60th Annual ICSB World Conference

Entrepreneurship at a Global Crossroads

June 6-9, 2015 - Dubai, UAE

Conference Submission Track: Small Business and Small & Medium Enterprises

Workshop Abstract Submission

"Business Models and Fast Growth Firms"

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Background

The impact upon the economy and employment of small and medium sized enterprises (SMEs) is widely recognised. There is, however, a considerable lacunae in our understanding as to exactly how SMEs achieve growth and how policy makers and government bodies can support SMEs. Davidsson and Klofsten (2003) believe that this stems from a lack of academic models that are intended for practical use and the lack of a holistic model that can be used by practitioners, academics and policy makers alike (Davidsson and Wiklund, 2000; Dobbs and Hamilton, 2007).

There are, however, a wide diversity of firm growth models. Stage models, such as those by developed by Churchill and Lewis (1983), Kazanjian (1988) and Griener (1972), develop a conceptual framework for business growth dependent in their stage of growth. Alternatively, deterministic models, aim to explain firm growth through a focus on growth factors. A model that combines the principles of both the stage and deterministic models is Klofsten's (1992) business platform, although it is limited to the early stages of growth of high technology businesses. Klofsten's model details the factors that are essential in order for a firm to develop from a start-up stage to one that is stable and describes the process of development that each of these factors can take as a organisation develops to establish a stable business platform. The model, however, has not explored how business move from a stable platform to high growth.

This workshop introduces a new model that is holistic, integrative, aimed for practical use and which emerges from a process-oriented approach. The model is also focused on developing high growth companies.

Models per se can be criticised as reductionist and not representative of reality that policy-makers and entrepreneurs face. Referring to Simon's (1955) seminal work on managers' bounded rationality, however, practitioners, policy-makers and academics need frameworks that simplify reality to further their understanding. In response to complexity in their environment, managers use heuristics (tools) to simplify complexity and enable them to take decisions. That 'simplified' understanding might be of an element of business growth or, as is presented here, a holistic and integrative framework of fast growth firms.

Underpinning Research

The model proposed is based on an in-depth critique of the extant literature and empirical research based on an analysis of a number of fast growth companies at different stages of development and from different sectors.

What is understood is that there is a myriad of factors that can impact a company's growth. From the 1930s stochastic models have been developed that attempt to explain the growth of companies whilst recognising that there are too many variables to produce predictive frameworks (Farouk and Saleh, 2011). In the 1970s and 80s stage models of growth were developed (Churchill and Lewis, 1983; Griener, 1972; Kazanjian, 1988; Kazanjian and Drazin, 1989) that identified important factors required at different stages of a businesses evolution (Lester and Parnell, 1999). Levie and Lichtenstein (2010) have criticised stage models because of the opaque nature of the stages businesses pass through and wide variety of factors and models that have been produced. Thus, the models, they argue, are of little practical application. The predictive capacity of stage models has been questioned by a

number of writers (Eggers et al., 1994; Baron and Shane, 2005; Garnsey et al., 2006). Deterministic models have been developed to identify factors that determine why and when growth occurs (Dobbs and Hamilton, 2007). A key issue with these types of models is that they focus on single or group of factors and fail to develop an integrative and holistic perspective (Davidsson et al., 2007).

There have been attempts to develop integrative models (Bygrave, 1989; Gibb and Scott, 1985; Keat and Bracker, 1988; Covin and Slevin, 1991; Davidsson, 1991; Jennings and Beaver, 1997; Naffziger et al, 1994; Wiklund, 1998;Wiklund et al., 2009; Baum et al., 2001; Barringer, 2005). There has been, however, too little empirical testing of these frameworks and several do not address factors that have been identified to be significant in business growth in more recent studies.

Klofsten's (2010) business platform model attempts to incorporate both stage model and deterministic model principles into one framework while utilising a process oriented approach. The model focuses on eight essential factors needed to progress from a start-up stage of development to one in which the firm is less vulnerable and stable. The model has been applied by both academics and practitioners alike with some success (Brillois, 2000). The model focuses on the start-up stage of development, whereas the model presented in this workshop focuses on the high growth stage of development.

The growth platform model proposed in this paper is underpinned by the concept of business process orientation (BPO). This concept is based upon the work of writers such as Deming (Walton, 1986), Porter (1985), Davenport and Short (1990), Hammer

and Champy (1993) and Hammer (1996 and 1999). BPO is a holistic view of an organisation and its activities that focuses on process rather than hierarchical structures. BPO is a perspective or approach that is cross-functional and outcome oriented. Porter's value chain model for example focuses attention on interoperability across support and primary functions in an organisation as sources of competitive advantage.

Empirical Research

The model presented is based on the extant literature and empirical research. The empirical research utilised a grounded theory multiple case-study approach with the aim of gaining in-depth process related data for analysis. Writers such as Dobbs and Hamilton (2007) and Littunen and Niittykangas (2010) suggest that examination of how firms grow is answered by a process-oriented approach that is best suited to an interpretivist paradigm (Sale et al, 2002). The research is grounded in a philosophical position which is 'interpretivist', based on methods that take into account social context; that attempt to understand complexity, detail and context (Mason, 2002). The research design utilised a grounded theory multiple case-study approach with the aim of gaining in-depth process related data for analysis. Semi structured interviews, participant observation and analysis of company documentation were conducted to allow triangulation of findings (Eisenhardt, 1989; Yin, 1984).

In order to compare and contrast developmental processes, theoretical sampling of multiple cases was undertaken. Initially, two case studies were chosen - Case A was at an early stage of development on the path to high growth whilst Case B had already achieved high growth. This was purposely done so that the cases would highlight a

wider range of firm development than two high growth firms would and so that the level of development required for high growth could be ascertained. The approach has subsequently been applied to a number of other cases. These will feature in the workshop.

The Workshop

The workshop will consist of 3 stages.

Stage 1: The workshop will begin with an overview of the extant literature and theoretical frame underpinning the proposed model. The research design will then be examined, followed by a presentation of the research's findings and the resultant growth platform model for knowledge-based firms. Participants will be encouraged to engage with the presenters throughout this stage of the workshop.

Stage 2: Numbers permitting, participants will divided into groups. Each group will be given a case overview and an application of the model. Participants will then be asked to critique the model's application. This will be facilitated by the presenters who will move between groups offering guidance where required.

Stage 3: Groups will be asked to report back on their findings. These will be collated by the presenters and a summary of the findings of the workshop will be fed-back to the participants.

Target Audience and Benefits of Attending

The workshop is aimed at academics, practitioners and policy makers. The model presented offers practical insights in to how knowledge-based firms grow and the platform/s necessary to allow them to flourish. It is hoped that the workshop will offer academics new insights into understanding, analysing and evaluating business development. Practitioners will gain an alternative and more holistic view of how business/es and their processes might be structured to support growth. Policy makers will gain by being introduced to an integrative framework for business development that highlights areas that may require business support from external agencies such as government and its agents.

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