Transferable network of contacts (F8)

Dereck has a large network of friends whom he grew up with and many of whom run their own businesses. He mainly discusses general business and Sales opportunities with them. Sometimes he speaks about business problems with them to obtain advice. Dereck and Luke has little or no access to contacts who are experienced in Dog’s business.

6. Analysis of Findings

This section provides an analysis of the findings from the previous chapter. The approach of section 76.16.1 and 76.26.2 follows an analysis of Perren's (1999a & 1999b) two internal drivers for small business growth: owner's growth motivation and expertise in managing growth. The literature review refers to Perren's (1999a & 1999b) model that was used to understand the growth problems for each of the cases studied. In order to understand these growth drivers and the interrelated factors, please refer to Figure 2.2 on page 26 for an A3 foldout of Perren's (1999a & 1999b) model. Section 6.1 and 6.2 analyses the growth factors within the growth drivers for the growth, attempted growth and no growth case.

Section 6.3 analyses the general factors influencing small businesses and compares them across the case studies. Section 76.46.4 follows an evaluation of the degree to which each case study employed the internal management strategies, using the format that was set out in the literature review (section 2.11). Appendix F shows a frequency table that evaluates all the strategies and scores each case study on a 10 point scale for its use of each strategy. New strategies that were uncovered are examined in section 6.5.

6.1 Diagnosing Owners Growth Motivation (G1)

Owner's growth motivation (G1) is potentially influenced by five factors: desire to succeed (F2), desire to be ones own boss (F1), active risk taker (F3), family 'investing' friends (F9) and competitive dynamics (F16).

The desire to succeed (F2) is the most prominent between all the cases. In the Star case the owner-managers strong desire to succeed seems to have had a positive influence on the growth of the company. The owner-managers from Question Mark displayed a strong desire to succeed in the initial stages of the company, which contributed to growth of the company. However, towards the latter half of the company's existence, the desire seems to have decreased due to other influencing factors which negatively impacted its growth (G1). Question Mark owner-manager seemed modest in the desire to succeed and appears to have constrained the growth of the company. One owner-manager felt that the partners were affecting his desire to succeed because they were not as passionate as he was.

The Star case revealed the owner-managers strong desire to succeed (F2). Star owner-managers showed that this desire had a positive impact on growing the business (G1). Star owner-managers were committed to satisfying clients by striving to provide any services from marketing, communications, PR advertising to writing in order to succeed.

A positive influence on the desire to succeed has to translate into a positive impact on the growth of the small business (G1). There are some instances where the owner-manager had a strong desire to succeed (F2) that did not yield a positive impact on the growth of the business (G1). The Dog case, for example, changed its RFID technology focus to asset management, but was determined to make RFID work when the market demand arrived.

In the Question Mark case, the combination of the desire to be ones own boss (F1) and active risk taker (F3) had a positive of influence on owner's growth motivation. This showed positive growth during the initial stages of Question mark. Owner-managers appeared to have been motivated by owning their own business.

The positive effect of family 'investing' friends (F9) offered assistance in contributing to a higher growth in the Star case. The owner-manager explained that family and friends were very supportive of business endeavours which appeared to have contributed to the achievement of growth of the company. The negative impact of the family 'investing' friends (F9) was apparent in the Question Mark case where the growth of the business was stunted because of the lack of family support. The lack of family support in Question Mark was very strong because owner-managers family had no respect for some of the partners.

Competitive dynamics (F16) was the least influencing factor amongst all the cases because it was not raised as a main point in the case discussions. Nevertheless, it seems valid for achieving the owner's growth motivation (G1). The Dog case indicated that this factor was not a positive factor and that it did not support business growth. The owner-manager explained how the market for Government contracts for the asset tracking product was very difficult to enter. Dog had to employ BEE partners in to assist with achieving new business. The extra effort required to compete in the market place for business could have negatively influenced Dog's growth.

6.2 Diagnosing Expertise in Managing Growth (G2)

Expertise in managing growth (G2) is potentially influenced by five factors: transferable support skills (F7), key employees, partners (F10), family investing friends (F9), professional advisors (F11) and transferable network of contacts (F8).

The effective use of the transferable support skills (F7) could have helped achieve growth. Star's owner-managers all had the required expertise to manage all areas of the business that were focused on achieving growth. Joe had previous experience at an advertising agency as a creative writer. Nancy worked in marketing for other marketing companies before she founded Star. Ann had previous marketing experience at a large company.

Dog had no transferable support skills (F7) required for the business such as operational or technical expertise to match business products. The owner-managers not having transferable support skills could have contributed to less expertise in managing growth of the business.

There are major differences between key employees, partners (F10) across the cases. The Star case revealed that most of the employees had been employed for a specific capability which appeared to have had a positive influence on the growth of the company. Star employed specialists to focus on the creative business and employed a PR manager to add additional expertise that the company did not have.

Question Mark had mixed amounts of experience amongst employees and partners. The employees responsible for the support functions such as IT and client service all had previous experience in the function. Question Mark partnered with a research marketing company to obtain expertise in analysing information and providing high quality management information to clients. This seemed to have a positive influence on the growth of the company. There were some levels of inexperience that seemed to have dampened the growth more recently. This was revealed in the financial management because the costing model and the financials caused debtors collections and cash flow problems.

Dog revealed that no employees and partners had experience in the core functions or support functions. The BEE partners had not marketed or sold RFID technology or asset management before. Dog had no support from employees or partners in managing the growth of the business which seems to have been a negative influence.

Star appeared to have had the most family investing friends (F9) support than any of the other cases. The existence of the support seemed to have positively persuaded Star's ability to manage growth. Question mark, on the other hand, lacked family investing friends (F9). The Question Mark owner-managers had a range of emotional pressures from marriage trouble to sibling rivalry, which all contributed to lower drive and self esteem. The negative effects of the family investing friends (F9) could have diminished Question Mark's growth.

Dog used professional advisors (F11) the least of all the cases. It offered its attorneys a share in the business in exchange for legal advice, while its auditors acted as financial advisors. Dog felt that it could simply employ consultants to provide advice on any other matters when needed.

Star employed most of its professional advisors (F11) through friends and contacts than by random selection. The advice was far more qualified because of the trustworthy source. Advisors were also available to assist with more aspects than any of the cases. Question Mark used only financial and technical advisors to contribute financial management and technology advice. The advisors were not long serving partners and were therefore only used for ad hoc problem solving. On account of not having a trusted long standing relationship, there seemed to be no loyalty from the advisors to provide exceptional council to the small business.

The access to and use of trustworthy professional advisors seemed to have allowed Star to manage its growth better than all the cases.

All cases had some form of transferable network of contacts (F8). Star had the most transferable network of contacts than any of the cases which seems to have positively influenced expertise in managing growth. Star's contacts were strong because they were easily accessible and originated from the same industry. The strength of the relationship was evident when owner-managers were able to obtain contract competitors to obtain information which was helpful to the financial management of the company.

Question Mark relied on golfing contacts and personal contacts from small business forums for its network. Although these were transferable, they did not seem to contribute to the growth of the business. Dog revealed the least transferable network because the owner-managers had no experience in the industry and could not rely on any existing network.

6.3 General Factors influencing Small Businesses

The research found that some factors influencing small firms might be industry specific. Nevertheless, certain factors are listed in Table 6.1 below, which was adapted to the general features of Perren (1999a) to set out some of the differences in the case studies.

Table 6.1: General factors influencing small companies

General Factors	Growth Case: Marketing	Attempted Growth Case: Market Research	No Growth Case: Accounting and Finance
Customers	Other companies	Other companies	Other companies
Number of Customers	Depends on Service	Tends to be larger	Tends to be fewer
Selling Process	Depends on Service	Tends to be less formal / complex	Tends to be formal / complex
Credit offered to Customers	Credit terms	Credit terms	Credit terms
Value creating process	Provision of tangible functions	Provision of intangible functions	Provision of intangible functions
Stock Holding	Tends to be no stock	Tends to be no or very low stock	Tends to be no stock
Trading Cycle	Stock made by another company for another company	Stock made and adapted by another company for another company	Stock ordered from other company and adapted by case for another company
Location	Tends to be upmarket and visible area	Low rental and visibility not important	Tends to be average area in office park with some visibility

Source: Perren (1999a)

The table shows that there are some similarities across the three broad business categories: Marketing, Market Research and Accounting and Finance. They all offer credit terms which is probably brought about by the fact that the customers are all other companies. The major similarity is that all the cases are in the retail sector and offer end products to customers. They all also rely on other manufactures to make stock. For example, Star will have billboards made by other companies. Question Mark orders stock depending on the amount of units required with a slight variation in the design depending on the type of information required by customers. Dog orders the software from the United Kingdom per client. They then adapt and configure the software to suit each customer. Each case does not need to hold any stock if ordering is managed efficiently. Therefore all cases can follow a make to order stock system.

Many variations occurred across the cases such as the numbers of customers. Star has a wide spread and large number of customers depending on the type of services offered. For example, Public Relations can write an article for many organisations. Conversely, it can take over entire organisations' creative work which would reduce the number of customers it is able to serve. Therefore, Star's selling process depends on the type of service offered. Dog's products are complex because the accounting systems need to be configured and implemented differently for each organisation. This not only makes the service time longer, but also reduces the number of customers that it can focus on. Question Mark offers information services based on selling hardware. The hardware is generic and can be adapted to whatever the customer's information requirements are. The selling process takes long initially because it has to qualify the type of information required. Thereafter, the client receives monthly reports that are simple and can be offered to many customers. Dog offers its services to Government organisations, so the selling process tends to be more formal than the other cases.

The value that Star attributes to its customers can be measured. The nature of the offering is seen as a support for generating sales for organisations, so monitoring the marketing activities with the growth in sales is a sure measure for the effectiveness of Star's involvement. The value that Dog adds to its customers is not measurable because it relates more to precautionary or regulatory requirements. Accounting and tracking is also seen as a cost centre that supports the organisation to manage and control its operations. The value becomes measurable if the customer defaults on regulatory requirements. Most organisations do not seek value from Dog's offering but rather default avoidance. Question mark, on the other hand, can measure some of the value of its offering by the type of information that is extracted from customers. However, this does not translate into tangible results that can be measured but adds valuable insight to organisations. The use of the information is where the value lies and many organisations will not attribute this value to Question Mark but rather to management and organisational decisions.

Most of the services offered by Question Mark are based at the client. The entire selling process takes place at the customer because the offering has to be qualified, activated and monitored using customers facilities. As a result, Question Mark does not need an impressive or expensive location. Star requires a rather upmarket location because most of the marketing industry relies on image and reputation. It often has client presentations and visits. Star owns its own building which is very modern and highly visible. Dog has to portray some credibility because it is selling a product to remove regulatory risk. Furthermore, Governmental customers cannot afford to invest in a fly by night vendor. Dog resides in a classy office park with reputable neighbours in an affluent area.

6.4 Analysis of Strategies employed for each case

The literature review (section 2.11) revealed internal management strategies that have been used by owner-managers to achieve growth. The interviews extracted which of the management strategies were employed in each of the cases. The cases were evaluated using a 10 point scale for the use of the strategies. The evaluation for each of the cases is shown in Appendix F. The research results confirmed the expectation from the literature review that these strategies would be highly influential in achieving growth.

6.4.1 Owner-manager traits

Past industry experience
Past industry experience seems to have a positive influence on the ability to grow small businesses. Star had most of its past industry experience in its owner-managers. Star did not employ the strategy for its employees because it did not want the company to have a marketing industry culture. Later, Star employed key individuals that had previous experience from the marketing industry to head up some of the departments. Star tried not to employ people that had past industry experience. The PR manager, others are good examples of this. Recently, the owner-managers challenged this strategy because too much time was spent on training new employees on industry knowledge.

Question Mark owner-managers past business experience did not relate to the products or technologies that Question Mark offered. One owner-manager had related experience in small businesses technology for similar products. Dog owner-managers had no previous experience in any of the products or services the company offered. One owner-manager did not rate his partners with an adequate amount of business knowledge and ability to grow Question Mark successfully.

Therefore, the past industry experience strategy is not the most influential strategy used to grow small businesses.

Access to networks of contacts

The network of contacts strategy is one of the most influential strategies. It seems that an effective network of contacts that can assist with the core business activities contributes to higher business growth. The cases employed the strategy at very different levels revealing varied growth results.

Star had access to a wide range of contacts to satisfy most of the needs of the business. More importantly, Star was able to call on its network for new business. Star was able to obtain contacts for business advice which helped the company resolve its financial management issues. Contacts also allowed it to obtain advice about organisational design and development, which helped Star manage its growth over the years. It was also able to leverage its industry contacts to promote the company through PR, which earned them new accounts. Star knew who to call to obtain information, assistance and even new business.

Question Mark had a strong network for technology expertise only. This was mainly from an owner-manager's previous business relationships. There were other examples of contacts, but these were not able to contribute to business growth. Most of the contacts are through one owner-manager other company. For example, in 2001, Question Mark was one of the testing sites for Microsoft software globally.

Dog had no fundamental contacts or networks which assisted company growth, but partnered with its attorneys for legal advice. Dog viewed giving up equity to Black Economic Empowerment partners as part of its way in which to gain a network. It hoped to gain Government contacts and new business opportunities.

Therefore, employing a strategy of obtaining a strong network of contacts is one of the strongest influences on company growth.

Entrepreneurial Sacrifices

Perren (1999a & 1999b) did not consider the amount of entrepreneurial sacrifices that might cause small business growth problems. Perhaps, this is because entrepreneurial sacrifices seem to be a small factor in achieving small business growth. Star sacrificed little and achieved company growth. Some sacrifices were described as the amount of personal capital invested in the business. The Star owner-managers enjoyed working long hours to focus on a large number of different areas. All owner-managers sacrificed some personal time in order to grow the business.

Question Mark owner-managers reduced personal salaries in the first year to start the business. Some owner-managers sacrificed more financially as a proportion of total wealth compared to other owner-managers. The owner-managers took finance on their personal properties to obtain capital to fund the business. Owner-managers worked longer hours to grow the business. All owner-managers sacrificed personal family relationships to grow the business.

Dog prioritised company growth before family and friends. Some sacrificed recreational time and have invested personal assets in Dog's growth.

Although the amount of sacrifices seemed larger for both Question Mark and Dog, both cases failed to grow. Therefore, focusing largely on entrepreneurial sacrifices strategy may not necessarily contribute to small business growth.

6.4.2 Business Orientation

Commitment to growth

The type of activities performed by a company demonstrated its commitment to achieving growth. Furthermore, the personal commitment to growth from each owner-manager was also indicative of the extent of company growth experienced. These two factors combined seem to contribute to small business growth. Star transformed its business by extending its service lines, such as Media and PR, and employed specialists that could deliver and grow them. In the third year, Star moved into a building that was too large, because it wanted to grow into the space. Star also offered equity to individuals with the matching desire to grow the company. It cancelled all outsourced work to build the skills in-house. Star focused on growing organically by employing people with the required skills to drive new offerings. Star surrendered equity so that Black Economic Empowerment partners could drive new business opportunities to grow the company.

The owner-managers of Question Mark became involved in business to add certain expertise to the company. It employed individuals that could contribute to the areas of knowledge that no owner-manager had. This was slightly different from Star, because Star employed individuals that could perform better than some owner-managers and would be able to focus on that area to free up the time of the owner-managers to focus elsewhere. Questions Mark owner-managers were personally committed by working excessive hours and sacrificed personal relationships to grow the business. Certain owner-managers did not match the same levels of sacrifice because they were able to maintain quality time with friends and family.

The owner-managers from Dog were personally committed to growing the business and remained motivated to do so. It was always prepared to work long hours and sacrificed quality time with family and friends. The company showed elements of business actions to achieve growth. It invested largely in researching RFID technology to break into the market. Dog invested less so in the asset management service line and seemed satisfied to compete with other vendors without differentiating themselves. It also did not aggressively pursue business growth through focusing on ways to grow the asset management business. There was some commitment from Dog to bring on Black Economic Empowerment partners to drive new business growth, but this had not materialised.
Therefore, it seems that even when there is large personal commitment from the owner-managers of the small business, there should still be business activities that are geared to achieving company growth to support the personal commitment.

Focus on corporate strategy and mission
All cases displayed little focus on corporate strategy and mission and rather focused on operational and tactical strategies. Perren (1999a & 1999b) did not consider the problems that arise from not employing this strategy. Both Star and Question Mark focused the same amount on this strategy and achieved different growth results. There seems to be low influence of the strategy on company growth.

Most Star board meetings covered mainly operational issues. Occasionally strategic issues were discussed. Star confessed to having no vision or mission statements, but stated that the choice of activities discussed and decisions made implied a certain vision and mission.

Star did not think that it spent enough time on its strategy because it discussed mainly operational issues in board meetings. It felt that the monthly meetings should be used as strategic sessions rather. It also revealed that there was nothing covered such as mission statements and vision in meetings. It recognised that with its growth in employees, there was a risk that the company strategy would no longer be understood if not communicated.

Question Mark spent very little time focusing on high level strategy. Monthly board meetings were used to discuss operational issues. These meetings highlight financial results amongst owner-managers. Some of the time was spent discussing issues such as the right type of international agents and new product development.

Question Mark did not spend time on its strategy because it felt that the market was changing so rapidly that the strategy would render useless. Question Mark felt that a strategy to grow its South African business was sufficient. Further, it felt that its most recent strategy in June 2003 was also adequate which was to focus sales on the South African market and to create an international distribution network. Ironically, another owner-manager felt that it did not spend enough time setting strategy during board meetings. He felt that the fact that the market was changing so rapidly warranted a danger of the product is evolving beyond the businesses ability to satisfy demand.

Dog referred to the theory behind mission and vision statements but did not dedicate any time to strategy. Dog focused more on the operational aspects than company strategy. It seemed preoccupied with daily stresses and operational issues. The owner-managers felt that the vision did not need to be translated from their heads. It was felt that the non-communicated vision was driven through daily plans and objectives.

Therefore, even though Star had grown more than the other cases, it placed little emphasis on company mission and vision. It seems that the focus on company strategy and mission is less of an influence on small business growth than some of the other strategies.

Strategic alliances/ Joint ventures

It does not seem that strategic alliance and joint ventures strategies contributed to small business growth alone. This is evident in the scores of both Star and Dog which seem to employ this strategy equally and have achieved different company growth. Similarly, Dog used this strategy more than Question Mark. Star outsourced its work to some strategic partners and occasionally partnered with companies as a consequence of winning work. Most of the time, the partnerships were not planned and were undertaken to share different areas of work for a client. Dog partnered with a UK Asset Management software business to offer its software in South Africa. Dog formed a joint venture with a technology company in 2005 to gain larger contracts and clients to dominate the asset management market. Dog supplied to the asset management software while the technology company provided the contacts for new business.

Question Mark partnered with individuals for distribution and sales only. It had contracts with overseas residents that wanted to sell products and services in United Kingdom and Australia.

The use of strategic alliances/ joint ventures strategies for Dog and Question Mark did not seem to contribute strongly to business growth. Star used this strategy even less than the other cases and experienced growth. Therefore, using this strategy alone may not contribute to business growth.

Adding unique value

The strategy to offer unique value seemed to contribute to growth of the business. The amount of unique value added across the cases was different. Star offered products and services that customers thought were different to competitors. Question Mark and Dog were unable to make an impact on the degree to which they differentiated themselves in the market place.

Star's creative work was spread across different clients in the marketplace. It also offered a 360 degree product, which was to offer all marketing services to clients. Star departments shared the clients work and information across all of the business offerings. The creative department used guerrilla tactics, which was to spend clients' money that provided them with the most exposure in the market. PR offered a wide range of options and Design offered an increased creative quality. Question Mark offered real time data for management to react to its operations quicker. The information was not differentiated across clients and was not able to satisfy specific information requirements. Customers perceived Question Mark to be similar to a market research company. The basic RFID technology was generic, but Dog tried to find creative ways to supply the technology in a different product to offer differentiated services. There were also many asset management vendors in the South African market so the product was very general.

Customer orientation

The extent to which cases focused on customer needs seems to have influenced the extent of business growth. Star Creative focused on understanding customer requirements to win business and did that rather successfully. It customised the creative designs for every customer. Star Client Service was totally committed to satisfying customers and focused less on generating the outputs that were expected for the customer. Question Mark services were not altered to satisfy customer needs. The type of service that was generated was standard. Customers bought Question Mark services if the standard information happened to fit the customer requirements. Question Mark realised that customising services to suit the customer was important to obtaining new business. Although Dog was unable to change the basic RFID technology, it tried to customise the product to suit customer needs. The asset management software was supplemented with additional customer services to support customer requirements where possible.

6.4.3 Financial Function

Financial planning and management

Adopting this strategy seems to have a small positive effect on the growth of the company.

Star had no control over the finances of the business and was insecure about its cash flow and future survival in the first three years. One owner-manager took over the financial management function but had no formal experience or qualifications. The function was outsourced later. Star outsourced the monthly financial management and was able to plan the financial aspects better. Some improvements were achieved with it changed its pricing model to become a retainer-based business which allowed monthly expenses to be covered easier.

Question Mark owner-managers were responsible for day to day financial management for most of the time. It then outsourced the financial management of the company to auditors. The owner-managers said that they were committed to the daily financial management through the auditors and relied on them for advice. In the earlier stages of the business, account management was poor because account managers were able to bill the clients directly which resulted in debtors not being monitored for incoming payments. As a result of the lack of financial management, Question Mark wrote off large bad debt. One owner-manager enforced the business to have weekly financial planning meetings to keep control over the financial management. An owner-manager did not agree that the financial function was outsourced, purely because he felt that the business gave away its ability to manage the lifeblood of the business.

Dog had limited financial management or planning expertise. It outsourced the entire financial management and planning function to its auditors to perform. Dog did not monitor or plan any of the financial aspects of the business and left the control entirely up to the auditors. Dog commented that it had no understanding how well the company was performing or whether customers worth pursuing or not. Dog wanted to employ a full time bookkeeper to manage the daily financial aspects, which it hoped would bring financial management and planning skills.

Access to External Capital

Although Perren (1999a & 1999b) did not consider the problems that arise from not having access to external capital, the strategy can be a positive influence on business growth. Fielden, *et al* (2000) observes that a lack of external capital restricts development and growth by reducing funds available for activities such as advertising, publicity and other strategic investment.

Star could obtain finance easily through either its owner-managers or through the bank. It chose to keep a small overdraft facility because finance was easily available. When it required financial investment, the owner-managers extended personal funding into the business, which it is not under pressure to repay.

Question Mark had slightly more difficulty obtaining external capital for the business because it had to be drawn from the owner-managers personal residential properties. Dog also experienced limited access to capital because it used the founder’s personal finances to fund the business and did not have further access to capital.

The cases all experienced periods where additional funding was required to fund business growth. All indicated that external capital is critical to being able to grow the business. Therefore, having a strong focus on the access to external capital strategy has a positive influence on small business growth.

6.4.4 Marketing and Operational Function

Product specialisation and innovation

Star was able to offer a wide range of services to a large number of industries but was unable to specialise or innovate extensively. Star had some unique products such as wrapping its building in a billboard for City Press, which was an industry first. Storey (1994) states that a key constraint on growth is related various internal factors such as commitment to bringing in external skills to add value. Star was able to offer product specialisation by employing experts with industry experience to drive the successful delivery for customers.

Question Mark adapted its use of metrics and statistical analysis over time. Question Mark investigated different media to enhance customer feedback. Having outsourced the manufacturing of the technology devices, Question Mark was able to design devices using the supplier that could satisfy the requirement. Innovation, however, was not a main strategy because the company had a view that changing the device to match the ever changing technology would be expensive and make measurement confusing to analyse.

Product innovation was attempted by Dog using RFID technology. The investment required to become innovative or specialised outweighed the price that the customer was prepared to invest. The asset management product held limited capability to innovate such as varied reports, functionality and support services.

Vinnell & Hamilton (1999) show that product innovation is one of the driving forces to achieving business growth. The research found that none of the cases focused on the strategy. Star had a minimal focus of the strategy and still achieved growth. Therefore, focusing on the strategy appears to have little or no influence on the growth of the small business.

Productivity

Attending to productivity strategies seems to contribute a small amount to higher business growth. Star managed to keep staff productivity constant by balancing its number of employees with the size of turnover. Departments were starting to be measured for individual returns and productivity.

Question Mark had not focused on productivity and had to retrench a large amount of employees in order to become more productive. This was also brought on by the fact that it had no control over the financial management of the business which could have indicated the low productivity earlier. Productivity became a large focus from the company through its choice of manufacturers and size of its workforce. It shed non-core activities by outsourcing the financial function to keep unit costs lower. Each department was measured and managed separately in order to obtain productivity for the entire company.

The use of casual labour provided Dog with lower fixed costs and more flexibility to control productivity. The managers spent a large amount of time on administrative tasks, which limited the effort that could be made on managing company growth and strategy.

Method of Sales and Distribution

The method of sales and distribution strategies reflected positively for company growth. Word of Mouth was a big factor in Star's industry and they used it well. Public Relations was very powerful to Star's pursuit of favourable reputation and advertising. It leveraged its existing department to publish personal stories about its growth and success to build credibility in the marketplace. It also published opinions on industry related topics and used owner-managers to comment as experts on various topics. Star wrapped its building with a client billboard in exchange for coverage in its newspaper. Tenders were also a primary method for sales.

Question Mark did not advertise. It focused mainly on contacts to obtain sales leads. International sales were mainly done using agents. Contacts for the international agents approached Question Mark because they had seen its name on the hardware that was supplied to customers.

In the early stages of business growth, Dog focused on strategic alliances and joint ventures to obtain sales. More recently, new business was won through tenders. Dog found word of mouth advertising through success at customers to be the most effective. Employing public relations methods by speaking and advertising at Municipal conferences and seminars resulted in some qualified sales leads.

Star seemed to employ a larger range of sales and distribution methods than the other cases. It also employed the strategy more than Question Mark or Dog. Dog realised the effectiveness that the strategy had on business growth very recently and only began to employ the strategy for growth. Therefore, combining a range of sales and distribution methods and being committed to the strategy is the best use of this strategy to obtain small business growth.

6.4.5 Human Resources Function

Manner in which to manage employees

Ray (1993) notes that successful businesses are based on the balance between the positive and negative attitudes of owner-managers that manage the business. Managing the employees effectively seems to have a positive impact on business growth.

Star owner-managers asked the department heads of Media, Public Relations and Creative to join the executive committee. The heads felt more included and motivated as a result. Star department heads worked very closely with their teams and shared a close bond. The manner in which it managed was fairly informal and supportive. Employees often spent late nights working together and supported each other to finish work together so that they could leave together. Owner-managers encouraged a work life balance for employees and did not encourage working late nights. Star sponsored everyone lunch and after work drinks each week. Star wanted to build a company culture where financial incentives were not required to motivate employees. Star recognised that financial remuneration was important to motivate employees, but did not want the employees to be focused on them. Star stopped using performance appraisals for every employee when one of the managers left. More recently, it used an end of year bonus system, which remunerated staff proportionately to the annual performance of the company.

The Star owner-manager management styles have changed over time. In the early years, it was led by Nancy who was amiable. This personality style is conflict averse and could have limited the amount of conflict in the company as a result. The owner-manager styles ranged from assertive to amiable. One owner-manager felt that he needed to shake up the business and pull people out of comfort zones. This being a new management style for employees to deal with caused some people to leave the company.

Question Mark identified key performance areas and linked them to employee job descriptions to manage performance. This was led mainly by one owner-manager. He seemed to hold the responsibility to conduct these for the rest of the company. Question Mark planned feedback through regular meetings and annual review sessions. However, the review sessions were only performed by one owner-manager in one department. The other owner-manager did not seem committed to providing regular feedback or coaching to the employees under his management. The owner-managers had very different management approaches to work and people. One adopted a very participative and supportive approach which employees seemed to perform well under. The other owner-manager had a dictatorial management approach which seemed to intimidate employees and encourage them to become more task orientated.

Dog had no formal employee practices, job descriptions or policies and procedures. The employees were influenced mainly through the personalities of the owner-managers, which seemed to be similar. The owner-managers both adopted supportive and informal management approaches. The BEE partners were focused mainly on achieving sales for the company. They were remunerated with commission new sale and were therefore not involved in the day to day operations of the company.

The management of employees and fellow owner-managers seemed to have a positive influence on the growth of the business. Star adopted this strategy well and focused a lot of its efforts on it. It was conscious that it played a large part in employee motivation and agreed that it would drive positive company performance. Therefore, focusing on managing employees should be a central strategy to achieving small business growth.

Management specialisation

Management specialisation strategies seemed to have a strong influence on business growth. Poutziouris, *et al* (1998) found that the lack of managerial specialisation was causing many of the growth problems in small businesses.

Star employed specialist managers to run its departments. The managers were not necessarily experienced, but they were specialised on the departments offering. Media, PR, Creative all had specialists to focus on that particular discipline. The owner-managers led some of the divisions at Star while running the company. Media, PR and Creative managers were allocated accountability for the results of the departments.

Owner-managers at Question Mark were not focused on their strengths. One owner-manager had an engineering degree and admitted to being an analytical was accountable for Sales. Another owner-manager was qualified in business commerce and had previous small business management experience but was accountable for the product design, which was a highly technical skill.

Dog had owner-managers focused on performing the same tasks, which often overlapped. Most employees were employed as generalists. The sales were allocated to sales specialists. They were, however, not skilled at selling the type of products offered by Dog. One owner-managers had commerce qualifications and software development skills and was focused on operations. Another owner-manager had sales experience and was focused on operations, product development and sales.

Therefore, the lack of management specialisation amongst both Question Mark and Dog constrained the business growth. This seemed to be largely due to the lack of management expertise and focus on the responsibilities. In order to optimise this strategy for company growth, businesses could use management development and previous experience strategies to further leverage small business growth.

Management development

Complementary to management specialisation, management development is a strategy that small businesses can employ for growth. Having no management development strategy seemed not to influence the growth of Star case. Star had no formal management programme and development was on a needs basis. Managers were sent to conferences or courses occasionally and Star offered to pay for related university qualifications and courses.

Management development at Question Mark was generally through on the job training. There was no budget to send management on specific training. Owner-managers encouraged staff to be abreast of latest business topics and trends in their own time. Owner-managers researched their areas in their own time to gain additional insight. Question Mark also contributed to university tuition in areas that complimented the business. There were no plans for management development at Dog and development was gained through on the job training only.

All of the cases did not adopt this strategy. Star's lack of use of this strategy did not seem to hinder growth. It is therefore unclear whether this strategy hindered the growth of Question Mark or Dog. The effect of using this strategy is therefore unclear and perhaps combining this strategy with others contributes more positively to growth.

6.5 New Strategies uncovered

The literature review (section 2.11) revealed internal management strategies that were used by owner-managers to achieve growth. The questions provided in the case studies were used to extract how the owner-managers applied these management strategies. The cases revealed some new strategies that were not found in the literature review and are recorded below. The cases were each evaluated using a 10 point scale for the effective use of the strategies and whether they accounted for growth. The table that was used to evaluate each of the cases is shown in Appendix F.

6.5.1 Organisational design

Perren (1999a & 1999b) focused on growth problems that are within the control of the owner-manager. Perren (1999a & 1999b) did not study the problems that stem from the owner-manager not employing a strategy to plan and structure the organisation. Smallbone, Leigh & North (1995) indicate that to grow successfully over ten years, firms need to develop their internal organisational structure in ways that enabled the owner-managers to allocate responsibility for operational tasks to become more focused on strategic level functions. The organisational design strategy is described as the efforts to plan and structure the organisation and the way in which the organisation interacts.

Neither Dog nor Question Mark had a strategy for organisational design. The way in which the organisation planed its divisions and the way in which it interacted were evident only in the Star case. Star focused particularly on the organisational design to enable the growth of the company, which proved beneficial. Star designed the organisation into departments for the type of services that it offered: Media, Events and Creative. It then allocated a head to each department to ensure the performance of each. The uniqueness of this structure was that each head of department was given the opportunity to manage the department as if it was their own business. Media, Events and Creative were headed up by different individuals and each was given equity. The Public Relations department was set up as a separate company from Star but formed part of the Star holding company.

The individuals become motivated to earn variable remuneration based on them preserving and growing their own equity from good performance and growth. The most prominent factor observing the organisational design strategy of Star was that the organisational design provided focus for delivering the business offerings. Each department was solely involved in its own discipline and ran like a focused entity within a larger company. The owner-managers were able to focus on driving the company vision and were able to fulfil their own responsibilities while holding the department heads responsible for department performance. Star employed this strategy well and was able to realise business growth as a result.

One of the possible disadvantages to this strategy could have been that there would be no cross department communication which could have resulted in silo-driven departments. Star overcame this by encouraging teams from other departments to share information and leads, which it actively pursued. Departments even reviewed each others material and sat in on client pitches. This promoted cross-divisional communication and information sharing across the different disciplines. Often, departments gained new business from sharing the information and the company held various accounts with the same client for different types of work.

Question Mark designed the organisation more around its tasks than departments. Sales and Client Service was headed up by one of the owner-managers while Technical and General Management was overseen by another owner-manager. The owner-managers seemed determined to head up all the departments that contributed to the company offering. The main functions were therefore under the management of the owner-managers. The owner-managers monitored the day to day issues of these functions as well. The support functions of the company were allocated to employees with the required skills, but they were not given accountability. There were skilled employees that could take on some accountability, but it seemed that the owner-managers were not able to delegate. The owner-managers had to combine both the running of their departments with managing their respective owner-manager responsibilities. Therefore, there seemed to be little ability to focus on managing the performance of each of the departments responsible for the company offerings. By not allocating accountability to employees, it seemed to hamper the growth of the company. Employing an organisational design strategy would have allowed Question Mark to concentrate on organising the company offerings into logical structures that would both be allowed to focus on individual performance and contribute the overall company performance. Hill *et al* (2002) state that growth problems are never caused by any one factor, but rather a combination of problems. Question Mark should have adopted the organisational design strategy and combined it with others such as delegation and managerial focus. Poutziouris, *et al* (1998) comment that lack of managerial focus and management development are some of the most prominent factors that cause growth problems and small businesses must find strategies to overcome them.

Vinnell & Hamilton (1999) identify organisational design as one of the main forces that act on small businesses to create growth and stability. Dog had not applied the organisational design strategy. Dog was focusing mainly on achieving new business in order to grow. It was evident that it was more focused on applying strategies that would gain more new business such as access to external capital and strategic alliances. Although this may seem logical given its no growth state, small businesses have not grown from focusing on these strategies. Werner, McDermott & Rotz (2004) highlight that in order to grow and compete, a small business requires focus on company structure, culture and strategy. They add that earnings to support future growth are achieved by adopting strategies that manage business profitability and not those that focus on sales growth.

Dog had little structure in the organisation besides allocating of some sales activities to its BEE partners. Both owner-managers performed most of the same functions. It was clear that there was no effort on focusing owner-manager efforts on the core functions required to achieve growth. Therefore, adopting an organisational design strategy that allocates the core functions into logical structures which provides focus and concentration would benefit Dog's growth ambitions. The owner-managers would be able to take on more functions individually thus limiting the overlaps. This would certainly allow the company to perform more functions to achieve and manage its growth.

6.5.2 Intra-company relations

Perren (1999a & 1999b) did not consider the problems that are derived from intra-company relations. In fact, Perren (1999a & 1999b) only considered personal experiences on owner-managers and did not consider partnership problems. Employing a strategy to achieve good company intra-company relations can be a positive influence on business growth. Moreover, focusing on the intra-company relations amongst the partners showed even more influence on business growth.

Star encouraged employees and owner-managers to resolve issues immediately in fear of them maturing and causing internal conflict. It seemed as if this was already embedded in the company culture. All owner-managers complimented the business for its good approach to conflict resolution. People did not seem to hold grudges, which certainly contributes to better relations.

The leadership were also quite open minded and encouraged criticism. Ann brought boxing gloves into work the day after a heated debate between Joe to relieve the tension. It was evident in the observation of the company that the management team were very close and often openly affectionate. There was one particular instance when Ann arrived at the company having bought a new car and Nancy blew a vuvusela loudly as she stood outside the company doors to congratulate her.

Nancy, Ann and Joe commented that good company relations could be achieved through high levels of motivation. They were conscious about the motivating the employees in whatever way they could. Star owner-managers constantly launched initiatives to maintain the motivation levels of the company. Star always celebrated occasions with fun activities. It also celebrated them by placing photos of these occasions around the office. The radio was playing in the background and the volume was often turned up when a good song came on.

Gibb and Davies (1990) focuses on the impact that the owner-managers' personal characteristics and business management approaches had on growth. The owner-managers should have similar business management approaches in order to achieve substantial growth. Having dissimilar business management approaches can cause conflict and, over time, reduce motivation. Question Mark had much personal conflict that was unresolved. Each partner was in conflict in the company. Even the owner-managers stated that they had a bad partnership because the partners did not get on. The partners at Question Mark openly criticised each other in front of the researcher. Dan disagreed with Rob and Grants business and financial management of the company. Dan added that he thought that Grant's department was doing badly because of his personal life. Rob criticised Grant for not being dedicated to the business because he was unable to focus during his personal life crisis. Rob disagreed with Grant's management style of his team because he thought that Grant was too soft on the team. Rob added that he counteracts Grant's management style by being harder on the employees. Grant felt that Rob was not in touch with his feelings and that he was "horrible" to company employees. Grant has a particular issue with Rob because he felt that he had sacrificed more personal wealth and time to grow the business. Owner-managers were offended that the other partners were not contributing the same working hours. He translated this into having more passion for the business and therefore a greater desire for growth.

Smallbone, *et al* (1995) state that employees and owner-managers must be motivated for the business to perform. Question Mark had large amounts of conflict decaying the motivation of both the employees and the owner-managers which contributed to its declining growth. One owner-manager explained the difference in capital spending choices of the business which caused conflict and even threatened to break us the business. One owner-manager felt that the choice of partners was causing the conflict. It was evident that each owner-manager was operating independently of the other and often contradicted each other. There was almost resentment when the owner-managers spoke of each other.

The Dog staff compliment only comprised of Dereck and Luke, so there was little opportunity to motivate employees. Therefore, leveraging off a large number of motivated employees was not possible as a strategy to grow the company. Although not able to leverage off of this strategy, Dog showed good company relations and revealed that there was a conscious effort to achieve it. Dog made an effort to socialise together by having breakfast meetings.

The researcher observed all three cases for the same amount of time and over the same period. The Star case felt like an exciting and motivating place to work during the time of the research at the company. There was constant banter amongst the company and the employees were friendly and outgoing. The researcher felt the products of the good inter-company relations in the warm and pleasant atmosphere at the company.

Dog was welcoming and informal during the researching time. Both the interviewees were informal and supportive of the process. During the observation of the owner-managers, Dereck seemed protective over Luke, in a father-son way, which revealed a fondness between them. It was evident that Luke was also respectful of Dereck for his age and experience. Both Dereck and Luke were supportive of one another for each others contribution to the business. There was occasional banter between the owner-managers at Dog which demonstrated strong inter-company relations.

When researching Question Mark, the researcher could feel the conflict between the owner-managers and sensed that this had dampened the motivation of the owner-managers. The way in which the owner-managers described each other was neither supportive nor complementary. There was also no indication that the owner-managers were committed to resolving the conflict. The description of each other indicated that neither owner-manager took accountability for the poor intra-company relations and undertook to largely blame each other for their failings. When the researcher asked what the measures of a successful business were, one owner-manager that was responsible for the monitoring of debtor days criticised the owner-manager responsible for client margins saying,” I believe that a successful company is measured by the profitability of its individual clients”. The owner-manager responsible for monitoring client margins responded to the same question as, “Rob monitors operating margins per client. Personally I do not think this is an efficient measure. I prefer more effort being spent on monitoring debtor days.”

The Question Mark employees were not very engaging with the owner-managers and were mainly focused on work. There was also little camaraderie and banter between employees. There were areas of good inter-company relations within the client service department that showed positive signs. The conflict amongst the owner-managers, however, was certainly felt by the rest of the company because the low motivation levels were felt.

The number of employees also played a role in the effectiveness of the strategy. This is mainly because the good company relations were able to effect all the employees' motivation. Therefore, a larger number of motivated employees will yield larger efforts to achieve company growth.

There is no doubt that good company relations contribute to effective communication. This was evident when all owner-managers from Star were asked about what the goals of the business were. All of them commented that the company has to achieve its target of R100m in five years. The researcher saw how the owner-managers interacted and observed the constant communication between them, both informal and formal. The camaraderie encouraged the owner-managers to want to talk to one another and therefore facilitated much communication. In the Question Mark case, the company goals were not as clear because the owner-managers did not interact or communicate. The tension was obviously hampering lines of communication and the research observed variances on the goals described by the owner-managers. Furthermore, the poor relations between the owner-managers revealed that the individuals described the business as their own. Every owner-manager constantly referred to the business as “my business”, without acknowledging the other owner-managers. The vision and ambitions that each owner-manager had for the business was also different from the other owner-managers. It did not seem like the management was aligned to achieve the same things.

Therefore, having conflict and poor intra-company relations in small businesses does not contribute to the growth of the business. A high level of conflict also reduces the amount of motivation amongst employees and owner-managers of small businesses.

7. Conclusion

This section concludes the research report and is based on the discussion in the previous section and preceding chapters. Section 7.1 describes how the research answered the research questions that were posed. It would be useful to refer to the A3 foldout on page 26 while reading section 7.2. Please refer to section 2.11 on page 28 and Appendix F when reading section 7.3.

7.1 Answering the Research Questions

The problem statement: What are the owner-manager strategies available to achieve the growth needed to transition from the micro to the small business stage?

The problem was broken down into four research questions.

The first research question was to identify whether small businesses experience growth problems. Many problems were identified through a review of relevant literature. Qualitative research using interviews and observations confirmed the validity of these problems to small business growth.

The second research question was to identify whether there was a growth typology for dealing with small businesses growth problems and to establish the symptoms of each growth type. A topology was identified through a review of relevant literature and a model was selected. The symptoms were identified along with the identification of the model in the literature. Qualitative research using interviews and observations confirmed the validity of the model for dealing with small business growth problems and for understanding small business growth.

The third research question was to identify the management strategies that could be used for each growth type. The strategies did not exist in the literature. Through surveying owner-managers and small businesses, each strategy for growth was analysed according to a general list of strategies (see research question four) and determined. Qualitative research using interviews and observations confirmed the validity of the strategies for achieving small business growth and for counteracting the effects of small business growth problems.

The fourth research question was to identify general small business management strategies that have been used. The strategies were identified through a review of the relevant literature. Through surveying owner-managers and small businesses, each strategy was analysed according to its use by small business owner-managers. Qualitative research using interviews and observations confirmed the validity of the strategies. The qualitative research established the relative influence of the strategies identified to small business growth.

7.2 Understanding Influencing growth factors

The research investigates how the small business owner-managers negotiate the hurdles in the respective stage to achieve the desired growth and development. The research used Perren's (1999a & 1999b) model on growth to understand the growth factors in terms of small business growth. The model allowed the research to understand the internal growth problems experienced by small businesses and to uncover the interplay between the problems. This proved to be far more effective than simply listing the factors or concentrating on one specific area of growth.

Perren's (1999a & 1999b) research was used further to develop and perform the semi-structured interviews which allowed for the influencing factors to be investigated while uncovering other factors. The model proved a number of useful insights into the growth process of small businesses. Firstly, the success, and therefore competitiveness, of any business is dependent on a range of situational and contextual factors. Secondly, understanding what influences the organisational success may allow owner-managers to counter the effects of growth problems. The problems caused failure regardless of the owner-managers growth motivations. Lastly, growth can be categorised and the influencing factors to achieve this growth can be measured, therefore owner-managers will be able to manage the organisation better and ensure success.

The cases confirmed that each case has its own set of factors that influence the growth of the business. However, the independent factors that influenced an interim growth driver showed a distinct combination of elements common to each. The cases reveal that there appears to be a pattern for growth beyond micro-business stage. They showed that growth beyond micro-business stage can be achieved when there is a positive influence on the factors of the two growth drivers of the business.

The growth case revealed that there were mainly positive influencing factors both owner's growth motivation (G1) and expertise in managing growth (G2) drivers. The attempted growth case experienced difficulties with owner's growth motivation (G1) and a mixture of positive and negative influencing factors on the expertise in managing growth (G2) driver. The no growth case experienced mainly negative influencing factors on the owner's growth motivation (G1) and negative influencing factors on the expertise in managing growth (G2). As in the attempted growth and no growth cases, growth was not achieved when there were mainly negatively influencing factors on the business. Where there were negative influences, these could be counterbalanced using or adjusting growth strategies to neutralise the negatives effects on the growth of the business.

The cases showed that there are some factors that a small business cannot ignore if it wants to grow. Having transferable support skills (F7) is fundamental to negating small business growth problems. Dog and Question Mark entered into a business with little or no skills and experienced troublesome growth. Star had a string of skills in the industry, managing staff, marketing and others, thus experiencing positive growth year on year. Furthermore, the skills were not limited to one owner-manager, but are prominent in all the owner-managers. Therefore, having transferable support skills is critical for small business growth.

A second crucial factor to small business growth proves to be a transferable access to a network of contacts (F8). The research uncovered that the most powerful use of the transferable network should be new business opportunities. To a lesser extent, the network could be used to solve some problems that may arise such as people issues or business advice. Dog missed the importance completely when it referred to having contacts it could call on if it needed. Dog referred to using friends from childhood if needed, but seemed unsure about what it would use them for. Question Mark was unable to transfer previous relationships from other businesses as contacts for new business. Question Mark tried to brainstorm for ways in which to build its network of contacts between its owner-managers and employees but failed to materialise useful networks. The types of networks that were referred to (e.g. consortiums and golfing contacts) were trivial compared to the Star case. The Star case is able to use contacts from other businesses and other networks for a number of aspects. The most telling aspect is its extensive access to networks that contribute to gaining new business. Star constantly reinforced the importance of having networks which proved to be one of the major contributions to small business growth.

Therefore, making new contacts that can aid the business, mainly in obtaining new business, proved to be extremely valuable for small business growth. The research also revealed its difficulty in having them. It is also therefore a risk to achieving small business growth if a small business does not have access to a valuable network of contacts.

Therefore growth is not a chance event, but can be associated with specific attributes and behaviours. Understanding the growth of small businesses will allow owners and managers to plan for the next stage of growth and its challenges, therefore ensuring a smoother operation and possible organisational success.

7.3 Understanding growth strategies

The research chose Perren's (1999b) model to understand small business growth problems. Perren (1999a & 1999b) failed to answer the question of what management strategies could be used for each growth type. Perren (1999a & 1999b) believes that the owner-manager can develop a distinctive set of managerial techniques, styles and approaches that are appropriate for each growth type. The literature review therefore was not able to answer what the management strategies were for each growth type (section 2.10). Section 2.11 resorted to establishing a list of some of the management strategies that have been used in small businesses so that the cases could be analysed for its use of them. The list of strategies and scores are set out in Appendix F. The research investigates how the owner-managers applied the list of growth strategies to counterbalance negative influencing factors and achieve the desired growth and development. The cases therefore revealed that there are management strategies for achieving growth beyond micro-business stage.

The growth case outscored the attempted growth and no growth cases for the application of the growth strategies. Therefore focusing on certain strategies achieves successful growth. The growth case in particular, applied five main strategies for achieving growth: network of contacts, access to external capital, method of sales and distribution, adding unique value and intra-company relations.

Star used the network of contacts strategy more than the other cases. Having no access to a network of contacts was also one of the most prominent growth problems in the previous section. The network of contacts strategy should be used to assist with the core business activities and to contribute to higher business growth.

Star was able to draw the positive growth potential from the access to external capital strategy. Star had obtained finance easily through personal funds being available. It could also obtain bank funding at favourable interest rates if required. Question Mark had slightly more difficulty obtaining external capital for the business because it would have to rely on funds from owner-managers' personal residential properties. Dog's access to capital was limited to the founder's personal finances.

The method of sales and distribution strategies were used very differently across all the cases. Star, however, was committed to the strategy and used a wide range of methods of sales and distribution such as public relations and advertising. Question Mark tried to make use of its network of contacts and existing customers as its method of sales and distribution. The research revealed in previous sections that Question Mark's network was not very effective, which compromised its ability to grow the business using the method of sales and distribution strategy. Dog focused on strategic alliances and joint ventures to achieve sales and distribution. This choice proved to have no effect on business growth. More recently, Dog focused on other sales and distribution methods such as tenders and public relations and found promising opportunities as a result.

The strategy to offer unique value contributed to the growth of the Star case. This is widely referred to as a company's point of differentiation. Porter (1980) researched this strategy extensively and felt that achieving a point of differentiation would lead to a company's competitive advantage. The amount of unique value added across the cases was different. Star differentiated its products and services to various customers and was able to develop its competitive advantage against competitors. Question Mark and Dog were unable to differentiate themselves in the market place.

Star offered excellent intra-company relations by resolving conflict and issues immediately. The healthy banter and positive relations were embedded in the company culture. Question Mark had large amounts of personal conflict that was unresolved. Even the owner-managers stated that they had a bad partnership because the partners did not get on. The conflict between the owner-managers was felt by the employees in the company. There was a limited number of employees for

Dog to build relations. Dog, however, showed positive company relations between the owner-managers and revealed that there was a conscious effort to maintain it.

Conversely, the productivity and entrepreneurial sacrifices strategies were well applied by the attempted growth case, more than the growth case, but it did not achieve more growth. The commitment to growth and strategic alliances/ joint ventures strategies were applied by the no growth case, more than the attempted growth case, but did not achieve more growth.

It is therefore evident that applying a certain combination of strategies to a small business achieves growth. Referring back to Perren (1999a & 1999b), who believes that the owner-manager should develop a distinctive set of managerial techniques, styles and approaches that are appropriate for each growth type, becomes more appropriate to approaching strategies for growth. The research agrees with Perren (1999a & 1999b) and shows that in order to achieve growth the following strategies extracted from the definitive list should be applied:

- network of contacts
- access to external capital
- method of sales and distribution
- adding unique value
- intra-company relations

Instead of trying to resolve which strategies should be used or not used theoretically, it is also evident that owner-managers are more committed to using strategies that work for them in practice. Essentially, they have seen these strategies work and tend to stick to them. Furthermore, owner-managers tend to experiment with some other internal management strategies and choose those that work for them. As the small business grows, however, the lack of a full list of strategies that can be built and monitored may become restrictive to the growth of the business.

Therefore, being aware of a full list of strategies, managerial techniques, styles and approaches in advance might become more suitable and, therefore, favourable to the growth of the organisation as it develops over time. Therefore, owner-managers should acquire the appropriate strategic skills and build up a portfolio of such skills in order to support the businesses growth ambitions.

7.4 Relevance of the Findings

There has been little research written about the owner-manager's personal experiences while the business in is micro enterprise stage and beyond. Perren's (1999a & 1999b) diagnostic toolkit for small business growth allowed the owner-manager and researcher to account the factors that affect the growth and how they interact with small businesses. The research is relevant because it adds to the research where owner-managers in the micro business stage and beyond can share personal experiences.

Using Perren's (1999a & 1999b) model, owner-managers are able to analyse the influencing internal growth factors on the respective growth driver and identify the strategies that can be adjusted to compensate or to counter balance it. The research allows owner-managers to use strategies in various growth stages of the business. The research indicated whether these strategies accounted for growth and whether they were utilised effectively. This research brought the owner-manager closer to understanding the strategies that can be used when faced with problems across the three growth types.

The research identified five growth strategies that should be applied to small businesses in order to achieve growth:

- network of contacts
- access to external capital
- method of sales and distribution
- adding unique value
- intra-company relations

The research identified two possible growth strategies that were not identified from the literature through the qualitative research undertaken in the fieldwork:

- Organisational Design: the efforts to plan and structure the organisation and the way in which the organisation interacts.

- Intra-company relations: the relationship between the owner-managers and its employees of the small business.

All these strategies were found to be considerably influential on the growth of the business. Quantitative research would not have uncovered these additional strategies.

7.5 Recommendations for owner-managers

Recommendations are provided in section 7 to owner-managers who want to diagnose the small business and apply the knowledge gained from this research report in their own organisations.

The research allows the owner-managers to diagnose their own growth situation and understand the influencing factors on business growth. The owner-managers are able to understand which strategies to use to counter balance or achieve business growth. This can help reduce the costs that would be spent on business consultants and empower them to develop their own growth strategies.

The research can be leveraged further if the owner-manager uses the research together with the assistance of a business advisor to choose growth strategies for the future.

7.6 Recommendations for further research

This research has indicated that there are differences in the extent to which certain growth problems affect small businesses and the levels of influence that they have on small business growth. There are many idiosyncrasies that contributed to varied results that three cases are not able to uncover. The study could be conducted using more than three small businesses and the respective results compared and differences investigated. The knowledge of the extent to which the influencing factors impact the small business would be extremely valuable to management so that they can devise appropriate strategies.

The research limited the analysis into three types of growth (growth, no growth or attempted growth) that was easy to understand and uncomplicated to classify. The study could be conducted using more than three growth types to investigate other growth stages and compare the respective results.

This research focused on internal management strategies for small business growth. The study could be conducted investigating the external factors to determine which problems and strategies affected the small businesses and the respective results could be compared.

The study could be adapted to examine the growth problems and strategies used across different industries.

The study could be adapted and replicated in other businesses such as larger enterprises to highlight differences in perceptions between owner-managers and directors.

The research was also limited to the opinions and perceptions of owner-managers, key strategic partners and other related people of small businesses in Gauteng, South Africa. The study could be replicated in other countries to test whether the results are applicable.

8. References

Bolton Report (1971): Report of the Committee of Inquiry on Small Firms, chaired by J.E. Bolton, Cmnd. 4811, HMSO, London.

Burrell, G. & Morgan, G. (1979): *Sociological Paradigms and Organisational Analysis*, Portsmouth: Heinemann.

Burns, P. (1989): Strategies for Success and Routes to Failure, in *Small Business and Entrepreneurship,* P. Burns & J. Dewhurst (eds.), London: Macmillan, 32-67.

Business South Africa (2003): South Africa Business Guidebook of 2002-2003, *[http://www.southafrica.info/doing_business/economy/development/smallbusiness.html),* (accessed 4 November 2004).

Bygrave, W.D. (1989): The Entrepreneurship Paradigm (1): A philosophical look at its Research Methodology, *Entrepreneurship Theory and Practice*, 14(1), 7-26.

Chetty, S. (1996): The Case Study Method for research in Small and Medium Sized Firms, *International Small Business Journal*, 15(57), 73-85.

Churchill, N.C. & Lewis, V.L. (1983): The five stages of Small Business Growth*,* *Harvard Business Review*, 30-49.

Covin, J.G. & Slevin, D.P. (1991): A conceptual model of Entrepreneurship as Firm Behavior, *Entrepreneurship Theory and Practice*, 16(1), 7-25.

Curren, J., Blackburn, R., Woods, A. (1991): *Profiles of the Small Enterprise in the Service Sector*, paper presented at University of Warwick, 18 April 1991.

Davidsson, P. (1991): Continued Entrepreneurship: ability, need, and opportunity as determinants of Small Firm Growth, *Journal of Business Venturing*, 6, 405-429.

Deakins, D. & Freel, M. (1998): Entrepreneurial Learning and the Growth Process in SMEs, *The Learning Organisation*, 5 (3), 144.

Dodge, R. & Robbins, J. (1992): An empirical investigation of the organizational life cycle model for small business development and survival, *Journal of Small Business Management*, 30 (1), 27-37.

DTI (1996): Small Firms 1996 Report, Department of Trade and Industry, London.

Fielden, S.L., Davidson, M.J. & Makin, P.J. (2000): Barriers encountered during Micro and Small business start-up in North-West England, Journal of Small Business and Enterprise Development, 7 (4), 295-304.

Ghobadian, A., & O Regan, N. (2000): Time to reassess the size criterion for SME classification? An Empirical Investigation, *International Journal of Manufacturing Technology and Management*, 2 (2000), 879-890.

Gibb, A.A. & Davies, L. (1990): In pursuit of a framework of development of growth models in Small Business, *Journal of Small Business Management*, 9(1), 15-31.

Gibb, A.A. & Davies, L. (1992): Development of a growth model, *Journal of Entrepreneurship*, 1(1), 3-36.

Gibb, A.A. & Scott, M.G. (1985): Strategic awareness, personal commitment and the process of planning in Small Business, *Journal of Management Studies*, 22(6), 597-632.

Greiner, L.E. (1972): Evolution and revolution as organizations grow, *Harvard Business Review*, 50(4), 37-46.

Helms, M.M. & Renfrow, T.W. (1994): Expansionary processes of the small business: A life cycle profile, *Management Decision*, 32(9), 43-45.

Hill, J., Nancarrow, C. & Tiu Wright, L. (2002): Lifecycles and crisis points in SMEs: A Case Approach, *Marketing Intelligence and Planning*, 20(6), 361-369.

Jennings, P. & Beaver, G. (1997): The performance and competitive advantage of small firms: A Management Perspective, *International Small Business Journal*, 15(2), 63-75.

Keats, B.W. & Bracker, J.S. (1988): Toward a theory of small firm performance: a conceptual model, *American Journal of Small Business*, 12(4), 41-58.

Klein, H.K. & Myers, M.D. (1999): A set of principles for conducting and evaluating interpretive field studies in information systems (n1), *MIS Quarterly*, 23(1), 67-93.

Kroeger, F., Traem M. & Rockenhaeuser, J. (2000): The Value Growers: Achieving Competitive Advantage Through Long-Term Growth and Profits, [http://www.atkearney.com/main.taf?p=5,1,1,110,2], (accessed 4 May 2005).

Leedy, P.D. & Ormrod, J.E. (2001): *Practical Research: Planning and Design*, Seventh Edition, Upper Saddle River: Merrill Prentice Hall.

McGuire, J. (1976): The small enterprise in economics and organization theory, *Journal of Contemporary Business*, 5(2), 115-138.

Miles, M.B. & Huberman, A.M. (1994): *Qualitative Data Analysis*, Second edition, Thousand Oaks: Sage.

Mintzberg, H. (1998): The Fall and Rise of Strategic Planning, in *Strategy: Process, Context and Content*, B. de Wit & R. Meyer (eds.), London: Thomson, 36-54.

Mohr, P. & Fourie, L. (2004): *Economics: for South Africa Students*, third edition, Pretoria: Van Schaik Publishers, 95-101.

Naffziger, D.W., Hornsby, J.S. & Kuratko, D.F. (1994): A Proposed Research Model of Entrepreneurial Motivation, *Entrepreneurship Theory and Practice*, 18(3), 9-42.

O' Gorman, C. (2001): The sustainability of growth in Small- and Medium-Sized Enterprises, *International Journal of Entrepreneurial Behaviour & Research*, 7(2), 60-75.

O' Farrell, P.N. & Hitchens, D.M.W.N. (1998): Alternative theories of small firm growth: A critical review. *Environmental and Planning*, A(20), 1365-1383.

Perren, L. (1999a): Factors in the Growth of Micro-Enterprises (Part 1): Developing a Framework, *Journal of Small Business and Enterprise Development*, 6(4), 367-385.

Perren, L. (1999b): Factors in the Growth of Micro-Enterprises (Part 2): Exploring the Implications, *Journal of Small Business and Enterprise Development*, 7(1), 59-68.

Perry, C. (2001): Case research in marketing, *The Marketing Review*, 1(3), 303-323.

Porter, M. (1980): *Competitive Strategy*, New York, Free Press.

Poutziouris, P., Binks, M. & Bruce, A. (1998): A Problem-Based Phenomenological Growth Model for Small Manufacturing Firms, *Journal of Small Business and Enterprise Development*, 6(2), 139-152.

Poutziouris, P. (1995): Managing the Small Business, *Financial Times Handbook of Management*, New York: Pitman-FT Publishing.

Quinn, R. E., & Cameron, K. (1983): Organisational Life-cycles and shifting criteria of effectiveness: Some Preliminary Evidence, *Management Science*, 29(1), 33-51.

Ray, G.H. & Hutchinson, P.J. (1983): *The Financing and Financial Control of Small Enterprise Development*, London: Gower, 78-84.

Ross, S., Westerfield, R.W., Jorda, B.D. & Firer, C. (2003): *Fundamentals of Corporate Finance*, second edition, Sydney: McGraw-Hill.

Scott, M. & Bruce, R. (1987): Five stages of growth in small business, *Long Range Planning*, 20(3), 45-52.

Smallbone, D., Leigh, R. & North, D. (1995): The characteristics and strategies of high growth SMEs, *International Journal of Entrepreneurial Behaviour and Research*, 1 (3), 44-62.

State of Small Business Development in South Africa: Annual Review 2002, Ntsika Enterprise Promotion Agency, [http://www.ntsika.org.za], (accessed 3 May 2005).

Statistics South Africa (2004): Unemployment, [http://www.statssa.*labour*.gov.za/*docs/policy/fintoc.html*], (accessed 4 November 2004).

Stanworth, M.J.K. & Curran, J. (1976): Growth and the small firm: an alternative view, *Journal of Management Studies*, 13 (2), 95-110.

Steinmetz, L.L. (1969): Critical stages of small business growth: when they occur and how to survive them, *Business Horizons*, 12 (1), 29-34.

Storey, D.J. (1994): *Understanding the Small Firm Sector*, London: Routledge.

South African Government (1996): National Small Business Act of 1996, *[http://www.polity.org.za/html/govdocs/legislation/1996/act96-102.html?rebookmark=1]*, (accessed 4 November 2004).

Sekaran, U. (1992): *Research Methods for Business: A Skill Building Approach*, Chichester: Wiley.

Vinnell, R & Hamilton, R.T. (1999): A Historical Perspective on Small Firm Development, *Entrepreneurship Theory and Practice*, 18(3), 5-18.

Vozikis, G. (1984): A strategic disadvantage profile of the stages of development of small business: An empirical investigation, *Review of Business & Economic Research*, 20(1), 96-110.

Watson, K., Hogarth-Scott, S., & Wilson, N. (1998): Small business Start-ups: Success Factors and Support Implications, *International Journal of Entrepreneurial Behaviour & Research*, 4(3), 217-238.

Werner, U., McDermott, J., & Rotz, G. (2004): Retailers at the crossroads: how to develop profitable new growth strategies, *Journal of Business Strategy*, 25(2), 10-17.

Wills, G. (1992): Enabling managerial growth and ownership succession, *Management Decision*, 30(1), 10.

Wynarczyk, P., Watson, R., Storey, D.J., Short, H., & Keasey, K. (1993): *The Managerial Labour Market in Small and Medium-Sized Enterprises*, London: Croom-Helm.

Yin, R.K. (1993): *Application of Case Study Research*, Newbury Park: Sage.

Yin, R.K. (1994): Case Study Research – Design and Methods, *Applied Social Research Methods Series Volume 5*, Second edition, Newbury Park: Sage.

Yusuf, A. (1997): An Empirical Investigation of the Organisation Lifecycle Model for Small Business Development and Survival in the South Pacific, *Journal of Enterprising Culture*, 423-45.

Zimmerer, T.W. & Scarborough, N.M. (1994): *Essentials of Small Business Management*, New York: Macmillan.

Appendix A -Introductory Letter

To Whom It May Concern:

Thank you for agreeing to take part in my research. The results of the research will be shared with you and should provide you with valuable insight into small business growth problems and growth strategies.

I would like to introduce my topic again. The purpose of this study is to understand growth, to uncover growth problems that are experienced by small businesses and to develop the strategies that are used to grow the firm.

Please could you complete the attached initial classification questionnaire and return it to me at your earliest convenience.

After I have processed the information, I contact with you to arrange a visit to your company. This will involve two hour interview session with each of the owner-managers of the business.

Then, either after the interview or on a separate day, I will observe your operation with the owner-managers and employees for a day. This process should not interfere with your work and responsibilities. The purpose is to gain additional information that you may consider important and provide me with some time to observe how your business operates.

I look forward to your response.

Sincerely,

Nicolette Poulos
Graduate School of Business Administration,
University of the Witwatersrand
2 St David's Place, Parktown, Johannesburg, 2193
e-mail: nickypoulos@gmail.com

Appendix B - Initial Classification Questionnaire

Company Name: ______________________________

Owner(s) Name(s): ______________________________

____

Please answer the following questions about your organisation. Please select the correct answer by making an X in the appropriate block:

SECTION A:

Please select the Industry you operate in:

Retail		Manufacture		Wholesale		Service	

Description of Business: ______________________________ e.g. Jewellery

The number of employees currently in the organisation is:	1-9	10-49	50-250	none	Greater than 250
Percentage ownership by one, or jointly by several enterprise(s) not satisfying the same criteria	25% or Less	26%-50%	51%-65%	66%-70%	Greater than 70%
The annual turnover for the organisation is:	Less than R300,000	R300,001- R3m	R3,000,001- R15m	R15,000,001- R50m	Greater than R50m

SECTION B:

The number of employees in the organisation in the following years were:	Year 3	Year 5	Year 7	Year 9
The maximum turnover of the business in the following years were:	Year 3	Year 5	Year 7	Year 9
Sales distribution has mainly been to:	Community (homo-sociological and family circle)	District (breaking out from the homo-sociological circle)	Nationwide (beyond the local circle)	Exporting (internationalisation strategies) - exports make 10+ % of sales
Investment in the business can be described as:	Green-field and new plant (or minimum investment in declining industries)	Sporadic/routine investment to keep the plant operational	In line with industry (in technologies as dictated by competition)	Extensive investment programme that will improve competitiveness

The Management structure can be described to as:	One-man show (80% operational and 20% managerial duties)	Direct supervision (70% operational and 30% managerial duties)	Supervised supervision (60% operational and 40% managerial duties)	Functional structure (40% operational and 60% managerial duties)
The entrepreneurial force for development can be attributed to:	Charisma of the founder, owner/manager	Interpreneurship (new generation of family entrepreneurs)	Intrapreneurship (promotion of non-family members, in-house entrepreneurs)	Corporate entrepreneurship (recruitment of `outsider’, non-family managers)
The marketing strategy has been largely focused on:	Customer niche specialisation (focus on a selective clientele/customisation)	Market niche specialisation (market segmentation by area or level of market)	Market/product development (product diversification and geographical expansion)	Total marketing including all the above (plus information technology-based marketing)

Appendix C - Classification Instrument

	Classification Criteria	Score	Example
1	**Growth in Sales**		
	No record / trend or negative growth rate (> - 5%)	1	
	Fluctuations (negative or positive) less than 5%	2	3
	Growth rate in the region of 6-9%	3	
	Growth rate in the region of 10%	4	
2	**Growth in Employment**		
	No record / trend or negative growth rate (> - 5%)	1	
	Fluctuations (negative or positive) less than 5%	2	3
	Growth rate in the region of 6-9%	3	
	Growth rate in the region of 10%	4	
3	**Sales Distribution**		
	Community (homo-sociological and family circle)	1	
	District (breaking out from the homo-sociological circle)	2	3
	Nationwide (beyond the local circle)	3	
	Exporting (internationalisation strategies) - exports make 10+ % of sales	4	
4	**Size of investment**		
	Green-field and new plant (or minimum investment in declining industries)	1	
	Sporadic/routine investment to keep the plant operational	2	3
	In line with industry (in technologies as dictated by competition)	3	
	Extensive investment programme that will improve competitiveness	4	
5	**Management structure (entrepreneurial style)**		
	One-man show (80% operational and 20% managerial duties)	1	
	Direct supervision (70% operational and 30% managerial duties)	2	3
	Supervised supervision (60% operational and 40% managerial duties)	3	
	Functional structure (40% operational and 60% managerial duties)	4	
6	**Entrepreneurial force for future development**		
	Charisma of the founder, owner/manager	1	
	Interpreneurship (new generation of family entrepreneurs)	2	3
	Intrapreneurship (promotion of non-family members, in-house entrepreneurs)	3	
	Corporate entrepreneurship (recruitment of \`outsider', non-family managers)	4	
7	**Marketing Strategy**		
	Customer niche specialisation (focus on a selective clientele/customisation)	1	
	Market niche specialisation (market segmentation by area or level of market)	2	3
	Market/product development (product diversification and geographical expansion)	3	
	Total marketing including all the above (plus information technology-based marketing)	4	
	Total classification score		**21**

Adapted from source: Poutziouris *et al*, 1998

Growth Type	Classification Scores
No Growth	7-14
Attempted Growth	15-21
Growth	22-28

Appendix D - Case Study Interview Agenda

The interview was based on open-ended questions so that the interview could remain flexible: These questions served as an agenda of the issues that were covered in the interview.

Ensure that you cover the following areas from the questions below. Use the questions as possible prompts to uncover the desired answers. Please skip irrelevant questions.

---

1. Please tell me about your business and how it has grown?

Diagnosing the interim growth driver: Owners Growth Motivation (G1)

Asserting ambitions

(F2) Desire to succeed	2. What were your hopes for your business over the next ten years? Probe business ambitions. Probe measures of business success. Probe how important business growth was compared with other measures of business success. Probe how important having a personal control was.
(F1) Desire to be ones own boss and (F3) Active risk taker.	3. How did you feel about delegating aspects of the business? 4. How large did your business need to be for you to feel secure? Probe how much more growth needed to achieve this size.

Reflecting ambitions

(F9) Family ‘investing’ friends	5. Did you have any family problems and which ones might have affected your drive? Probe what steps could have taken to reduce family friction.

(F16) Competitive dynamics	6. What scale did your business need to be to achieve the level of income you wanted and what circumstances would have allowed for this? Probe the effects of competitive pressures on decisions. Probe circumstances that caused margins to reduce. Probe if needed increased volumes and why. Probe circumstance that caused suppliers to change volumes.

Diagnosing the interim growth driver: Expertise in Managing Growth (G2)

Reviewing management/administrative skills

(F7) Transferable support skills	7. What management skills had you developed from your previous job(s)? Probe experience in managing staff. Probe experience with support systems (e.g. bookkeeping, stock-control, customer records). Probe feelings about undertaking such management tasks.

Reviewing others' management/administrative skills

(F10) Key employees, partners	8. How could your current/future employees have helped you with the business? Probe employees' previous experience. Probe level of operating performance of support systems (e.g. bookkeeping, stock- control, and customer records).
(F9) Family 'investing' friends	9. How could your family have helped you in the business? Probe family previous experience (office environment or bookkeeping skills) Probe how family helped with the setting-up and running of support system.

(F11) Active professional advisers	10. Did you have professional advisers (e.g. accountant, bank-manager etc) and how did they assist you? Probe how they could have helped set-up and run support systems. Probe who else could have helped. Probe steps taken to obtain such advice.
(F8) Transferable network of contacts	11. What contacts or networks did you have available to you that would be beneficial to your business and how did they assist you? Probe whether similar type of businesses and how knew of them. Probe which questions were asked about similar support systems. Probe if and how persuaded them for copies of their invoices, terms of trade, stock control systems etc.

12. Is there anything else that you can think of that we cover?

Appendix E - Case Study Procedure

Fieldwork Procedures

2 weeks prior to interviews	First contact with owner-manager	Phone call to introduce followed by invitation to send initial classification questionnaire. Deliver personally or email questionnaire.
1 week ahead of Interview	Background information analysis	Phone call to remind owner-manager about the interview
During the Interview	Introduction	Personal Introduction Objective of research Relevance to the owner-manager Sharing the results Recording the interview Begin note taking
	Interview	Open ended general questions to make the interviewee feel comfortable. Ask questions that do not lead the respondent into an answer. Ensure open to an unexpected interview not allowing preconceived ideas. Listen carefully and record correctly. Ask to repeat if necessary. Close the interview with invitation to add relevant info that may have missed. Thank for the interview.
2 days after Interview	Contact owner-manager	Phone call to owner-manager: Thank for the interview. Inform that results will be given as soon as available. Inform of possible second appointment to be made within a week if necessary. Make appointment for follow-up interview or appointment with other relevant person.

Appendix F - Cross Case Strategy Analysis

Growth Strategies	Growth Case	Attempted Growth Case	No Growth Case
Anticipated	Scores out of 10		
Owner-Manager traits			
Past industry experience	5	3	3
Access to a network of contacts	9	3	3
Entrepreneurial sacrifices	4	7	5
Business orientation			
Commitment to growth	8	4	6
Focus on corporate strategy and mission	5	5	1
Strategic alliances/ Joint ventures	6	2	6
Add unique value	9	4	4
Customer orientation	8	6	5
Financial function			
Financial planning and management	3	3	1
Access to external capital	9	5	6
Marketing/Operational function			
Product specialisation and innovation	3	5	2
Productivity	5	7	3
Method of sales and distribution	9	4	5
Human Resources function			
Manner in which to manage employees	6	4	3
Management specialisation	7	2	3
Management and employee development	1	2	1

Unanticipated			
Organisational design	7	2	0
Intra-company relations	9	0	4