Handbook of Research on

Strategic Management in Small and Medium Enterprises

Kiril Todorov and David Smallbone

Handbook of Research on Strategic Management in Small and Medium Enterprises

Kiril Todorov
University of National and World Economy, Bulgaria

David Smallbone
Kingston University, UK

A volume in the Advances in Logistics, Operations, and Management Science (ALOMS) Book Series

BUSINESS SCIENCE Reference
An Imprint of IGI Global

Managing Director: Lindsay Johnston
Production Editor: Jennifer Yoder
Development Editor: Austin DeMarco
Acquisitions Editor: Kayla Wolfe
Typesetter: Michael Brehm
Cover Design: Jason Mull

Published in the United States of America by
Business Science Reference (an imprint of IGI Global)
701 E. Chocolate Avenue
Hershey PA 17033
Tel: 717-533-8845
Fax: 717-533-8661
E-mail: cust@igi-global.com
Web site: http://www.igi-global.com

Library of Congress Cataloging-in-Publication Data

Handbook of research on strategic management in small and medium enterprises / Kiril Todorov and David Smallbone, editors.
pages cm
Includes bibliographical references and index.
ISBN 978-1-4666-5962-9 (hardcover) -- ISBN 978-1-4666-5963-6 (ebook) -- ISBN 978-1-4666-5965-0 (print & perpetual access) 1. Small business--Management. 2. Strategic planning. I. Todorov, Kiril. II. Smallbone, David.
HD62.7.H3723 2014
658.4'012--dc23
2014001519

This book is published in the IGI Global book series Advances in Logistics, Operations, and Management Science (ALOMS) (ISSN: 2327-350X; eISSN: 2327-3518)

British Cataloguing in Publication Data
A Cataloguing in Publication record for this book is available from the British Library.

Advances in Logistics, Operations, and Management Science (ALOMS) Book Series

John Wang
Montclair State University, USA

ISSN: 2327-350X
EISSN: 2327-3518

Mission

Operations research and management science continue to influence business processes, administration, and management information systems, particularly in covering the application methods for decision-making processes. New case studies and applications on management science, operations management, social sciences, and other behavioral sciences have been incorporated into business and organizations real-world objectives.

The **Advances in Logistics, Operations, and Management Science** (ALOMS) Book Series provides a collection of reference publications on the current trends, applications, theories, and practices in the management science field. Providing relevant and current research, this series and its individual publications would be useful for academics, researchers, scholars, and practitioners interested in improving decision making models and business functions.

Coverage

- Computing and Information Technologies
- Decision Analysis and Decision Support
- Finance
- Information Management
- Marketing Engineering
- Operations Management
- Organizational Behavior
- Political Science
- Production Management
- Services Management

IGI Global is currently accepting manuscripts for publication within this series. To submit a proposal for a volume in this series, please contact our Acquisition Editors at Acquisitions@igi-global.com or visit: http://www.igi-global.com/publish/.

The Advances in Logistics, Operations, and Management Science (ALOMS) Book Series (ISSN 2327-350X) is published by IGI Global, 701 E. Chocolate Avenue, Hershey, PA 17033-1240, USA, www.igi-global.com. This series is composed of titles available for purchase individually; each title is edited to be contextually exclusive from any other title within the series. For pricing and ordering information please visit http://www.igi-global.com/book-series/advances-logistics-operations-management-science/37170. Postmaster: Send all address changes to above address.

Titles in this Series

For a list of additional titles in this series, please visit: www.igi-global.com

Handbook of Research on Strategic Management in Small and Medium Enterprises
Kiril Todorov (University of National and World Economy, Bulgaria) and David Smallbone (Kingston University, UK)
Business Science Reference • copyright 2014 • 490pp • H/C (ISBN: 9781466659629) • US $345.00 (our price)

Smart Manufacturing Innovation and Transformation Interconnection and Intelligence
ZongWei Luo (The University of Hong Kong, China)
Business Science Reference • copyright 2014 • 407pp • H/C (ISBN: 9781466658363) • US $225.00 (our price)

Handbook of Research on Design and Management of Lean Production Systems
Vladimír Modrák (Technical University of Košice, Slovakia) and Pavol Semančo (Technical University of Košice, Slovakia)
Business Science Reference • copyright 2014 • 487pp • H/C (ISBN: 9781466650398) • US $325.00 (our price)

Cases on Management and Organizational Behavior in an Arab Context
Grace C. Khoury (Birzeit University, Palestine) and Maria C. Khoury (Independent Researcher, Palestine)
Business Science Reference • copyright 2014 • 423pp • H/C (ISBN: 9781466650671) • US $175.00 (our price)

Management Science, Logistics, and Operations Research
John Wang (Montclair State University, USA)
Business Science Reference • copyright 2014 • 481pp • H/C (ISBN: 9781466645066) • US $225.00 (our price)

Strategic Performance Management and Measurement Using Data Envelopment Analysis
Ibrahim Osman (American University of Beirut, Lebanon) Abdel L. Anouze (American University of Beirut, Lebanon) and Ali Emrouznejad (Aston University, UK)
Business Science Reference • copyright 2014 • 359pp • H/C (ISBN: 9781466644748) • US $185.00 (our price)

Outsourcing Management for Supply Chain Operations and Logistics Service
Dimitris Folinas (Department of Logistics, ATEI-Thessaloniki, Greece)
Business Science Reference • copyright 2013 • 596pp • H/C (ISBN: 9781466620087) • US $185.00 (our price)

Operations Management Research and Cellular Manufacturing Systems Innovative Methods and Approaches
Vladimir Modrák (Technical University of Kosice, Slovakia) and R. Sudhakara Pandian (Kalasalingam University, India)
Business Science Reference • copyright 2012 • 368pp • H/C (ISBN: 9781613500477) • US $185.00 (our price)

Charlotta A. Sirén, *University of Vaasa, Finland, and Luleå University of Technology, Sweden*
Zhelyu Vladimirov, *St. Kliment Ohridski University of Sofia, Bulgaria*
Krzysztof Wach, *Cracow University of Economics (CUE), Poland*
Graham W. Winch, *University of Plymouth, UK*
Ho Yin Wong, *Deakin University, Australia*

List of Contributors

Table of Contents

Detailed Table of Contents

Section 1
Foundations of Strategic Management in SMEs

The objective of this main section is to introduce the reader to the current state, trends and characteristics of strategic management (theory and practice) in SMEs. Analyzed is the impact of external (global) business environment and internal firm environment, the strategy aims to achieve sustainable competitive advantage, even compared to larger companies ("fast eat the slow"). The involved real case studies illustrate the strategic orientation; winning strategies function in dynamic business environments with increasing uncertainty, demonstrating the strategic opportunities and problems of SMEs, especially those with innovative character.

The chapter examines strategic orientation in small and medium-sized enterprises (SMEs) in response to the growing demand for the generation of new knowledge concerning strategic behaviours of SMEs. Drawing from both strategic management and entrepreneurial marketing literature and using models and recent theoretical developments from published research based in small firms, it explains the sorts of activities, attitudes and behaviours which occur in SMEs and suggests that different strategic orientations generate either increased or decreased profitability and firm growth. It also presents a conceptual model which serves to illustrate the competitive strategic typologies adopted by SMEs and the interrelationship between these strategic typologies and an Entrepreneurial Marketing Orientation (EMO) dimension of SMEs. The authors propose that the dominant strategic orientations of SMEs could be predicted by application of this model in future studies. The chapter concludes with ecommendations and suggestions for future research directions.

Small and Medium Enterprises (SMEs) play an important role in each economy. Some of them even became market leaders from an international perspective. This stands in stark contrast to the fact that scientific and strategic management research up to date has only rudimentarily covered the field of strategic management of SMEs. Globalization is not a trend, a fad, or an isolated phenomenon. It is an inescapable force. If anticipated and understood, it is a powerful opportunity. If not, it can swiftly destroy businesses and drown organizations. Meanwhile the concern for globalization and its effect on SMEs has grown tremendously over the recent decade. Hence, strategic management becomes critical and deserves more attention due to the threats and opportunities globalization exposes and offers SMEs to at the same time. This chapter intends to make a contribution to this research gap by means of raising the question whether strategic management is feasible and/or necessary for SMEs, identifying suitable concepts of strategic management and their applicability for SMEs so that they can maintain their independence and at the same time blossom to their fullest extent.

The aim of this chapter is to explore the role of environmental scanning in information systems for strategic decisions in the context of small and medium sized enterprises (SME) in Australia. A case study approach was adopted for this exploratory study. In-depth interviews were conducted with owners of two SMEs. Data were analysed using manual qualitative data analysis techniques. Owing to the unique characteristics of SMEs, findings suggest that SMEs share some commonalities and differences to their large firm counterparts. In general, SMEs have a clear idea what their information needs are. They have a narrow scope of scanning, which focuses mainly on economic, customers, and competitive information. External sources from media, salespeople, clients, and competitors are their major sources of information. Human memory and manual filing systems are the key methods of storing information. The information is distributed through personal communications. SMEs use common sense and intuitive approach rather than sophisticated analytical tools to analyse the information. The scanned information is used for both strategic and functional decisions. The findings provide insight to SMEs as to the usefulness of environmental scanning in making various business decisions.

This chapter illustrates four interrelated strategic learning processes, namely knowledge creation, dissemination, interpretation, and implementation, that are critical in ensuring the effective and rapid renewal of the core capabilities of technology-based small and medium-sized enterprises (SMEs). Based on a cluster analysis of 182 Finnish software companies and information from illustrative case exam-

Section 3
Strategic Management in SMEs by Stage of Development

In this section the key aspects of strategic management in SMEs in different stages of their development (start, growth, internationalization) are presented, analyzed and discussed. The section starts with investigation into how even at the start SMEs and entrepreneurs could prepare for strategic development in the future. The section contributes theoretically (through advancing knowledge on the field of strategic factors for small business growth and practically) when designing support policies strategically oriented towards small firms). It also highlights the contemporary issues of internationalization of SMEs, launching a new model, avoiding shortages of preliminary models of internationalization.

While strategy has been described as a plan or pattern of actions aligned to a conscious intent, it can also be conceptualised as the deliberate activities those in business engage in to realise a strategic intent. It is this activity oriented conception of strategy that is fuelling the turn towards practice in strategy scholarship. This chapter draws on this perspective and the 'communication as constitutive of organisations' (CCO) perspective to explore what is involved in becoming strategic in an active and experiential sense in a small business. To do this, it uses illustrations from a series of studies of business startup or restart from the creative, ICT, and construction industries in New Zealand. The empirically-based synthesis presents strategic management in small businesses as a relational process producing a narrative infrastructure that weaves together episodes of strategy praxis to produce a coherent thread that 'tells the firm forward' (See Deuten & Rip, 2000). The chapter finishes by briefly exploring the implications of this view for those seeking to become more strategic in small businesses.

This chapter aims to define a coherent theoretical framework enabling a broader understanding of the strategic entrepreneurial orientation (SEO) and to evaluate their effects on small firm growth. A sample made up of 211 small Portuguese firms from various different sectors of activity was surveyed by questionnaire. The results demonstrate how the life-cycle of companies, their resources, capacities, motivations and surrounding environment all influence the SEO of small companies. The empirical evidence shows how SEO, and across four specific dimensions – proactiveness, innovativeness, risk taking and competitive aggressiveness, clearly impacts on the growth of these small firms. The study contributes both theoretically (through advancing knowledge on the field of strategic factors for small business growth) and practically (when designing support policies strategically orientated towards small firms).

This chapter aims at exploring the internationalization of small and medium sized enterprises through the search within the referring literature for the main models challenging the internationalization process. In the light of the weaknesses and strengths as well as of the related gaps of such models, this study builds and presents a new model that is able to address the issue of both gradual and rapid growth at international level. This model, thanks to the supposed variables (roots of resources and development and direction trough which these resources are valorized) and mechanisms, offers interesting theoretical and managerial insights for the analysis of the internationalization process characterized by increasing uncertainty. Finally, the model is tested through the analysis of two case studies.

This section presents specific performance of strategic management in different subgroups of SMEs starting with family enterprises. Among observation and discussion about specific manifestations of SM in family firms, attention is also paid to knowledge transfer strategies within family firm succession. Succession issues in non-family firms are also analyzed as a separate theme. The section includes interesting discussions about the ways strategic decisions are taken in sport organizations using the democratic approach, supported by some case studies as appendix.

In spite of the vast literature on 'strategy,' there is no consensus on a common delineation of the term. Similarly, although the need for strategic flexibility is acknowledged by the literature, there is little research that analyses the nature and direction of strategic change, especially where family firms are concerned. This chapter proposes building blocks for the formulation and implementation of strategy. A clear definition of competitive strategy is distilled from various perspectives on strategy available in the literature. Finally, three categories of strategic change are defined, namely Restructuring, Expansion and Transformation. Case study research of five Flemish family firms shows that none of the strategic change scenarios is naturally preferable to the others, but that each scenario offers its own set of advantages and risks.

A firm's knowledge is considered a key strategic asset in the course of generating competitive advantages. However, especially within family firm succession, there is a high risk that knowledge embedded if the predecessor leaves the organization. Thus, in order to maintain the family firm's competitive

Preface

It is widely accepted that the management and particularly strategic management of SMEs is quite different from that of large enterprises. Because it is obvious that small business is not a small copy of a large company and has its own inherent specific characteristics, particularly its generally local orientation and isolation, shortage of resources and of course the combination of ownership and management function in one person – the entrepreneur. All this results in a specific approach to strategic management, its largely informal character, embodying above all the personal characteristics of entrepreneur, his experience, creativity, intuition, and improvisational opportunities, particularly in a dynamic, heterogeneous business environment.

Globalization of the economy, the "death of distance," thanks to the development of ICT, increasing heterogeneity and dynamics of the business environment, increasing importance of managing cultural differences determines the new challenges to strategic management in SMEs. If 20 years ago the global behavior of small firms was rather an exception today, participation of these firms in the global division of labor is tangibly felt. "Think globally and act locally" is not a slogan but a necessity. This gives rise even to the term "glocalization." Today, the speed and flexibility ("fast eat the slow") are essential tools for SMEs in the global competitive environment. Now, it is normal for a proactive entrepreneur of a small company for air conditioners (45 people) to fly to China to buy the skeleton and air conditioning mechanics and electronics from France or Spain to use in her workshop for air conditioners in Bulgaria. Thus, the air conditioner "Star Way" assembled in her firm and sold at a competitive price is an example of the global division of labor, the blurring of boundaries, and material recognition of the strategic approach of the global entrepreneur, albeit one of a smaller firm. Increasing the "born global" firms, without passing gradual stages of internationalization, shows where today business trends are going. All this opens up new challenges to the strategic management of SMEs and the strategic behavior of entrepreneurs and firms.

In recent years, we have witnessed a rethinking of the "classic" (casual) current strategic concepts and the search for new, not only to describe but also to prescribe the behavior of SMEs in today's dynamic, with increasing heterogeneity, global multicultural business environment. The procedures of the classic strategic management are subject of a critical analysis, which, albeit with different nuances in "strategic schools," has determining common features: setting stable targets, conducting strategic choice, and providing the resources necessary to achieve them. This causation approach erodes when used in a dynamic and uncertain environment, particularly in the specific case of SMEs. Therefore, researchers such as S. Sarasvathy (2008) launched the so-called effectuation approach, which suggests more explorer behavior (i.e. mindset modification depending on the circumstances) and achieving the adoptive objectives with available resources. Moreover, a number of authors launched the idea of the bricolage approach with emphasis on the recombination of resources to achieve desired possible (changeable) goals. Therefore, the need to combine the famous advantages of strategic management (more oriented to exploitation) with proactive, entrepreneurial behavior oriented more to exploration comes to the forefront. After launching the concept of Strategic Entrepreneurship (SE), some distinguished authors continue to discuss hot topics in search of working strategic approaches for SMEs.

Nowadays, entrepreneurship activity in the global dynamic, multicultural business environment requires conceptual solutions and rethought best practices in various contexts: political, geographic, economic, socio-cultural, religious, and psychological. That is why this book, synthesizing various theories, concepts, discussions, constructive critical analysis, and good practice intend to help extant researchers and active entrepreneurs, managers, and other stakeholders.

In preparing this book, we had in mind:

- The heterogeneity of entrepreneurial activity in various economic and socio-cultural contexts and hence large differences in knowledge, skills, experiences, values, and especially, entrepreneurial behaviors and practice.
- Heterogeneous SMEs in terms of size, stage of life cycle, sectoral affiliation, and specific characteristics, which affects their behavior and need for support.
- The leading role of the entrepreneur in smaller enterprises, based on personal and behavioral characteristics and specific roles, such as coordinator of resources, operator, leader, and strategist in particular.
- International dimensions of entrepreneurship and SMEs, particularly in the implementation of strategic actions in different political, geographical, economic, and socio-cultural contexts. Here not only do external conditions produce challenges but they also provide opportunities for the application of scientific achievements in the field and relevant practice and/or opportunities for adapting foreign practices.
- A diverse audience with different backgrounds and perceptions.

For all these reasons, we have adopted an indirect approach to the representation of strategic management in SMEs from different perspectives, different practices, and different settings.

In this context, the book is divided into five interrelated sections, as follows:

The first section "Foundations of Strategic Management in SMEs," covers the basic aspects, problems, and possible solutions in the strategic management of SMEs. The section begins with an introductory chapter on the Strategic Orientation (SO) of SMEs as a field of purposeful research in recent years and illustrates how SO is combined with marketing and innovative orientation. It is focused largely on strategic management and the complex relationship between strategic management and strategic orientation. It is analyzed how inductive and exploratory research within SME research allows for developing deep and more meaningful insights as to how firms orient and navigate in competitive challenging environments. It requires new research to generate knowledge and skills and experience for the specific needs of SMEs, to assist them in implementing strategic behavior in different situations. The second chapter discusses adequate concepts for Strategic Management (SM) in SMEs in the global economy and their relevance for the competitive behavior of those enterprises, helping entrepreneurs/managers of SMEs on how to form and develop competitive advantage in a dynamic, global environment. The author underlines the existing gap between the need of strategic management in SMEs in the global environment and what existing theories and research results offer to these firms. Compared with the end of the 1990s, when nearly no SMEs practiced strategic management, in 2010, new concepts and methods like resource-based view and core competencies have been adopted. The chapter demonstrates how strategic management and SME research can be re-conceptualized to respond to new global business challenges. Particular attention is paid in the third chapter to identifying and analyzing the driving forces in the external environment as a starting point in the SM of SMEs. It is about scanned information from different sources to be used for strategic and functional decisions in SMEs. Data obtained form case studies and in-depth interviews with Australian SMEs suggest that these firms share some commonalities and differences with their large firm counterparts. The SMEs focus mainly on economic, customers, and competitive information, having in mind external sources from media, sales people, clients, and competitors as their main sources of information. The information is stored mainly by human memory and minimal filing systems. At the same time, the information is distributed through personal communications. The fourth chapter provides a comparative perspective, including the preparation of strategic success in different contexts, offering a consistent strategic learning framework and multiple practical examples for SMEs leadership teams. In addition, the chapter considers learning traps that prevent firms from renewing their capabilities and highlights practices to avoid those traps to facilitate strategic learning in technology-based SMEs. The chapter also presents some practical, actionable steps that CEOs and leadership teams can take to foster strategic learning and escape learning traps, making successful adaptation and strategic change possible. The fifth chapter analyses the winning strategies of SMEs when fighting with bigger companies (the fast eat the slow). Using ancient metaphor of battle between David and Goliath, the authors analyze how SMEs (microgiants) with limited resources are able to compete against much larger multinational firms. Based on detailed case studies of actual firms and simulation models, the authors analyze the relationship between key assets, critical success factors, and microgiants' competitiveness. They produce six scenarios reflecting different strategies for developing tangible and intangible assets and critical balance between them.

The second section of the book, "The Entrepreneur/Manager as Strategist and Leader," considers the roles of entrepreneur, who is an owner-manager in most cases. He is presented in his/her roles as strategist, leader, manager, and improviser. The first chapter shows he/she playing a crucial (strategic) role not only in identifying entrepreneurial opportunities (requiring strategic intervention), but also in the creation of such opportunities (cognitive-subjective approach). In many cases, the entrepreneur also plays the role of (strategic) improviser, and the chapter demonstrates how, through improvisation (myths, metaphors, bluffs), strategic entrepreneurial behavior can be achieved and trained. The second chapter presents and summarizes the understandings of the distinctive core competencies of the entrepreneurial manager and to outline the challenges to their development as a basis for future research and development projects. The author distinguishes and discusses two views about the idea of entrepreneurial manager – the entrepreneurial manager as an entrepreneur who is managing his own business and the manager who plays the role of internal entrepreneur in large established enterprises. The author also tries to outline the common ideas coming from both views as well as to make a critical review of the extracted both conceptually and empirically key entrepreneurial and managerial competencies in different environments and organizational contexts. The last chapter explores leadership processes within SMEs emphasized as a unique opportunity to observe the genesis of collective cognition and its transformation into collective competence. The authors argue that a close examination of SMEs' interactions between leaders and employees reveals that these interactions strongly contribute to building collective cognition and competences that further impact strategic business outcomes. SME leaders build a strategy coordination system on the basis of collective cognition and competences that articulate three different phases: the communication of the leader's vision and its evolution/transformation, the assessment of the structure, processes, business model, and functioning of the enterprise, and the development of internal and external interpersonal and business interactions. The authors examine bricolage leaders, experimental leaders, and entrepreneurial leaders in the context of this strategic coordination system.

The third section, "Strategic Management in SMEs by Stage of Development," presents the strategic behavior of SMEs at different stages of their development. The first chapter analyzes the problems and opportunities for strategic development and crucial role of entrepreneur (even at the start up stage). The chapter draws on what is involved in becoming strategic in an active and experience sense in small business. Strategy practice is distributed across all the social interactions that are necessary to take a concept, transform it into a marketable service or product, and do this in an ongoing and profitable manner. Many of these interactions will be a consequence of the social capital available to the nascent entrepreneur or small business operator through existing personal and professional networks or those they create around their business. The second chapter in this section examines the growth strategies of SMEs, identifying the key factors influencing growth and its support in different contexts. Using the results of surveys in 211 Portuguese firms, the authors demonstrate how the life cycle of companies, their resources, competencies, motivations, and surrounding environment influence the Strategic Entrepreneurial Orientation (SEO) of SMEs. The empirical evidence shows how SEO—across four specific dimensions: proactiveness, innovativeness, risk-taking, and competitive aggressiveness—clearly impact the growth of these SMEs. The internationalization of SMEs is important from both a theoretical and practical point of view, and following this consequently, chapter three presents different views on internationalization. Comparative analysis shows the relative advantages/shortages of different schools, concepts, and alternatives, and a new model of internationalization is launched. This model, thanks to the supposed variables (roots of resources and development and direction through which these resources are valorized) and mechanisms, offers interesting theoretical and managerial insights for the analysis of the internationalization process characterized by increasing uncertainty.

The fourth section of the book, "Strategic Management at Different Types (Subgroups) of SMEs," considers the manifestation of strategic management in different types of SMEs. The first chapter in this section underlines there is little research that analyses the nature and direction of strategy and strategic change in family firms. The authors propose building blocks for formulation and implementation of strategy. Three categories of strategic change are defined, namely Restructuring, Expansion, and Transformation. Strategy demands discipline and continuity. In this sense, family firms have advantage because they are less focused on short-term financial results and instead adopt a more long-term vision. At the same time, family firms are under the danger not to recognize the signals for strategic change from external sources and because of internal closeness. In the second chapter, the authors determinate the importance of knowledge transfer in the multistage succession process in the family firms. At the same time, they underline in family firm succession that knowledge transfer is most often not managed at all or poorly managed at best. This chapter aims at identifying context-based knowledge transfer strategies and at developing a typology of transfer constellations. Based on theoretical analysis and empirical research, the authors established a framework for the deviation of context-based knowledge strategies within family SMEs. In the third chapter, internal non-family succession was explored and used as a case of smaller company to shed light on how the firm is preparing for this type of succession. With regard to succession preparation, insights into the aspects of successor selection, successor training, and employee involvement in the succession process and performance measurement systems are provided. Despite the small example for illustration, the authors believe it is important to present in a clear way the succession process in non-family firm. The fourth chapter is devoted to strategic management in sports business and shows that a democratic approach is a desired style of work, but not for everyone and every company. It requires certain conditions for application, obtaining specific expertise and willingness of managers, especially in making strategic decisions. Formulation, implementation, and continuous evaluation are adequate in serving as a broad guide to the strategic management process of sport organizations and can be refined by sport managers to meet the varying missions across sport organizations.

The book concludes with the fifth section, "Strategic Management of SMEs in Different Contexts (Specifics, Problems, Good Practices)," presenting different views and practices of SM in different countries and continents. The first chapter examines the key role of the Mittelstand (medium-sized) companies as the backbone of the German economy, working in 174 countries. The formal approach in big corporations in strategic management does not really work in the very owner-centric environment of a Mittelstand company. The owners of Mittelstand companies seem to act more intuitive and are more intrinsically motivated than their counterparts in big corporations. The question now is what do Mittelstand companies have in common in their strategic management, which can be generalized? Chapter two analyzes some aspects of strategic management in Italian SMEs, focusing on Management Control Systems (MCS). Although Italy is often seen as a textbook example of successful development of entrepreneurship and SMEs, they are not without their problems. The issue in this chapter is the gap between the strategic management requirements of SMEs and the available MCS. The third chapter deals with the main elements of social capital of SMEs and expressed strategic management through participation in various forms of business (entrepreneurial) networks using examples of Bulgarian SMEs. Participation in such networks allows access to information and resources for solving strategic tasks impossible for the isolated firm. On the other hand, intensive collaboration and networking creates problems and challenges of SMEs and places new requirements to their strategic management. The aim of the fourth chapter is to offer an alternative to the emigration and marginalization currently experienced by indigenous Latin American communities by creating ecotourism ventures in their home territories. This is an introductory work and the preliminary findings highlight the importance not only of social networks in the creation of indigenous SMEs but also of the culture, values, uses, and customs of such communities in the identification of the profile of the indigenous entrepreneur. The authors of the last chapter discuss the challenges of ERP system implementation in Arab SMEs by introducing the main studies conducted in the area. Their intent is to provide readers with a theoretical framework linking business managers' skills and interaction between business managers and IT managers to ERP strategic alignment as main chosen variables. This framework was tested in previous research conducted in the Tunisian context and retested for this study in a Saudi context. Within this context, the authors hope the chapter can be helpful for researchers in ERP strategic alignment, mainly for students and professors in their academic activities.

In brief, this book includes a wide variety of approaches, problems, and discussions in the field done by the contributors. It provides a color and fresh look at some difficult concepts and a field that is difficult to unify. Alongside the established theories and concepts, the reader will encounter a number of issues for discussion promoted and defended by different contributors from many countries. This book is aimed at a wide audience of potential readers, including students, teachers, researchers, entrepreneurs, managers, and policy makers. The editors believe that the book will provide an opportunity to learn about new ideas and methods of strategic management of SMEs in a global cross-cultural context.

Kiril Todorov
University of National and World Economy, Bulgaria

David Smallbone
Kingston University, UK

Acknowledgment

We would like to thank all supporters of this book: (co)authors, members of EAB, reviewers, our assistants and the Publisher. Special thanks to Kostadin Kolarov from UNWE and Austin DeMarco from IGI Global for their significant help in correspondence with authors and preparation of the manuscript for publication.

Kiril Todorov
University of National and World Economy, Bulgaria

David Smallbone
Kingston University, UK

Section 1
Foundations of Strategic Management in SMEs

The objective of this main section is to introduce the reader to the current state, trends and characteristics of strategic management (theory and practice) in SMEs. Analyzed is the impact of external (global) business environment and internal firm environment, the strategy aims to achieve sustainable competitive advantage, even compared to larger companies ("fast eat the slow"). The involved real case studies illustrate the strategic orientation; winning strategies function in dynamic business environments with increasing uncertainty, demonstrating the strategic opportunities and problems of SMEs, especially those with innovative character.

Chapter 1
Strategic Management in SMEs:
An Orientation Approach

Rosalind Jones
University of Birmingham, UK

Susan Sisay
Glyndwr University, UK

ABSTRACT

The chapter examines strategic orientation in small and medium-sized enterprises (SMEs) in response to the growing demand for the generation of new knowledge concerning strategic behaviours of SMEs. Drawing from both strategic management and entrepreneurial marketing literature and using models and recent theoretical developments from published research based in small firms, it explains the sorts of activities, attitudes and behaviours which occur in SMEs and suggests that different strategic orientations generate either increased or decreased profitability and firm growth. It also presents a conceptual model which serves to illustrate the competitive strategic typologies adopted by SMEs and the interrelationship between these strategic typologies and an Entrepreneurial Marketing Orientation (EMO) dimension of SMEs. The authors propose that the dominant strategic orientations of SMEs could be predicted by application of this model in future studies. The chapter concludes with ecommendations and suggestions for future research directions.

INTRODUCTION

This chapter examines strategic orientation in small and medium-sized enterprises (SMEs) which is fast becoming an area of increasing interest and concern (Jones & Parry, 2011; Poutziouris, 2003). This research area is of particular significance to owner-managers of SMEs, business support agencies and policy makers as the way in which an SME orientates, focuses and navigates towards sourcing business opportunities has major implications for firm growth and regional regeneration. SMEs are acknowledged as being vital components of a competitive private sector, dynamic catalysts within the economy, without which it will fall into a state of decay (Bryan, 2000). Key to both national and regional economic growth, SMEs are of increasing importance to governments and international agencies. This high level of interest has resulted in an abundance of research largely with

DOI: 10.4018/978-1-4666-5962-9.ch001

the view to inform policy. As such, development of public policy which supports increasing growth of entrepreneurial and innovative SMEs as well as regions, is of global interest (Eshima, 2003).

The choices that entrepreneurs make in terms of strategic orientation and firm direction are often difficult to disentangle and thus, little has been surfaced on this topic. Yet it is a growing and significant area of research both for developing understanding of how SMEs grow local markets and for sourcing internationalization opportunities. As entrepreneurs are often adept at opportunity seeking, leveraging resources for the firm by networking and developing close, fruitful business contacts in the context of their own industry, much of the firms' strategy and orientation is developed from implicit firm behaviours and significantly influenced by the entrepreneur who is the manager of the firm (Jones & Rowley, 2011). In terms of strategic orientation, there is a significant body of research which acknowledges the relationship between entrepreneurial orientation and positive firm growth. There is also a substantial body of research which identifies that firms which exhibit an entrepreneurial orientation together with a market orientation are often much more successful. Grinstein (2008) also observed that firms with a market orientation combined with other strategic orientations were generally more successful.

However, much of this 'orientation' research has originated in the United States (US) in large sized enterprises (LSEs) and in mass markets. Although there has been some research of strategic orientation in SMEs this has been mainly explored through use of scales and measures, often using scales which are developed in LSEs and hence are only suitable for large organizations. Much less work has been carried out in smaller firms with the exception of such authors as Pelham (2000) and, over the past two decades academic thinking has now developed which now recognises that small firms are not simply smaller versions of larger organizations, but that they behave and operate very differently to their larger counterparts. Hence, further investigation and understanding of strategic orientations in SMEs is required as the implications are that it is very different.

There has also been growing demand for the generation of new knowledge concerning SMEs behaviours, in order to understand why firms take the actions and strategies that they do. Inductive enquiry and qualitative research enables uncovering of previously unknown phenomena and, research of the SME often involves the entrepreneur as the sole respondent or research participant. This chapter takes a step further and tackles the issues of SME behaviour from both the employee and entrepreneur's perspectives as although the entrepreneur is a major influencer of the firm, all employees working in the firm are responsible in some way to the overall behaviour of the SME firm. The chapter then goes on to explain the sorts of activities, attitudes and behaviours which occur in SMEs and demonstrates this by use of models and recent new theoretical developments from published research based in small firms. It then explains how strategic orientations such as an entrepreneurial orientation, can be closely intertwined with other orientations such as marketing orientation, innovation orientation and customer orientation. It also suggests that different strategic orientations generate either increased or decreased profitability and firm growth. The chapter concludes with recommendations and suggestions for future research directions.

BACKGROUND AND LITERATURE REVIEW

Strategic Orientation

Strategic orientation has been described as the directional thrust of a firm based on its perception, motivations and desires which guide the formulation of strategy. Firms respond differently to their environment and their responses can be classified according to their strategic orientations (O'Regan

& Ghobadian, 2006). Strategic orientations could therefore be described as the principles which guide the marketing and strategy making activities of the firm, representing the firm's guiding culture in its interaction with both competitors and customers (Noble et al., 2002). Through the use or, adaptation of a strategy, a firm can favourably align itself with its environment thereby reflecting its strategic orientation (Man & Sriram, 1996).

There are a variety of definitions of strategy. According to Johnson and Scholes (2002) strategy ‘‘ is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations." Strategy has also been defined as "the planned or actual coordination of the firm's major goals and actions, in time and space, that continuously co-align the firm with its environment" (Farajoun, 2002 cited in O'Regan & Ghobadian, 2006, p.606). Hence, we see that the relationship between the right strategy and firm performance is emphasised in both definitions and O'Regan and Ghobadian (2006) refer to several studies that have examined this relationship in SMEs.

Several typologies are commonly used in management research to explain the feasibility of business strategies. Among them are the typologies of Abell (1980), Miller (1992), Porter (1980), Tearcy and Wiersema (1995) and Miles and Snow (1978). Whilst certain similarities could be identified, especially between Miles and Snow's (M&S) strategic typology and those of Porter; the distinguishing feature of M&S is its strategic choice approach. According to O'Regan and Ghobadian (2006), the M&S strategic typology focuses on the organisation's dynamic process of adapting to environmental changes and uncertainty. It therefore considers the strategic and organisational trade-off between external and internal factors (Hambrick, 2003). Kald et al. (2000) notes that M&S's strategic typology dealt with strategic orientation whilst Porter's generic strategies dealt with strategic positioning. Research therefore suggests that Porter's model of competitive strategy is unsuited to SMEs as SMEs can only adopt a focused strategy (Rugman & Verbeke, 1987; O'Regan & Ghobadian, 2005). Furthermore, over the past three decades M&S's strategic typology has been extensively tested within various industries (O'Regan and Ghobadian, 2006) and by researchers from various administrative science fields (Hambrick, 2003) and consistently found to be a generic analytical tool for company competence and strategy. According to Hambrick (2003) the typology's comprehensiveness of organisational attributes strategic orientation, organisational features and management process is remarkable. In addition it has been deemed most appropriate for use by SMEs in analysing themselves and their competitors (Rugman and Verbeke, 1987). Based on the foregoing this chapter will therefore adopt the M&S strategic typology in discussing the strategic orientations of SMEs.

Miles and Snow's Strategic Typology

As stated above, M&S's strategic typology focuses on the strategic orientation of the firm; how the firm's strategy aligns with its operating environment. The chapter authors maintain that three key issues have to be addressed by firms in their decision making process: the entrepreneurial problem (the firm's management of its market share), the engineering problem (its system of production and distribution) and the administrative problem (the structures and processes which support both entrepreneurial and engineering solutions). The pattern of response of the firm to these issues indicates the strategic orientation of the firm, leading to the identification and categorisation of four types of organisations: prospectors, defenders, analysers and reactors. (Therefore within this chapter reference to types refers to the organisational types identified by M&S). Table 1 provides a summary of the four organisational types, the firm's main

Table 1. Summary of Miles and Snow's strategic typology

Strategic Type	Main Focus	Traits
Prospector	Entrepreneurial, Innovation and new Opportunities orientated	External orientation, environmental scanning. Maximize new opportunities. Innovation to meet market needs. Flexibility and freedom from constraining company rules and regulations. Welcomes change and sees the environment as "uncertain."
Defender	Defending existing market Targets a narrow market segment (niche market) Uses variety of means to defend existing market	Narrow range of products or services. Internal orientation, efficiency of existing operations. Uses well established ideas and methods; avoids unnecessary risks. Centralized control and a functional structure are common.
Analyser	Hybrid of prospector and defender types	Operates well in both stable and dynamic markets. Uses efficiency and increased production in stable markets and innovates in dynamic markets.
Reactor	Reacts to change	Short-term planning, reacts to others actions.

focus and firm traits. The authors maintain that each organisational type has a dominant trait which is the result of the key decision maker's perception of the environment and their influence. Therefore the position of the firm on the pro-active/reactive continuum is derived from this perspective. Whilst the prospector, defender and analyser types are can lead to competitive advantage within the industry, the reactor type generally reflects poorly aligned strategy and is unlikely to lead to competitive advantage.

Following on from M&S's identification of the role of key decision makers on strategy and strategic orientation, the next section of this chapter will consider the impact of the entrepreneur's personal and business motivations on SME strategy. As stated earlier, SMEs are largely shaped by the personality and ethos of the entrepreneur, who also heavily influences strategy in the smaller firm (Poutziouris, 2003). Therefore, the strategic orientation of a small business is ultimately, inextricably linked to the personality and business goals of the entrepreneur.

Strategic Orientation and the Entrepreneur

Small businesses are acknowledged by researchers as being able to accommodate diverse business portfolios as well as diverse socio-psychological, personal and familial aspirations. Such diversity makes SMEs idiosyncratic and enigmatic (Poutziouris, 2003). As strategic orientation in SMEs is driven by the personality and characteristics of the entrepreneur, their attitude towards the business operation and vision for the firm will ultimately influence strategic choice, orientation and the overall performance of the firm. Various researchers have examined the different types of entrepreneurs. There is a body of research which identifies certain owner-managers of firms as being life-style entrepreneurs, being focussed on business goals which align with personal life goals. While other researchers identify growth-oriented entrepreneurs. Poutziouris, (2003) citing Stanworth and Curran (1978) define three groups of entrepreneur types – artisan, classical and managerial. Poutzioris went on to further distinguish these as four distinct clusters: status-quo oriented; growth oriented; survival life-style oriented, and; exit route oriented.

Table 2 shows the type of entrepreneur by orientation (in the first column), together with a description of the attitudes and choices made within each firm (in the second column) and finally in the third column, the definition of the strategy adopted in these types of classifications of SMEs.

Table 2. Summary of orientation, firm description and strategy type

Orientation of the entrepreneur	Description	Strategy type
Status-quo control oriented	Not interested in growth/profits.	Reactors
Growth-oriented	Interested in growth and profitability. Willing to take risks	Prospectors Analysers
Survival-lifestyle orientated	Interested in maintaining an autonomous life-style. Majority are family run businesses. Will reject growth to protect the business from outside control/ financial vulnerability.	Defenders Analysers
Exit-route oriented	Not interested in retaining control Looking to sell all or part of business. Focus is on maintaining a viable business for subsequent sale.	Defenders Prospectors Analysers

Table 3. Successful SME strategies

Strategy	Strategy Type	Characteristics
Innovative and pro-active	Prospectors (Entrepreneurial, Innovation and new opportunities orientated) and Analysers (hybrid of prospector and defender)	Innovative firms which utilize technology to achieve competitive advantage. They are generally more flexible than the other two types as they require flexible structures to facilitate innovation. They also make more use of cooperative partnerships and alliances as they need greater access to resources to maintain innovativeness. They are better positioned to react to changes in the environment and are generally better performers.
Customer oriented	Analysers (Hybrid of prospector and defender) and Defenders (defending existing market)	These are less flexible and use more complex organizational structures than prospector firms. Such firms are likely family run businesses. They adopt a customer-orientation exploiting the close, localized and interactive relationships with their customer base.
Modernization	Defender and Analysers	Modernization strategy involves upgrading old and obsolete technology for modern machines with the view to improving production and quality and improve efficiency by reducing wastage. This is representative of mature small businesses which are largely family run and have developed a large and stable customer base.

Aragon-Sanchez and Sanchez-Marin (2005) describe Camison's (1997) study in Spanish SMEs, whereby three successful SME strategy types are identified. These include the following: innovative and proactive SMEs, customer-oriented SMEs and, modernization SMEs. Table 3 shows these identified strategy types in relation to M&S's strategic typologies. Column one illustrates Camison's SME strategy classifications while column two illustrates these SME groups in relation to M&S's strategy types. The third column shows the firm characteristics related to each proposed strategy (Camison, 1997).

Strategic Orientation-The Marketing Perspective

There is a significant body of research on marketing and market orientation, mainly dominant in the large firm mass marketing context. Much less research has been completed in smaller firms or new ventures, but nobly that of Pelham (2000) in the United States (US) while Jones and Rowley (2009, 2011) in the UK initially investigated the role of market orientation in SMEs, then took a multi-faceted approach to firm orientations which is discussed later in this chapter. The US marketing stream is heavily influenced by the market orientation literature pioneered by Kohli and

Jaworski (1990) and Narver and Slater, 1990. The streams of work emanating from these developed scales and measures of market orientation are presented below:

Market Orientation

Firms which are market oriented are widely recognized as having enhanced firm performance and more significant growth trajectories (Kohli & Jaworski, 1990; Narver & Slater, 1990). Kohli and Jaworski (1990) define market orientation as organization wide generation, dissemination and responsiveness of and to, market intelligence on both current and, future customers. Conversely, Narver and Slater (1990) take a behavioural perspective, describing market orientation as an organizational culture which leads to creation of value for customers and by extension, continuous competitive advantage. Using the above definitions, a market orientation therefore consists of customer orientation (an understanding of customers that facilitate the continuous creation of value); competitor orientation (an awareness of competitors capabilities); inter-functional coordination (organization wide involvement in value creation for the customer) and long term profit focus (the overriding business objective) (Mavondo, 2010). In addition, in the SME context, it must be noted that the motives, attitudes to business and values of the entrepreneur play an important role in a firm's market orientation and, it's overall strategic choice. For some entrepreneurs the pursuit of wealth and entrepreneurial growth is not the primary focus and such firms may overlook market opportunities for profit and growth (Poutziouris, 2003).

Market orientation is dominant in the strategic orientation literature and both Kohli and Jaworski and Narver and Slater's models have been extensively revised and replicated in the research of LSEs. For example, Deshpande et al. (1993), Deshpande and Farley (1998) and the "MORTN" scale, Kohli et al. (1993) and the "MARKOR" scale. Little research of market orientation in SMEs has taken place and these works are recorded in Jones and Rowley (2011), but where it has taken place, frequently scales and measures are often used without adaptation to the small firm context.

Notwithstanding its dominance in the orientation literature and established links to firm performance, market orientation is not the only viable orientation (Jones and Rowley, 2009: 2011; Noble et al., 2002). Other orientation literatures are now discussed by way of illustration in the following paragraphs. Later in the chapter, we will argue and demonstrate the interrelationships between these key orientations for SMEs.

Customer Orientation

Customer orientation (CO) emphasizes the importance of customer focus. There are two schools of thought: one which views customer orientation as an organisational culture focused on the creation of customer value and the other which views it as an attitude of dedication to the customer (Jones and Rowley, 2011). SMEs generally have shorter communication lines to their customers as they usually have narrow and localized customer base. This allows for close interactive relationships contributing to higher levels of customer satisfaction and loyalty (Jones & Parry, 2011; Jones & Rowley, 2011; Salavou et al., 2004). Generally, the SME's inherently simple and informal style makes for flexibility which allows them to respond quickly to customer needs and preferences, thereby building customer loyalty (Aragón-Sánchez & Sanchez-Marin, 2005). Various researchers from a range of disciplines have researched the concept. Often customer orientation measures are subsumed within market orientation scales and measures and are viewed interchangeably by researchers, yet the two orientations are very different. This is especially noticeable in SMEs whose entrepreneurial managers are often very customer focussed but much less competitor aware (Jones & Rowley, 2011). Customer orientation is featured not only in services marketing literature (with their focus on customer satisfaction); it is discussed in both sales and marketing literatures (Saura et al., 2005).

Entrepreneurial Orientation

There is a substantial body of research over the last few decades on entrepreneurship, predominantly from the US. This research predominantly focuses on the personality traits of entrepreneurs which largely informs the entrepreneurial orientation measurement scales and constructs. The dimensions of risk taking, pro-activeness and innovation are therefore often incorporated. For example in the work of Lumpkin and Dess, (1996). These dimensions have been further expanded by researchers to include culture, innovation, risk taking and pro-activeness. Khandwalla's (1973) 'ENTRESCALE' has included within it sub-constructs of innovation and pro-activeness, entrepreneurial proclivity and a propensity for risk taking, and has been subsequently refined and much cited in the EO literature and is noted for its reliability and validity in numerous studies (Covin & Slevin, 1989; Khandwalla, 1977; Miles & Snow, 1978).

Innovation Orientation

Schumpeter (1934) describes the entrepreneur as an innovator and a change agent, one who through the creation of new technological processes/products is a "deliberate wrecker of equilibrium." A firm's proclivity towards initiation and/or implementation of different types of innovation reflects its organizational innovativeness (Salavou et al., 2004). The relationship between innovation, MO and company performance has also been recognized in the works of Hurley and Hult, (1998); Jaworski et al., (2000); Slater and Narver, (1998). Narver and Slater (1990) propose that the practice of continuous innovation remains an ever-present element of all three identified components of a market orientation (Tajeddini et al., 2006), while many entrepreneurial activities, such as the identification of new opportunities, the application of innovative techniques, the conveyance of goods to the marketplace and the successful meeting of customer needs in the chosen market, are also elementary aspects of marketing theory (Collinson & Shaw, 2001).

Strategic Orientation and Environmental Factors

Whilst having a market, customer, and entrepreneurship and/or innovation orientation may contribute to business success, survival is also determined by the firm's ability to respond effectively to environmental changes. Strategy is influenced not only by the resources available to the firm and its organizational structure; it is also influenced by environmental and institutional factors (Zhou & Li, 2007). The mediating effect of environmental and institutional factors on the strategic orientation of the firm will now be outlined.

The moderating effect of the environment on the effectiveness of organizational characteristics has long been established. Environmental factors described by researchers include aspects such as market dynamism and technological changes (Gatignon & Xuereb, 1997; Kohli & Jaworski, 1990; Slater & Narver, 1994; Zhou & Li, 2007). An overview of relevant research which highlights the mediating effects of environmental factors on strategic orientation is provided below by the chapter authors in Table 4.

The above summary suggests that the strategic choice of a firm should be considered in the light of the effects of the environment on strategic orientation as it will ultimately impact on SME performance. SMEs should continually endeavour to align their strategy to changes in the environment. However, this is a major challenge for SMEs who are observed to have an informal, ad-hoc, flexible approach to business and marketing planning and

Table 4. Effects of environmental factors on strategic orientation

Author	Orientation	Positive relationship	Negative relationship
Slater and Narver (1998) Zhou and Li (2007)	Customer orientation	Suited to stable markets Linked to high performance when demand uncertainty is low.	Unsuited to dynamic/turbulent markets. Low performance when demand uncertainty is high.
Zhou and Li (2007)	Growth-oriented entrepreneurs	Risk taking and prospective behaviour suitable in less dynamic and hostile environments	In dynamic and hostile conditions growth-oriented firms should be more risk averse
Aragon-Sanchez and Sanchez-Marin (2005)	Technology oriented (innovative and proactive firms)	High performance in high technological turbulence	Negative effect on performance when technological turbulence is low

strategy (Carson, 1995) and where entrepreneurial business and marketing practices are instinctive, implicit and driven by entrepreneurial instinct and experience rather than managerial competencies.

STRATEGIC ORIENTATION AND THE ENTREPRENEURIAL SME

Liberalization of markets, expansion of global giants and subsidiaries and increased transnational trade have changed the competitive landscape for all businesses (Salavou et al., 2004). The challenges faced by SMEs are well documented; lack of resources (including access to qualified human resources), limited finance, lack of strategic expertise and the centralization of control and decision making in a sole entrepreneur (Carson, 1995; Jones & Parry, 2011) are just a few. Smallness of size and resource constraints mean that SMEs do not have the advantage of LSEs, for instance, economies of scale and diversification strategies. Therefore SMEs cannot compete in the traditional sense and generally achieve competitive advantage by creating new markets or products or serving niche market (Carson, 1995; Jones & Parry, 2011). The link between market orientation and business performance has earlier been described. Notably, the absence of market orientation and other skills and competences in SMEs often lead to lower performance levels and higher risks of business failure (Jones & Suoranta, 2011).

Whilst the SME's approach to marketing may not fit established theories (Freel, 2000), successful SMEs are able to capitalize on their unique benefits of 'smallness'. Described as entrepreneurial marketing (EM), SME marketing is characterized by a range of factors including an inherently informal, simple and haphazard approach which gives it a distinctive style. This is the result of various factors including: small size; business and marketing limitations; the influence of the entrepreneur and the lack of formal organizational structures or formal systems of communication. Defined as the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation' (Morris et al., 2002, p. 5), it tends to be responsive and reactive to competition and opportunistic in nature (Carson et al., 1995). It also tends to be highly dependent on networking (Gilmore & Carson, 1999; Gilmore et al., 2001; Miller et al., 2007) and the opportunities it provides for the generation of social capital (Bowey & Easton, 2007; Cope et al., 2007; Miller et al., 2007; Shaw, 2006). Networks facilitate the formation and generation of customer contacts where word-of-mouth recommendation is facilitated through use of inter-organizational network relationships and personal contact networks (Gilmore et al., 2001; Hill & Wright, 2001).

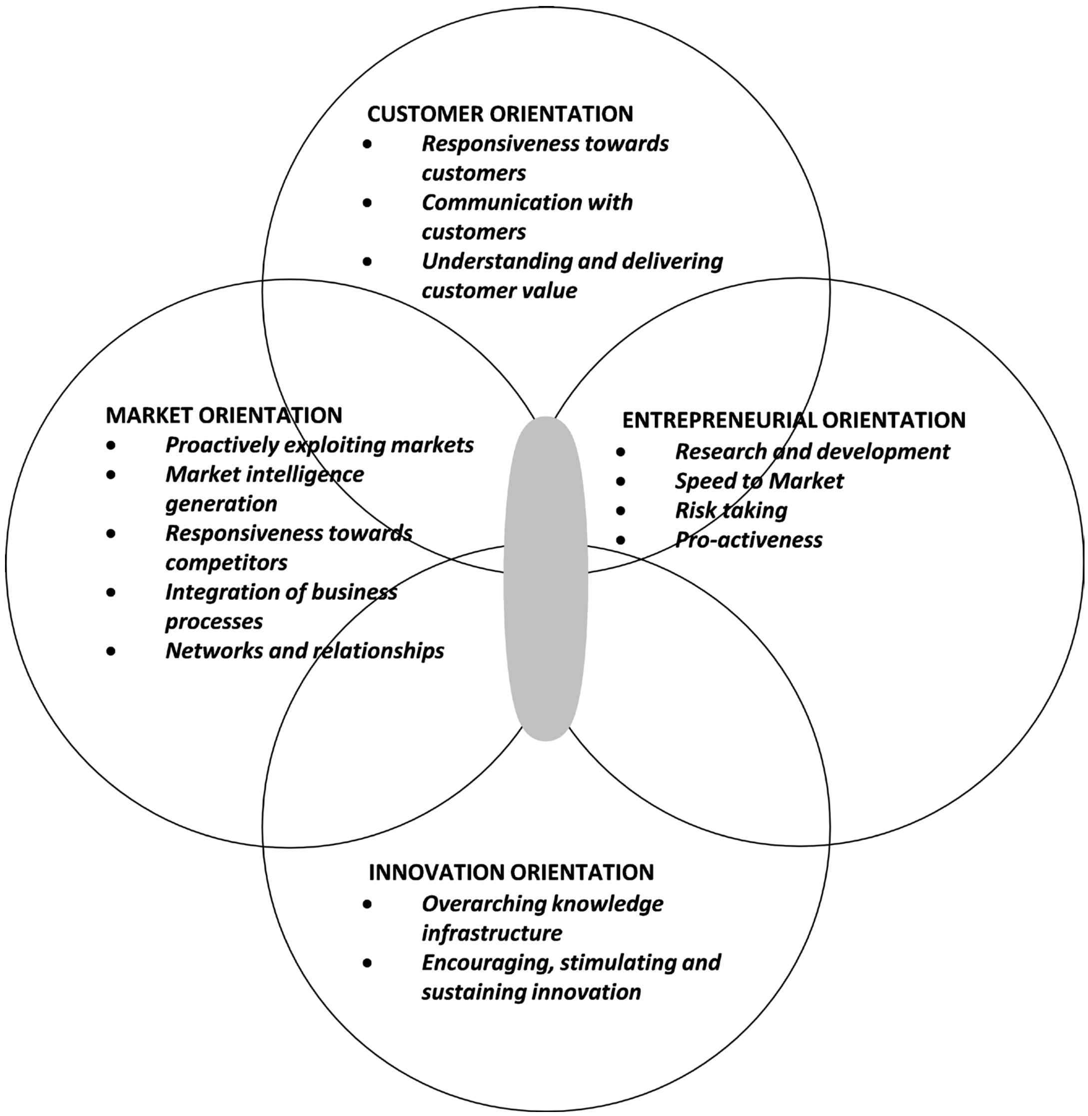
EM behaviour is also viewed as being derived from entrepreneurial thinking, entrepreneurs being innovative, calculated risk takers, proactive and opportunity orientated (Kirzner, 1973) while Hills and Hultman (2006: 222) identified EM behavioural characteristics which included 'marketing tactics often two way with customers' and 'marketing decisions based on daily contacts and networks'. It has also been proposed that marketing has much to offer the study of entrepreneurship (Hills, 1987; Murray, 1981) and, conversely, entrepreneurship can look to marketing as the key function of the firm, which can encompass innovation and creativity (Collinson & Shaw, 2001). Indeed, empirical evidence suggests that there exists a significant correlation between an enterprise's marketing and entrepreneurial orientations, both widely being responsible for corporate success (Miles & Arnold, 1991) and, the relatively recent development of EM theory has generated a substantial body of literature surrounding the interface between marketing and entrepreneurship (Kraus, 2012).

This chapter then, proposes that the EM paradigm should be advanced to include an approach to marketing that is grounded in the knowledge bases of not only marketing, but also innovation, entrepreneurship and, customer engagement and relationships. This philosophical standpoint is operationalised through a focus on 'orientations'. Thus, the conceptual model (Jones & Rowley, 2011) seeks to integrate key facets of the market orientation scales, with facets from customer orientation, entrepreneurial orientation and innovation orientation. In particular, the case is argued for the inclusion of the notion of customer orientation as a distinct component of EM, rather than being subsumed under market orientation. (see Figure 1)

The conceptual model was subsequently developed into the 'EMICO' framework, a qualitative research framework, EMICO being an acronym of the orientations identified in the conceptual model. Development of a qualitative research framework allowed for investigation of activities, attitudes and behaviours in SMEs, in this case, a sample of small technology firms in Wales, UK. Fifteen dimensions were identified from the orientation literature. Using a card based methodology (Müthel & Högl, 2007) participant 'en vivo' responses from employees and entrepreneurs were used to furnish the dimension descriptors and so, significantly, a research framework was built which uncovered a range of activities, attitudes and behaviours, not necessarily the activities that academics using scales and measures would be able to find, establish and test. The EMICO framework is presented in Table 5. Key areas of interest include the significance of networking for marketing and implicit information gathering through network contacts, highly important in fast moving competitive technology markets and vital for the firm to keep pace with new innovations in the market.

Later this research methodology was replicated in a US study in Silicon Valley firms (Jones & Suoranta, 2011), providing two different country ecosystems where strategic orientation, in this case EMO, could be ascertained. The findings were very interesting and significant and, support the earlier assumptions made in this chapter. Although the UK and US software technology SMEs were of similar size, significantly the US firms which exhibited a much greater focus on entrepreneurial orientation, market orientation (competitor awareness) and innovation orientation (high speed new product development 'NPD' launches) had significantly higher growth. Whereas UK firms had a collegiate approach to competitors, a customer oriented approach which limited capacity to innovate (reducing time to produce NPDs) and, an incremental small-step approach to innovation. UK SMEs were much less aware of direct competitors and felt speed to market and a sales driven approach was much less important. They were also less entrepreneurial and less likely to

Figure 1. The SME Entrepreneurial Marketing Orientation (EMO) conceptualised model (Model extracted from Jones and Rowley, 2011)



seize market opportunities. These factors hindered growth along with the more obvious disadvantage of not being situated in a geographical area rich with technology experience, angel investors and network contacts.

Table 6 illustrates the firm growth comparison between the US and UK firm samples. The firms chosen were categorized following data collection. Firms were classified either being high growth, medium growth and incremental (slower) growth. Classification was by growth of employees, annual sales, and percentage increase in profit of the last 5 years. The US firms had a higher ratio of high growth firms. Four UK firms were incremental (slow growth firms) while the US had no firms in the incremental category.

Table 7 shows the amount of sales and marketing employees per firm classification. Firms with incremental growth in the UK sample had no designated specialist marketing or sales resource.

Table 5. The 'EMICO' Framework

Entrepreneurial Orientation = EO dimensions
Research and Development – Descriptors: Level of emphasis on investment in R&D; technological leadership and innovation.
Speed to Market – Descriptors: Stance of the firm; competitive; collaborative; follower; leader; defensive.
Risk Taking – Descriptors: Calculated risk taking; preparedness to seize opportunities; preference for both incremental and transformational acts; reliance on intuition and experience.
Pro-activeness – Descriptors: Commitment to exploiting opportunities; inherent focus of recognition of opportunities; passion, zeal and commitment.
Market Orientation = MO dimensions
Exploiting Markets – Descriptors: Vision and strategy are driven by tactical successes; planning, or lack of, in short incremental steps; proactively exploiting smaller market niches; flexible, customization approach to market; marketing decisions linked to personal goals and long term performance.
Market Intelligence Generation – Descriptors: External intelligence gathering; informal market research generation; gathering marketing intelligence through personal contact networks (PCNs) and web-based networks.
Responsiveness towards Competitors – Descriptors: Reactive to competitor's new products (NPDs); niche marketing strategies; differentiation strategies using product quality; software innovation; quality and responsiveness of software service support; competitive advantage based on understanding of customer needs.
Integration of Business Processes – Descriptors: Closely integrated functions, R&D, marketing etc; sharing of resources; product/ venture development is interactive; formal processes, project planning, project management; marketing that permeates all levels and functional areas of the firm.
Networks and Relationships – Descriptors: Resource leveraging; capacity for building network and business competence; use of personal contact networks (PCNs); creation of value through relationships/alliances; intra-firm networks; market decision making based on daily contact and networks.
Innovation Orientation = IO dimensions
Knowledge Infrastructure – Descriptors: Formalized IT-based knowledge infrastructures; formal and informal policies, procedures, practices and incentives; gathering and disseminating information.
Propensity to Innovate – Descriptors: Processes for sustaining and shaping the organization's culture to stimulate and sustain creativity and innovation; covering all innovation types- new product, services, process and administration.
Customer Orientation = CO dimensions
Responsiveness towards Customers – Descriptors: Responsiveness to customer feedback and behaviour; speedy reaction to shifts in customer preference.
Communication with Customers – Descriptors: Strives to lead customers; formal and 'informal' feedback gathering mechanisms; ongoing dialogue with customers to build long term relationships; successful delivery to customers that builds customer confidence, with marketing based on personal reputation, trust and credibility.
Understanding and delivering customer value – Descriptors: Organization driven by customer satisfaction; understanding of how customers value products/services; closely linked to innovation practices; often two- way marketing with customers; customer knowledge often based on market immersion/interaction.
Promotion and Sales – Descriptors: Organizational focus on sales and promotional activities.

Framework extracted from Jones and Rowley (2009).

Table 6. Firm growth classifications

	High	Medium	Incremental
UK Firms	1	1	4
US Firms	3	3	0

Table extracted from Jones, Suoranta and Rowley (2013).

Table 7. Specialist sales/marketing resource per firm groupings

	High	Medium	Incremental
UK Firms	2	1	0
US Firms	28	23	

Table extracted from Jones, Suoranta and Rowley (2013).

The two UK firms with medium and high growth categories had specialist sales and marketing resources at a senior level. In the US sample there was a marked difference in that firms had significantly larger teams of sales and marketing employees and a very close engineering-sales relationship.

Having presented the empirical findings which will be referred to later in the chapter, we now explore the role of culture within SMEs in this context in an effort to extrapolate deeper understanding of firm orientation, entrepreneurial behaviour and strategic orientation.

SME Orientation, Structure, and Culture

There is relatively little written about the relationship between organisational culture, firm structure and strategy, especially within the research context of SMEs. According to Hofstede (1984) culture refers to the way things are done in a business. It is the conduit through which the firm's strategy is developed and deployed by key decision makers. It can, however, impede the implementation of new ideas and processes (Morgan, 1989). Culture is influenced by various factors, including the entrepreneur. It is therefore a critical aspect for discussion when explaining the role of strategic orientation of SMEs (being greatly influenced by the entrepreneur). According to O'Regan and Ghobadian (2006), research on small firms and the role of culture is limited. Their research found that prospector type firms within their sample adopted a transformational style of leadership which emphasised a flexible, decentralised organisational structure that welcomed change. Defender type firms on the other hand were found to adopt a more transactional form of leadership resulting is a centralised and functional structure. Their findings suggest a link between strategic orientation and organisational culture. Further support for this link is found in the work of Jones and Rowley (2011). A centralised structure is evident in the majority of UK firms within the sample with the absence of designated sales and marketing teams. Where evident, it is situated at senior level within the firm highlighting the functional structure of the firm. These firms have been identified as largely defender type firms. The US firms which have been classified as prospector types evince a more decentralised structure. Ghoshal (2003) identified the organisational structures within the different firm types. However, as Ghoshal's work is based on a multinational company- Sony, the chapter authors have adapted the key concepts to apply to the firm context of SMEs and these are summarised in Table 8.

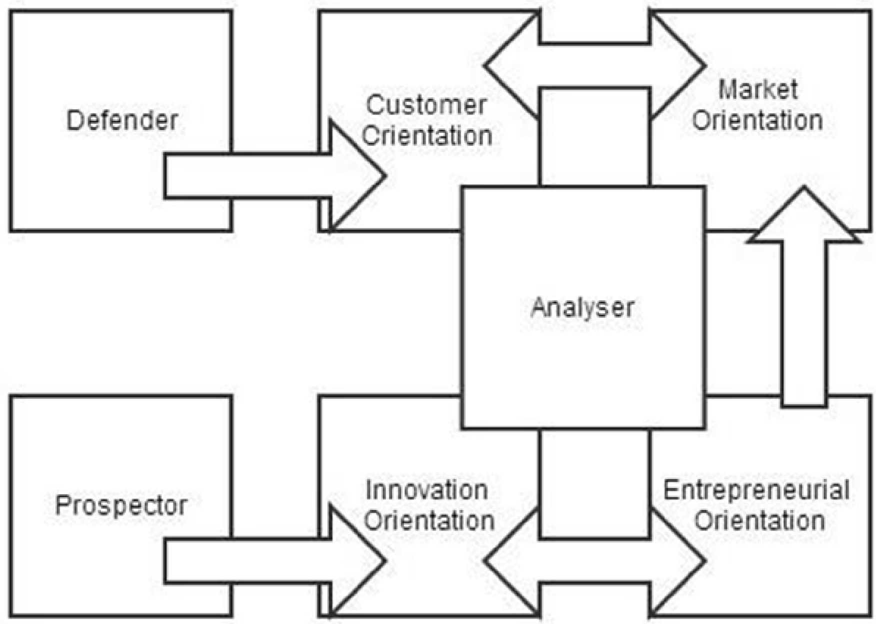
PRESENTATION OF A STRATEGIC TYPOLOGY EMO (STEMO) MODEL

The chapter authors have drawn together the aforementioned literature together with prior empirical findings presented in this chapter, in order to present a conceptual model which serves to illustrate successful strategic typologies adopted by SMEs

Table 8. Organisational structure and management of SMEs

Strategy type	Ghoshal's Organisational structure.	Applicability to SMEs
Prospector	Large, diverse and transitory top management team.	Technically competent; largely non-family management teams Decentralised/devolved control.
Defender	Functional organisation.	Long serving; largely family management teams Centralised control.
Analyser	Matrix structure (a combination of functional structures and project teams).	A mixture of family and technically competent managers Moderately centralised control with horizontal sharing.

Figure 2. Strategic Typology EMO model (STEMO) model



and the interrelationship between these strategic typologies and an Entrepreneurial Marketing Orientation (EMO). In so doing, the authors propose that that the dominant strategic orientations of SMEs could be predicted by application of this model in future studies. The STEMO model is presented in Figure 2. This model presents the three competitive typologies (prospector, defender and analyser) together with the interrelated EMO dimension in the context of SMEs.

According to M&S strategy typologies, there are four strategy types (illustrated in Table 1). These typologies are then integrated (in Table 2) with classifications of SMEs identified by researchers, highlighting types of entrepreneur by orientation, attitudes and choices made within each firm and finally, the definition of the strategy adopted in these types of SMEs. Using Table 2, the chapter authors suggest that growth oriented entrepreneurs and their businesses are more aligned to prospector type businesses- proactive, risk -takers. Defenders may be entrepreneurs with survival-lifestyle orientations and analysers, with their adaptive capabilities may be either. All may be exit-oriented, focused on developing and maintaining a profitable business for subsequent sale. While the EMO model is developed from a behavioural, firm orientation perspective, positing that entrepreneurial SMEs exhibit a range of implicit behaviours which drive the orientations (s) within the firm. The four different orientations observed in small software technology firms support this notion and the role of inter-acting and overlapping orientations in the form of EMO (entrepreneurial, market, customer and innovation orientation).

Based on the evidence here, the authors assert that the likelihood is that defender SMEs with their focus on carving market niches and defending market share may demonstrate a strong customer orientation together with some aspects of market orientation, such as, responsiveness to competitors and integration of business processes for firm efficiency. It is proposed that these types of firms may largely be managed by survival-life style entrepreneurs. Prospectors may evidence strong entrepreneurial and innovation orientations. Market orientation in particular, aspects of market intelligence, networks and relationships and pro-active exploitation of markets may also be evident. It is suggested that this behaviour is akin to the growth-oriented entrepreneur. Analyser SMEs being hybrids of prospectors and defenders may demonstrate all orientations depending on their environment. In stable environments, firms may adopt defender type orientations and in dynamic environments demonstrate prospector type orientations. Therefore, an analyser type entrepreneur (depending on their pervasive environment) may adopt the pro-active, risk taking behaviour of a growth oriented firm or the cautious, incremental approach of the defender. As already stated, all three categories of firms identified may be exit-oriented. It must also be emphasised that this is not an attempt to differentiate between the orientations as this would render understanding of SME marketing unfruitful (Jones and Rowley, 2011). Rather, the model suggests a link between the typologies of firms, the attitudes of the entrepreneur and the predominant orientations of their business. Thus, whilst all the orientations may be evident to a certain degree within the SME, the primary emphasis or focus will be different depending on the attitude and orientation (s) focus of the entrepreneur.

The findings from the UK and US study above can be used to explain the potential usefulness of the STEMO model. These findings suggest that US based entrepreneurs are generally more entrepreneurial, innovative and market oriented than their UK based counterparts. Prospectors in general, adopt an innovative focus with their constant search for new opportunities. They are also flexible and entrepreneurial (Ghoshal, 2003), being pioneers of both product and market development. According to M&S (1978) prospectors are generally high performers. The US firms could therefore be described as prospectors or analysers (operating in a dynamic environment). The US entrepreneurs manage SMEs which have a growth orientation and this is supported by evidence of higher growth among the US firms (Table 5). The findings also suggest that UK based firms in the sample on the other hand, are more customer oriented, adopting an incremental approach to innovation and being much less opportunistic than their US counterparts. This evidence suggests strong similarity to defender type firms or analysers in a relatively stable environment. UK SMEs engage in little or no new product or market development. Competitive advantage is maintained by improving productivity and efficiency. This is further supported by the absence of designated sales and marketing resource within the UK firms (see Table 6) as defender type firms are generally centralized with a functional structure (see Table 1). From the above, it may be argued that the UK entrepreneurs are more like to fall into the survival-lifestyle type category.

The above findings also suggest that strategic orientation and strategy are intertwined as the orientations emphasised by the firms indicate the overall strategy being pursued. In the case of SMEs this is also linked to the attitude of the entrepreneur. According to M&S (1978), the organisation's structure and approach is partially pre-ordained by the environment and, the critical drivers of organisational structure and processes are the responsibility of the firm's managers. As the UK and US studies, which contain similar groups of sample firms, but in two different country environments, M&S's assertions lay weight to the STEMO model and the EMO comparative research. Based on M&S's assertions and, applied to the SME context, the entrepreneur's decision making, which is influenced by his or hers own attitudes and behaviours may influence the strategic orientation of the SME, whereas the environmental factors may very much determine the organisational structures and process of the firms. The culture of the small business is very much driven and influenced by the entrepreneur and thus, deserves some attention in relation to strategic management in SMEs.

CONCLUSION AND RECOMMENDATIONS

This chapter has presented a range of viewpoints on strategy and the SME, from a range of perspectives contained within both mainstream strategic business management in LS's and, SME research. Tables and figures within this chapter help to articulate the issues for researchers and for managers of contemporary SMEs, in dynamic market and industry environments. Our responsibility as researchers is to explore and to identify successful, reliable growth trajectories for entrepreneurial, high growth SMEs. Little of this can be understood from the application of research tools, concepts and models developed mainly in LSEs and in mass markets. That said, as this chapter has illustrated, some theories and concepts can and may be, adapted and adopted for use in SME research.

This chapter has focussed largely on strategic management and the complex relationship between strategic management and strategic orientations. As we move into an era of hi-technology, globalised markets and competitiveness using high speed delivery market innovations, much more needs to be understood about strategy in both the LSE and SME contexts, however, inductive and exploratory research within SMEs research allows for developing deep and more meaningful insights as to how firms orientate and navigate their way in competitive and challenging environments. The work in this chapter includes identification of successful types of SME strategies identified by researchers and core dominant orientations in the literature together with the notion of strategic orientation in relation to the challenging environments faced by small, entrepreneurial high growth firms. Therefore, the themes and topics discussed in this chapter, relating to strategy and orientation have provided an overview for readers from both a strategy and an orientation perspective.

Entrepreneurial Marketing concepts, models and frameworks which elucidate our understanding of inter-related orientations in software technology contexts, together with M&S's strategic typologies and the works of mainstream and SME strategy researchers evidence that there is a requirement for entrepreneur's and owner-managers of SMEs to become familiar with the pre-dominant culture and orientation of their firm and, more aware of the implicit activities, attitudes and behaviours exhibited within their firm. The strategic orientation of the SME is heavily influenced by the entrepreneur and this very much, impacts upon the growth or conversely, failure of the SME. Indeed, strategic orientation represents the competitive strategy of a firm which ensures improved firm performance and in this regard is integral to organizational effectiveness (Morgan & Strong, 1998). As a man-made construct, it reflects how a firm operates (Cadogan, 2012). However, it is does not drive success at every level of the performance metrics and there are limits to its outcomes. These limits are linked to its alignment with organizational resources, environmental and institutional factors. That being said, there are many examples of a positive correlation to performance and organizational structure which has consistently been proven.

Despite research on strategic orientations, little has been uncovered which would generate insights into how and why SMEs switch from one orientation (or set of specific activities, or focus) to another. We simply understand that it is much more beneficial to use a combination of orientations and that some combinations bring greater rewards than others, as with the US and UK study reported here. The STEMO model is an interesting first step into developing our understanding as to the strategic typologies that firms may use and the orientation or focus that this may produce in the SME. In developing deeper understanding of this of course, we may need to know far more about the role of the entrepreneur, the culture of the SME and the environment in which the firm is situated. For example, challenging environments and fast paced technology markets are much more likely to produce successful firms which are entrepreneurial, innovative and are making radical changes in the market place. The intention of the STEMO model is to demonstrate the potential for exploring strategy and orientation at the same inter-face, and to begin the process of understanding how strategic management can and may influence the orientation (s) and directions of the SME. Aragón-Sánchez and Sánchez-Marín (2005) proposed a resource-based view whereby SMEs with prospector strategies were found to have 'tenure' which, they suggested in itself had no influence on the company, or on their behaviour or on performance, however, the prevailing strategic orientation of the firm provided conditions for a specific type of management and competitiveness which enabled them to have a prospector strategy. Aragón-Sánchez and Sánchez-Marín (2005) emphasise the importance of SME strategic orientation arguing that it is fundamental for the smaller firm, being influential in determining the SME's management, determining firm performance and also, those with a prospector strategy are more likely to have greater capacity for managing and adapting to the current market place. Likewise firms who have strategic orientations which are combined are more likely to have greater performance (Grinstein, 2008) and those with a focus on EO, MO and IO are more likely to succeed in challenging, highly competitive markets (Jones, Suoranta & Rowley, 2013).

Hence, such SME research as this, inevitably provides useful managerial and research implications by reporting successful growth strategies for SME firms, whilst also taking into account the different opportunities offered to entrepreneurs in two country contexts in the US and the UK. Future research could include expansion of the research to different SME industry sectors in order to explore industry variations. Also studies in less developed regions and countries would also provide an opportunity to observe how firms orient themselves where traditionally enterprise and entrepreneurship has not been actively encouraged. Future development of a quantitative measurement scale that is based on the EMO dimensions would allow larger scale comparison of strategic orientations in different countries. The STEMO model could also be applied and tested with a comparative sample group of SMEs and industries to enable exploration and 'mapping' of EO, MO, IO and CO together with the SME's pervasive strategic typology in order to discover as the chapter authors posit, that SMEs which are more entrepreneurial, market and innovation orientated are more likely to have a prospector strategy and to have more successful outcomes.

Policy and business support implications include the facilitation and development of geographically situated industry networks, angel investors and developing a local skilled workforce. For it is likely that the SMEs local market embeddedness in industry knowledge rich geographic networks such as Silicon Valley undoubtedly support firm growth. Business support agencies should also consider raising awareness with entrepreneurs of aligning organisational capabilities with the external environment and, renewing the SME's focus onto having an experienced salesforce and investment not only in innovations but in marketing and new markets. Managerial recommendations include the use of the EMICO framework as a tool kit, for managers to explore within their own firm, the way in which they orientate themselves, becoming more aware of themselves as the entrepreneur and what characteristics, influence and viewpoints they bring to the business and, what the firm currently focuses on. As the entrepreneur become reflective as to his/her own position in the SME and, investigates in an informal fashion the sorts of activities, attitudes and behaviours in their firm, it becomes relatively easy to see the overall orientation of the firm. By benchmarking this position and refocusing their strategic orientation (or more powerful combination of orientations), the SME can re-engage with a new focus and re-orientate itself within the environment.

REFERENCES

Abell, D. F. (1980). *Defining the business: The starting point of strategic planning*. Englewood Cliffs, NJ: Prentice-Hall.

Aragón-Sánchez, A., & Sánchez-Marín, G. (2005). Strategic orientation, management characteristics, and performance: A study of Spanish SMEs. *Journal of Small Business Management*, *43*(3), 287–308. doi:10.1111/j.1540-627X.2005.00138.x

Bowey, J. L., & Easton, G. (2007). Entrepreneurial social capital unplugged. *International Small Business Journal*, *25*(3), 272–306. doi:10.1177/0266242607076528

Bryan, J. (2000). Small firms in Wales. In J. Bryan, & C. Jones (Eds.), *Wales in the 21st century* (pp. 55–68). Great Britain: Macmillan Press Limited. doi:10.1057/9780333981535

Cadogan, J. W. (2012). International marketing, strategic orientations and business success: Reflections on the path ahead. *International Marketing Review*, *29*(4), 340–348. doi:10.1108/02651331211242656

Camison, C. (1997). *La Competitividad de la PYME Industrial Espanola: Estrate-gia y Competenceis Distintivas*. Madrid, Spain: Civitas.

Carson, D., Cromie, S., McGowan, P., & Hill, J. (1995). *Marketing and entrepreneurship in SMEs: An innovative approach*. London: Prentice Hall.

Collinson, E., & Shaw, E. (2001). Entrepreneurial marketing–A historical perspective on development and practice. *Management Decision*, *39*(9), 761–766. doi:10.1108/EUM0000000006221

Cope, J., Jack, S., & Rose, M. B. (2007). Social capital and entrepreneurship: An introduction. *International Small Business Journal*, *25*(3), 213–219. doi:10.1177/0266242607076523

Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, *10*(1), 75–87. doi:10.1002/smj.4250100107

Eshima, Y. (2003). Impact of public policy on innovative SMEs in Japan. *Journal of Small Business Management*, *41*(1), 85–93. doi:10.1111/1540-627X.00068

Freel, M. S. (1999). Where are the skills gaps in innovative small firms? *International Journal of Entrepreneurial Behaviour & Research*, *5*(3), 144–154. doi:10.1108/13552559910371095

Freel, M. S. (2000). Barriers to product innovation in small manufacturing firms. *International Small Business Journal*, *18*(2), 60–80. doi:10.1177/0266242600182003

Gatignon, H., & Xuereb, J. (1997). Strategic orientation of the firm and new product performance. *JMR, Journal of Marketing Research*, *34*(1), 77–90. doi:10.2307/3152066

Ghoshal, S. (2003). M&S: Enduring insights for managers. *The Academy of Management Executive*, *17*(4), 109–114. doi:10.5465/AME.2003.11851879

Gilmore, A., & Carson, D. (1999). Entrepreneurial marketing by networking. *New England Journal of Entrepreneurship*, *2*(2), 31–38.

Gilmore, A., Carson, D., & Grant, K. (2001). SME marketing in practice. *Marketing Intelligence & Planning*, *19*(1), 6–11. doi:10.1108/02634500110363583

Ginsberg, A., & Venkatraman, N. (1985). Contingency perspectives of organizational strategy: A critical review of the empirical research. *Academy of Management Review*, *10*(3), 421–434.

Grinstein, A. (2008). The effect of market orientation and its components on innovation consequences: A meta-analysis. *Journal of the Academy of Marketing Science*, *36*(2), 166–173. doi:10.1007/s11747-007-0053-1

Hambrick, D. C. (1983). High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, *26*, 687–707. doi:10.2307/255916

Hambrick, D. C. (2003). On the staying power of defenders, analysers, and prospectors. *The Academy of Management Executive*, *17*(4), 115–118. doi:10.5465/AME.2003.11851883

Hill, J., & Wright, L. T. (2001). A qualitative research agenda for small to medium-sized enterprises. *Marketing Intelligence & Planning*, *19*(6), 432–443. doi:10.1108/EUM0000000006111

Hills, G. E. (1987). Marketing and entrepreneurship research issues: Scholarly justification?. *Research at the Marketing/Entrepreneurship Interface,* 3-15.

Hills, G. E., & Hultman, C. M. (2006). Entrepreneurial marketing. In S. Lagrosen, & G. Svensson (Eds.), *Marketing – Broadening the horizons*. Denmark: Studentlitteratur.

Hofstede, G. (1984). *Cultures consequences: International differences in work-related values*. Beverly Hills, CA: Sage.

Hurley, R. F., & Hult, G. T. M. (1998). Innovation, market orientation, and organizational learning: An integration and empirical examination. *Journal of Marketing*, *62*(3), 42–54. doi:10.2307/1251742

Jaworski, B., Kohli, A. K., & Sahay, A. (2000). Market-driven versus driving markets. *Journal of the Academy of Marketing Science*, *28*(1), 45–54. doi:10.1177/0092070300281005

Johnson, G., & Scholes, K. (2002). *Exploring corporate strategy* (6th ed.). Harlow, UK: Pearson Education.

Jones, R., & Parry, S. (2011). Business support for new technology-based firms: A study of entrepreneurs in North Wales. *International Journal of Entrepreneurial Behaviour & Research*, *17*(6), 645–662. doi:10.1108/13552551111174710

Jones, R., & Rowley, J. (2009). Presentation of a generic 'EMICO' framework for research exploration of entrepreneurial marketing in SME. *Journal of Research in Marketing and Entrepreneurship*, *11*(1), 5–21. doi:10.1108/14715200911014112

Jones, R., & Rowley, J. (2011). Entrepreneurial marketing in small businesses: A conceptual exploration. *International Small Business Journal*, *29*(1), 25–36. doi:10.1177/0266242610369743

Jones, R., Suoranta, M., & Rowley, J. (2013). Entrepreneurial marketing: A comparative study. *The Service Industries Journal*, *33*(7-8), 1–15.

Kald, M., Nilsson, F., & Rapp, B. (2000). On strategy and management control: The importance of classifying business. *British Journal of Management*, *11*, 97–212. doi:10.1111/1467-8551.00161

Khandwalla, P. N. (1977). *The design of organizations*. New York: Harcourt Brace Jovanovich.

Kirzner, I. M. (1979). *Perception, opportunity, and profit: Studies in the theory of entrepreneurship*. Chicago: University of Chicago Press.

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, *54*(2), 1–18. doi:10.2307/1251866

Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, *21*(1), 135–172.

Manu, F. A., & Sriram, V. (1996). Innovation, marketing strategy, environment, and performance. *Journal of Business Research*, *35*(1), 79–91. doi:10.1016/0148-2963(95)00056-9

Mavondo, F. (2010). The marketing concept and market orientation: Evolving definition of marketing. In S. Nwankwo, & T. Gbadamosi (Eds.), *Entrepreneurship marketing: Principles and practice of SME marketing* (pp. 45–54). New York: Routledge.

Miles, M. P., & Arnold, D. R. (1991). The relationship between marketing orientation and entrepreneurial orientation. *Entrepreneurship Theory and Practice*, *15*(4), 49–65.

Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.

Miles, R. E., Snow, C. C., Meyer, A. D., & Coleman, H. J. Jr. (1978). Organizational strategy, structure, and process. *Academy of Management Review*, *3*(3), 546–562. PMID:10238389

Miller, D. (1992). The Icarus paradox: How exceptional companies bring about their own downfall. *Business Horizons*, *35*(1), 24–35. doi:10.1016/0007-6813(92)90112-M

Miller, N. J., Besser, T., & Malshe, A. (2007). Strategic networking among small businesses in small US communities. *International Small Business Journal*, *25*(6), 631–665. doi:10.1177/0266242607082525

Morgan, G. (1989). *Creative organization theory: A resource handbook*. London: Sage.

Morgan, R. E., & Strong, C. A. (1998). Market orientation and dimensions of strategic orientation. *European Journal of Marketing*, *32*(11/12), 1051–1073. doi:10.1108/03090569810243712

Morris, M. H., Schindehutte, M., & LaForge, R. W. (2002). Entrepreneurial marketing: A construct for integrating emerging entrepreneurship and marketing perspectives. *Journal of Marketing Theory and Practice*, *10*(4), 1–19.

Morrish, S. C., Miles, M. P., & Deacon, J. H. (2010). Entrepreneurial marketing: acknowledging the entrepreneur and customer-centric interrelationship. *Journal of Strategic Marketing*, *14*(4), 303–316. doi:10.1080/09652541003768087

Murray, J. A. (1981). Marketing is home for the entrepreneurial process. *Industrial Marketing Management*, *10*(2), 93–99. doi:10.1016/0019-8501(81)90002-X

Müthel, M., & Högl, M. (2007). Initial distrust–On the role of perceived dishonesty in international innovation teams. *Zeitschrift für Betriebswirtschaft*, *4*(special issue), 103–124.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, *54*(4), 20–35. doi:10.2307/1251757

Noble, C. H., Sinha, R. K., & Kumar, A. (2002). Market orientation and alternative strategic orientations: A longitudinal assessment of performance implications. *Journal of Marketing*, *66*(4), 25–39. doi:10.1509/jmkg.66.4.25.18513

O'Regan, N., & Ghobadian, A. (2005). Innovation in SMEs: The impact of strategic orientation and environmental perceptions. *International Journal of Productivity and Performance Management*, *54*(2), 81–97. doi:10.1108/17410400510576595

O'Regan, N., & Ghobadian, A. (2006). Perceptions of generic strategies of small and medium sized engineering and electronics manufacturers in the UK: the applicability of the M&S typology. *Journal of Manufacturing Technology Management*, *17*(5), 603–620. doi:10.1108/17410380610668540

Pelham, A. M. (2000). Market orientation and other potential influences on performance in small and medium-sized manufacturing firms. *Journal of Small Business Management*, *38*(1), 48–67.

Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275–296.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors: With a new introduction*. New York: Free Press.

Poutziouris, P. (2003). The strategic orientation of owner-managers of small ventures: Evidence from the UK small business economy. *International Journal of Entrepreneurial Behaviour & Research*, *9*(5), 185–214. doi:10.1108/13552550310488929

Rugman, A. M., & Verbeke, A. (1987). Does competitive strategy work for small business? *Journal of Small Business and Entrepreneurship*, *5*(3), 45–50. doi:10.1080/08276331.1988.10600300

Salavou, H., Baltas, G., & Lioukas, S. (2004). Organisational innovation in SMEs: The importance of strategic orientation and competitive structure. *European Journal of Marketing*, *38*(9/10), 1091–1112. doi:10.1108/03090560410548889

Saura, I. G., Contrí, G. B., Taulet, A. C., & Velázquez, B. M. (2005). Relationships among customer orientation, service orientation and job satisfaction in financial services. *International Journal of Service Industry Management*, *16*(5), 497–525. doi:10.1108/09564230510625787

Shaw, E. (2006). Small firm networking an insight into contents and motivating factors. *International Small Business Journal*, *24*(1), 5–29. doi:10.1177/0266242606059777

Slater, S. F., & Narver, J. C. (1993). Product-market strategy and performance: An analysis of the M&S strategy types. *European Journal of Marketing*, *27*(10), 33–51. doi:10.1108/03090569310045870

Slater, S. F., & Narver, J. C. (1994). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing*, *58*(1), 46–55. doi:10.2307/1252250

Slater, S. F., & Narver, J. C. (1998). Research notes and communications customer-led and market-oriented: Let's not confuse the two. *Strategic Management Journal*, *19*(10), 1001–1006. doi:10.1002/(SICI)1097-0266(199810)19:10<1001::AID-SMJ996>3.0.CO;2-4

Slater, S. F., & Narver, J. C. (2000). The positive effect of a market orientation on business profitability: A balanced replication. *Journal of Business Research*, *48*(1), 69–73. doi:10.1016/S0148-2963(98)00077-0

Sundqvist, S., Kyläheiko, K., Kuivalainen, O., & Cadogan, J. W. (2012). Kirznerian and schumpeterian entrepreneurial-oriented behaviour in turbulent export markets. *International Marketing Review*, *29*(2), 203–219. doi:10.1108/02651331211216989

Tajeddini, K., Trueman, M., & Larsen, G. (2006). Examining the effect of market orientation on innovativeness. *Journal of Marketing Management*, *22*(5-6), 529–551. doi:10.1362/026725706777978640

Tearcy, M., & Wiersema, F. (1995). *The discipline of market leaders: Choose your customers, narrow your focus, dominate your market*. New York: Perseus Books.

Zhou, K. Z., Gao, G. Y., Yang, Z., & Zhou, N. (2005). Developing strategic orientation in China: Antecedents and consequences of market and innovation orientations. *Journal of Business Research*, *58*(8), 1049–1058. doi:10.1016/j.jbusres.2004.02.003

Zhou, K. Z., & Li, C. B. (2007). How does strategic orientation matter in Chinese firms? *Asia Pacific Journal of Management*, *24*(4), 447–466. doi:10.1007/s10490-007-9048-1

KEY TERMS AND DEFINITIONS

Customer Orientation: An SME's focus on customer satisfaction, developing long term relationships with customers.

EMICO Framework: A qualitative research framework which identifies 15 dimensions relating to Entrepreneurial Marketing activities and behaviours.

Entrepreneurial Marketing Orientation (EMO): A firm's focus on entrepreneurship, marketing and customers and, innovation.

Entrepreneurial Marketing: Entrepreneurial marketing is a term which describes the interface between entrepreneurship and marketing. Innovation takes a third role.

Entrepreneurial Orientation: An SME's focus on entrepreneurial activity, including opportunity seeking, acceptance of risk, proactively innovating (new products) and looking for new markets.

Innovation Orientation: An SME's organization propensity towards innovative activities and behaviours, including creation of new or incremental products.

Market Orientation: An SME's focus on marketing activity, including market, competitor and competitor product/service awareness, integrated business processes to satisfy customers.

STEMO Model: the Strategic Typology Entrepreneurial Marketing Orientation model.

Strategic Orientation: The directional thrust of a firm based on its perception, motivations and desires which guide the formulation of strategy.

Strategic Typology: One of several typologies used to determine the feasibility of business strategies comprising of the prospector, defender, analyser and reactor type strategies.

Chapter 2
Strategic Management Overview and SME in Globalized World

Neeta Baporikar
Sultanate of Oman Ministry of Higher Education, CAS-Salalah, Oman

ABSTRACT

Small and Medium Enterprises (SMEs) play an important role in each economy. Some of them even became market leaders from an international perspective. This stands in stark contrast to the fact that scientific and strategic management research up to date has only rudimentarily covered the field of strategic management of SMEs. Globalization is not a trend, a fad, or an isolated phenomenon. It is an inescapable force. If anticipated and understood, it is a powerful opportunity. If not, it can swiftly destroy businesses and drown organizations. Meanwhile the concern for globalization and its effect on SMEs has grown tremendously over the recent decade. Hence, strategic management becomes critical and deserves more attention due to the threats and opportunities globalization exposes and offers SMEs to at the same time. This chapter intends to make a contribution to this research gap by means of raising the question whether strategic management is feasible and/or necessary for SMEs, identifying suitable concepts of strategic management and their applicability for SMEs so that they can maintain their independence and at the same time blossom to their fullest extent.

INTRODUCTION

SMEs play an important role in each economy. Some of them even became market leaders from an international perspective. This stands in stark contrast to the fact, that scientific and strategic management research up to date has only rudimentarily covered the field of strategic management of SMEs. The concept and motivation for this chapter developed from the starting point, that the field of SME-strategic management was not researched in sufficient manner, at least not by far to the degree as for large corporations especially in the light of globalization. Globalization can be concluded as neither a trend, nor a fad or an isolated phenomenon. It is an inescapable force. If anticipated and understood, it is a powerful opportunity. If not, it can swiftly destroy businesses and drown organizations. As the concern to globalization for SMEs has grown extremely over the recent decade, strategic management becomes critical; hence the demand for extended

DOI: 10.4018/978-1-4666-5962-9.ch002

scientific research on the subject matter increases proportionally. The issue of strategic management for SME deserves more attention due to the threats and opportunities globalization exposes and offers SMEs to at the same time. This chapter intends to make a contribution to this research gap by means of raising the question whether strategic management is feasible and/or necessary for SMEs and identifying suitable concepts of strategic management their applicability for SMEs so that they can maintain their independence and at the same blossom to their fullest extent.

Since academic research and economic policy spend an increasing amount of attention on SMEs there is also an intensive discussion about new management approaches, new organizations and how to promote this group of enterprises. However, definition for SMEs is often considered to be an obstacle for business studies and market research. Definitions in use today define thresholds in terms of employment, turnover and assets. They also incorporate a reasonable amount of flexibility around year-to-year changes in these measures so that a business qualifying as an SME in one year can have a reasonable expectation of remaining an SME in the next. The thresholds themselves, however, vary substantially between countries. As the SME thresholds dictate to some extent the provision of government support, countries in which manufacturing and labor-intensive industries are prioritized politically tend to opt for more relaxed thresholds. Furthermore, defining a SME is itself a challenging task, as every country has its own definition for a SME. For instance in a country like India as per the Micro, Small and Medium Enterprises Development Act 2006, enterprises are broadly classified into micro units, small units, medium units & large units depending on the investment in plant and machinery. In India, the Micro and Small Enterprises (MSEs) sector plays a pivotal role in the overall industrial economy of the country. It is estimated that in terms of value, the sector accounts for about 39% of the manufacturing output and around 33% of the total export of the country.

In India, SMEs' contribution to GDP is nearly 30%. Moreover, in recent years the MSE sector has consistently registered higher growth rate compared to the overall industrial sector. The major advantage of the sector is its employment potential at low capital cost. As per available statistics, this sector employs an estimated 31 million persons spread over 12.8 million enterprises and the labor intensity in the MSE sector is estimated to be almost 4 times higher than the large enterprises. However, compare that to the EU where it is based on the parameters of employment, turnover and asset size, and OECD on employment and sales turnover has totally different criteria for establishment.

With various definitions by various countries, sometimes it becomes a difficult task for an individual to understand the importance of a SME. One may not know the important role that SME plays in developing any particular sector, economy of any country, alleviating poverty, increasing employment, and, above all providing various items of daily use at an affordable cost. Within the last few years many developed and developing countries have realized the importance of the sector but from the last decade SMEs have to face new challenges due to the rise of new technologies and globalization. Though a vast number of new concepts, methods, tools and theories of and for management have emerged yet, some of the offered magic solutions rarely deliver as much as they promise and turn out to be quick-fix-solutions.

Managers and entrepreneurs are faced with new approaches aiming at making them more innovative, competitive or excellent. Lean management, core competencies, strategic alliances, business process reengineering, and virtual enterprises are the most popular concepts. Often these new concepts are transferred by consultants. Moreover, most of these new concepts are still explicitly or implicitly designed for large companies. For small firms it is even more difficult than for larger ones to orient themselves under the permanent flood of business phrases. Beside the general discourse under academics, management gurus and consultants there exists only a vague picture of the potential and application of these approaches for SMEs. Each of the interrelated topics is introduced by a short theoretical description followed by a discussion about the strategic management perspective for SMEs especially Indian SMEs of the industrial sector. These diverging developments and attitudes are embedded into the discussion of the topic. Finally, based on the different aspects the chapter gives a picture of current trends in managerial and organizational strategies of Indian SMEs and adjusts exaggerated expectations in these concepts.

BACKGROUND

Strategy is the determination of the basic long-term goals of the enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals (Chaffee, 1985). It consists of integrated decisions, actions or plans that will help to achieve goals. Business strategy is then used as an umbrella term to denote the broad range of strategic options open to the firm, including both organizational and functional management strategies, product/market strategies, and diversification strategies (Barringer & Greening, 1998). Strategy is situated activity. This means that it is embedded in context and socially constructed by actors in interaction with the situated features of that context. Today there is a practice turn in current strategy research, treating strategy as something people do. Whittington, Richard (2006).

Strategy as Practice (SAP), argues that this turn is incomplete in that researchers currently concentrate either on strategy activity at the intra-organizational level or on the aggregate effects of this activity at the extra-organizational level. This chapter tries to integrate these two levels based on the three concepts of strategy praxis, strategy practices and strategy practitioners. The chapter develops implications of this framework for research, particularly with regard to the impact of strategy practices on SMEs transfer of strategy practices and the making of strategy practitioners. The distinctive position of SAP research is outside the immediate family of Strategy Process. SAP's fascination with the phenomenon of strategy itself takes it beyond traditional process perspectives. Relying on the `sociological eye', SAP treats strategy like any other practice in society, capable of being studied from many different angles. Whittington, Richard (2007). Moreover, SMEs as organizations in a knowledge-based, post-industrial society are increasingly individualistic, fragmented, localized, and pluralistic and contested, as opposed to standardized and collective entities (Whittington, 2004). Therefore, a practice agenda addresses the issue of multiple actors as skilled and knowledgeable practitioners of strategy, examining how their skill is constituted in doing different aspects of the work of strategy (Whittington, 2003).

SMEs

The concept of small and medium enterprise or SME has many connotations among researchers and they apply quantitative criteria to identify SMEs. From this perspective, SME refer to firms in all sectors as long as they do not exceed a particular size. Researchers propose a number of indicators such as profits, total capital, market position, number of employees and turnover in order to define the size of SMEs. However, number of employees and turnovers are often used as the most appropriate quantitative criteria.

For our case we would like to use the definition given by the European Commission (2005, p. 5) that states "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding

50 million euro, and/or an annual balance sheet total not exceeding 43 million euro."

Characteristics of SMEs

In order to achieve the purpose of this research, it is important to understand their inherent characteristics. Organizational structure in SMEs is organic compared to a more bureaucratic structure in large firms (Ghobadian & Gallear, 1996). A salient feature of an organic organization is the absence of standardization and the prevalence of loose and informal working relationships (Ghobadian & Gallear, 1996). These characteristics make SMEs more flexible to environmental changes and research has found that small firms are perceived of as being significantly more flexible than large firms (Levy & Powel, 1998). Therefore, SMEs are more likely to survive in turbulent environments than large bureaucratic organizations, where innovation and/or flexibility to adapt to new situations are the key factors. The flat structure of SMEs and lack of hierarchy allow them to have a more flexible work environment and enables the top management to build a strong personal relationship with employees (Ghobadian & Gallear, 1996). SMEs then are characterized by an absence of standardization, formal working relationships and having a flat organizational structure where staff development is limited.

Hollensen (2001) explains some of the characteristics of SMEs as follows:

- **Organization:** The employees of SMEs are really close to the entrepreneur/owner/manager of the firm. They are easily influenced by this actor.
- **Risk Taking:** Occurs in situations where the survival of the enterprise may be threatened, or where major competition is undermining their activities. By not having experience or information about foreign markets, the entrepreneur or management team take risk on decision making.
- **Flexibility:** The communication experienced by SMEs and its customers helps them react faster and more flexible to the customer's needs.

As illustrated by Felício, Couto and Caiado (2012) it is characteristic of successful small and medium firms that their entrepreneurship combines a high degree of self-direction, autonomy, openness to innovation and purposeful engagement. The personal background and commitment to the subject matter is linked to the global expansion of an Indian SME since 1985. The insights, experiences and conclusions gathered along this path of training and teaching entrepreneurs, entrepreneurship and small enterprise management, established the basic concept underlying this chapter. The 4 core scientific questions

1. Why is the number of SMEs with global activities so small?
2. What are the reasons that keep them confined to their domestic markets?
3. Have the changes in business environment eliminated barriers that up to now excluded SMEs from global expansion?
4. What are the key factors for successful SME globalization?

The concepts and conclusions presented in this chapter represent the culmination of lines of inquiry.

- Defining the problem and the scientific questions,
- Development of propositions on successful globalization of SMEs,
- Researching existing literature,
- Refinement of propositions,
- Generalization and conclusions.

The scientific approach thus adopted is as question - example/illustration – evidence/proof process. Example and evidence to theorems is provided through field research, in which SMEs globalization behavior has been outlined. In that context, SMEs which have globalized successfully as well as those which have failed are used as samples. Glaser. B. & Strauss, A. (1967), grounded theory approach has been adopted. Existing literature researched in libraries and on the Internet is referred to wherever applicable. Success factors for internationalization have been derived from globalized SME samples that have progressed along the path of internationalization successfully. Samples that so far have not internationalized or have had less success in doing are also cited. Out of the successful SMEs, the majority are in a position to look back on a historic development over 2 or more generations: clear evidence of sustainable management. This group is holding leadership position in niche markets and has its origin in markets with serious constraints in terms of size of its domestic home market. Their success can be expressed by market share ratios on the one hand proving their dominance, as well as by market consolidations starting to take place where samples selected remain as survivors. The total number of samples used for this field research is smaller than that of other field research projects as found during literature research. However, in this chapter, the quantitative deficiency has been compensated through a higher degree of quality in the field research process, as all samples have been interviewed personally, in several cases more than one time. All interviews were carried out from 2012 to 2013 in a structured manner and by serving as questionnaire. Documentation was done by means of written notes; none of the interviews was taped. On the average an interview lasted for about an hour and a half.

Success has been defined by means of:

- age of SME,
- sustainability of development,
- leadership position (at least in the actively served markets, mostly worldwide),
- healthy profitability,
- sound debt/equity ratio (wherever accessible).

Out of the successful SMEs, the majority is in a position to look back on a historic development over 2 or more generations: clear evidence of sustainable management. This group is holding leadership position in niche markets and has its origin in markets with serious constraints in terms of size of its domestic home market. Their success can be expressed by market share ratios on the one hand proving their dominance, as well as by market consolidations starting to take place where samples selected remain as survivors. The total number of samples used for this field research is smaller than that of other field research projects as found during literature research, which were carried out through standardized questionnaires, where companies had to respond to particular questions. These data have then been statistically processed to conclude on certain behaviors.

QUESTIONS

Q1: Why is the number of SMEs with foreign activities so small and what are the reasons that keep them stuck in their domestic markets?

SMEs traditionally lack sufficient strategic management. Basic tools like a SWOT analysis as well as the conclusions and results thereof are missing in the majority of cases. Hence there is neither, awareness of their position in terms of strengths and weaknesses, nor of the opportunities and threats that are rising with globalization. This unawareness of their concern to globalization is to be seen as the main factor.

Language barriers represent a second, sometimes-insurmountable barrier for many owners and senior management people.

The fact that many SMEs are looking back at an above average lifespan of their companies, often transferred over more than 2 or 3 generations, lulls them into a false sense of security believing that their business is stable and growing as long as they keep on doing what their ancestors did. They do not realize that the protection of their businesses was strongly ensured by legal frameworks of import limitations etc., trade barriers that mitigated in a very short period of time.

This deficiency includes the lack of market intelligence and early warning systems. The rise in the concern to globalization for the majority of SMEs with passive-external reactive behavior is perceived too late to increase the intensity of competitive strategies. Insufficiencies in strategic management and unawareness of changes in their company's business environment which lead to an increasing concern to globalization are the key factors responsible for the underdevelopment of SMEs foreign activities.

Confronting owners and senior management of leading SMEs, mainly in the highly competitive markets, with the question about the reason why they weren't equally successful in foreign markets as they are in their domestic markets, they were stunned. SME managers admitted that they had simply been constrained by their mental boundaries. Obviously they have sacrificed huge opportunities in the past due to their regional limitations.

Field research showed, that, the majority of SMEs shows external reactive behavior, operates in more or less protected markets and is handed over from generation to generation. Aside this first group of SMEs, that has enjoyed a protective environment for a long time which is diminishing now, there is a second: The minority group of SMEs shows an internal proactive behavior and is highly profitable through their position as niche manufacturers, high-tech specialists or flexible service companies: it is exactly this group that is bearing such a high success potential for extending their markets on a more global basis.

Q2: Have the changes in business environment eliminated barriers that excluded SMEs from global expansion?

Conclusion on research shows that:

Environmental changes have led to the result that SMEs can globalize successfully. The most successful SME's today in terms of market share held, profitability and growth are the ones, which contend "*our market is the world*."

A perceived growth of the concern to globalization results in a higher intensity of SME's competitive strategies.

The discussion and literature prove with evidence that SMEs, even as a small or medium sized company, are prone to globalize successfully if they comply to a scheme of mandatory prerequisites which have been identified as key success factors:

- A specific degree of uniqueness in the market.
- Niche position and micro marketing skills.
- Mastering the virtues of smallness.
- Modern organizational background that commands today's Information Technology Systems in a sufficient manner as well as systematic approach backed up by theoretical preparation research.
- The transportability of goods and services.
- Reaching critical market share and market leadership.
- Available human resources for an internationalization project.

Due to the dramatic changes in business environment during the last two decades, becoming a global player is no longer an exclusive right of large companies or state owned conglomerates with powerful political connections.

Hermann Simon concludes in his bestseller "Hidden champions," that these hidden champions prove that small companies can surmount barriers, which are mainly mental, to become global competitors. The world, having shrunk in size, is accessible. For many companies, ignorance of their opportunities is their only boundary. The hidden champions have overcome these mental barriers and successfully negotiated the difficult road to globalization. They can serve as role models for the many firms about to sail the same course.

SMEs which have not seriously looked into the question of geographical expansion will have to learn quickly, whether they should set their sails to the sun seeking the opportunities of a global market or better set focus on other strategic goals and/or alliances. In any way, the mere fact of knowing and understanding better their concern to globalization, who and what they are and which strategy is the most suitable one for them will put them in a more advanced position.

Q3: Can globalization rise beyond the level of opportunity and reach a dimension of strategic necessity?

The concern for globalization is in the same way affecting SMEs as large corporations. The trend as such is increasing strongly. Consequently SMEs are suffering from harsher competition more and more each year, that in combination with lack of competitive advantage and strategic differentiation. SMEs that comply to specific criteria e.g. transportability of goods and services, sufficient USP potential, niche marketing, etc. without suffering from the impacts of globalization to their own businesses, geographical expansion, etc. do represent a strategic opportunity. Under specific circumstances the opportunity to expand regionally /globally can reach a dimension of strategic necessity forcing the SME to go that direction or lose its independence on the medium or long run. For SMEs with a high concern to globalization the opportunity of internationalization turns into a true strategic necessity. A high concern to globalization stands as synonym for a very high impact of globalization with explicit environmental characteristics exposing them to increasing threats from outside, mainly larger foreign competitors penetrating into their protected home markets, the opportunity expands and develops to a level of strategic necessity.

More SMEs need to develop into "Hidden Champions" evolving as Hermann Simon defines them: "Their presence in target markets throughout the world is all encompassing and highly impressive. Most are true global competitors. Predominantly they establish direct contacts with customers through their own subsidiaries in the target market countries. They don't like to delegate customer relations to middlemen, importers or distributors. They are close to their customers when it comes to languages. Their knowledge of foreign languages and their internationalization are necessary prerequisites of their business success." Simon, H. (1996), page 3.

For owners and senior management of small and medium sized enterprises it is about time to evaluate their concern to globalization. It is necessary to realize the urgency of threats from outside and the huge rewards waiting for those who take action to go global and maintain their company's independence.

Q4: How to plan and carry out a successful SME globalization project?

For SME globalization/internationalization, based on the observations of SMEs which have attained successful globalization, there seems to be a right process to go global. Steps identified for SMEs to adopt in a logical manner, based on practical considerations are given below:

1. Step 1 starts with a systems-check to evaluate the suitability of the current SME's position for globalization.
2. Step 2 requires conducting market screening on a truly worldwide basis as contrast to traditional regional perspectives.
3. Step 3 introduces a new ranking concept of market evaluation criteria to select markets. The priority is set on the attractiveness of

a market. Geographical distance is reduced to a factor with decreasing importance.

4. Step 4 describes a new mode of geographical expansion that is to be seen as a mix of parallelism and sequence. The approach is called concentrated speed seeding and represents a tailored approach for SMEs targeting for a maximum of market entries in the shortest period of time.
5. Step 5 outlines the various ways to pursue in terms of organizational entity set up, challenging the ideal mix between centralized & decentralized organizational set ups. It advises to undertake mandatory legal steps such as trademark protection at a very early stage of expansion as one of the first activities after a market has been selected. It refers to the importance of human resource as this has been identified as the most common failure of foreign investments according to statistics. It illuminates the importance of a sound IT basis to leverage on the benefits the Internet is offering. It explains the legal entity set up and provides an outlook how to develop a global organization in a sound balance between centralization and federalism.

A minimum of theoretical hard slog is deemed mandatory in a globalization project: own experiences as management consultant as well as expertise exchanged with alumni from university led to the conclusion that in the practical business life there was a serious lack of even a minimum amount of theoretical approach in SME's business activities. Most of the problems are approached via the trial and error concept in a very 'hands on approach', which is completely opposite of what students are trained to do at University or High school. Though this may be sufficient in many or even the majority of cases, but insufficient and wrong if applied on all cases. Consequently, one further claim of this chapter is to apply a minimum of theoretical homework in terms of market research, SWOT- analysis and strategic planning, thus leverage the quality of decision and truly get into a level of strategic management rather than operating on an opportunistic short term behavior. The fact that SMEs have a strong preference for practical approaches helps to contribute to the flexibility and responsiveness advantage over larger corporations. The same holds responsible for the reason that SMEs are falling behind dramatically in some critical disciplines such as strategic planning, marketing and human resources management.

The approach of a globalization project has to include this reasonable amount of theoretical work necessary to back up the strategic planning considerations. Managers and entrepreneurs find this clearly above their usual magnitude but finally recognize its usefulness. On the one hand it provides basic macroeconomic data mandatory for a full understanding along with some other factors to be considered such as politics, religion, migration, etc. followed by a guideline concept that leads them through the project and at each single phase tries to outline the various possibilities how to approach situations along the way. Literature review backed by discussion during interview reveals that speediness in many facets such as decision-making, information channeling and dissemination, etc. is one of the key factor for success. Speed represents a classical strength of SMEs. To put it in a nutshell, it is that today the fast mover beats the slow mover. It is not any longer as it used to be, that the large guy beats the small fellow. The most specific recommendation is to remain narrowly focused and to grow through regional expansion. By means of illustration, instead of diversifying from banking business to insurance industry in the same town, it is preferable to stick to banking and expand into a neighboring town. Excellence in banking (apples) however, does not necessarily carry over to excellence in insurance (oranges), because one has to deal with a totally different clientele. The instruction for a regional company is that no matter how small a market, it has to have a leader, the position for which an entrepreneur should aim. Hidden championship does not depend on the size of a market (Simon, 1996).

Strategic Management in SMEs

Discussion about new concepts, tools, approaches and methods for strategic management and organization for SMEs is popular among academics, scholars, consultants, and policy makers. For managers and entrepreneur of smaller firms it is sometimes difficult to find one's way. Complex environments, globalization etc. are equally new challenges for SMEs which require new concepts. These changing environments reinforce the need for technology and innovation by SMEs which further stresses the importance of strategic management. SMEs encompass a great diversity of enterprise types in terms of industrial sector, size, innovative and strategic behavior. In general SMEs can be classified with respect to the specific characteristics in broader groups. Their management process is diverse and ranges from sophisticated planners to firms who claim not to need a strategy at all. SMEs therefore have a strategic behavior which is rather unformulated, disordered and not of the strictly logically derived way from formulation through implementation. Nevertheless this approach is a priority not a shortcoming.

The studies done so far, deliver a very consistent result insofar as the strategic management process of SMEs is very heterogeneous. SMEs do not always practice the classical analytic strategic management procedure from strategy formulation to strategy implementation. These happen even when consultants lead the process (Finne et al., 1993). One advantage of their routine is that it combines intuition and creativity, both important elements for strategic thinking and necessary for successful strategic management. These firms don't fall into the trap of a too analytic approach, which was especially common among larger firms in the 80es and resulted in severe critic of the concept of strategic planning (Mintzberg, 1994). Steiner (1979) pointed out: *"If an organization is managed by intuitive geniuses there is no need for formal strategic planning."* Based on this frame work the central question is still which contribution has general and specific methods and models of organization on the performance and growth of SMEs? Since 1979 over fifty empirical studies have examined the consequences of strategic planning on performance. This research has produced confusing and contradictory results (Powell, 1992). In their meta-analysis of 15 empirical studies of the effect of formal strategic planning on the financial performance of small firms Schwenk and Shrader (1993) conclude that strategic planning is a beneficial activity for small firms. The correlation between strategic management and performance is generally hard to determine due to conceptual and methodological problems. Powell (1992) suggests that previous studies produced inconsistent results because they did not account for the dissemination of strategic planning over time.

In the literature different strategic and organizational concepts are discussed intensively: Market-based versus competence-based strategies, application of Porter-strategies, the portfolio-model, and so on. For SMEs the question is often: Should we implement a strategic management process or not? According to the strategic literature different approaches are suggested for success, depending on the school. As a consequence for SMEs in some cases to use no strategic management methods could be more beneficial than adopting an inappropriate approach. The discourse in the literature is an ongoing debate, who should entrepreneurs and managers decide between concepts and models, which are not always but often theory-based? There is still a great potential in SMEs for strategic management methods and concepts. Even though their strategic routines are sometimes appropriate and sufficient, in many firms there are shortcomings.

Hence, there is no doubt that strategic management is gaining importance in SMEs. Since the mid-80s strategic management proponents discovered SMEs and vice versa. The research which started then focused on the nature, value and process of strategic management in SMEs and their contribution to the performance of SMEs. Meanwhile it is commonly known, that small firms are not smaller versions of larger firms (Julien, 1993). They are characterized through the central position of the owner, who often has limited managerial qualification and aversion against planning and the application of formal methods. Among their *weaknesses there are difficulties in financing and the use of external knowledge resources. Their most* important advantage is their flexibility which allows them to react immediately to changing environments. In general in the strategic management literature a vast number of new concepts emerged during the last decade. The dominant paradigm is still founded on the conceptual framework, which was established by the earlier authors in the 70s (Andrews, 1971; Schendel & Hofer, 1979). According to this paradigm the process of strategic management consists of strategic analysis, strategy formulation and strategy implementation. Furthermore in this tradition strategic management is overwhelmingly seen as a rational-analytic process (Rouleau & Seguin, 1995).

Strategic management is based on a corpus of various disciplines and consists of different approaches. Mintzberg (1989) distinguished ten different schools of strategy, based on the process for strategic formulation. One of the most important inputs was derived from industrial organization economics and the structure-conduct-performance paradigm. The concept of industry structure from the structure-conduct-performance paradigm has been employed in the development of generic strategies and business typologies. The most popular business strategies in this tradition are based on assessing and identifying the attractiveness of an industry (McWilliams and Smart, 1993). Porter's (1980) well-known competitive strategy classification is based on this paradigm.

The most remarkable development within the strategic management has emerged in the last decade. This approach is described as 'resource-based' view of the firm (Rumelt et al., 1991). The most popular advocates within this paradigm are Prahaled and Hamel (1990) with their concept of core competencies. The key tenet is that competitive advantages emerge through process of resource accumulation and deployment. This approach is different from the traditional industrial organization concept. While the industrial organization literature focuses externally on the industry and product markets the resource-based view focuses internally on the firm and its resources (Mahoney & Pandian, 1992). Distinctive competencies of heterogeneous firms are the fundaments of the resource-based view. These assets are to a great extend intangible or tacit (Teece et al., 1990; Nelson, 1991). According to this paradigm strategic formulation should be based on the firm's resources and competencies.

A traditional dichotomous classification within the strategic management research is one into content and process (Chakravarthy, 1992). While the strategy content research focuses on the strategic position of the firm under varying environmental contexts, strategy process research is concerned with the administrative system, the decision process, the persons involved and their motives. Besides this broader trend, which deals rather with the content of strategy, there is criticism against the traditional analytic approach from formulation to implementation in the last decade. Mintzberg and Waters (1986) stressed the emergent character of strategies. Others posit several variants of incrementalism (Quinn, 1980). The conceptual distinction between formulation and implementation understates the important role of individual and collective learning in strategy formation over time. Strategic management is seen as a learning process (Mintzberg, 1990). I agree with Mintzberg that intentional strategies exist but they have emergent as well as deliberate characteristics.

This perspective on the strategic process is also of high relevance for SMEs and fits the process much better. Strategy doesn't have to be the outcome of a strategy formulation process. The strategic management process in SMEs is generally more informal, unstructured, irregular, and incomprehensive. Especially their characteristics, as mentioned above, are factors responsible for the characteristics of the process. Furthermore the strategies in SMEs have very often a tacit character and are incorporated by the entrepreneur and are not documented in strategic plans. Even though most scholars and practioners agree that strategic management is very useful for SMEs, not all SMEs utilize strategic management. Still a large number of firms follow the strategy of "muddling through." Commonly cited reasons for their lack of strategic management include time, limited expertise, uncertainty about how to start the process, and mistrust of outsiders (Bracker & Pearson, 1985). One reason lies in the person of the owner. In this context it is interesting to evaluate the general strategic management process of SMEs which is very heterogeneous and varies from very sophisticated forms with the application of advanced methods to forms with a rather simple and pragmatic approach. Few firms even do not have clear laid down strategy and the strategic management process is determined by different internal and external factors.

Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. In order to determine the direction of the organization, it is necessary to understand its current position and the possible avenues through which it can pursue a particular course of action. Strategic planning deals with at least one of three key questions Armstrong, J.S. (1986): "What do we do?," "For whom do we do it?" and "How do we excel?"

From a classic viewpoint, the notion of strategic planning is the process by which the rational analysis of the present situation and of the future possibilities and dangers leads to the formulation of intentions, strategies and measures. These strategies and measures indicate how the enterprise, through the best use of its existing resources, controls the chances defined by its environment and diminishes the threats' pressure. Any strategic planning approach is articulated according to 5 dimensions (Ackoff, 1973), which are:

1. **Goal:** Its specifically being the determination of purposes and objectives, in a temporal horizon and respecting the measurement criteria for the levels that have to be reached for the indicators projected in the subsystems to attain the strategic planning;
2. **Programming:** Concerning the definition of operations for the implementation of the strategic planning; it is a stage situated between goal and action;
3. **Action:** Consisting in the concretization, by means of a number of actions, of the purposes and objectives concerning the "planned object" (in our case, a SME's activity);
4. **Strategic Diagnosis:** Representing an ex-ante analysis (a diagnosis of the strategic position, using a SWOT analysis);
5. **Ex-Post Control:** Being "the conception of an anticipation and detection method, meant to detect the errors or failures slipped into the plan, as well as of a permanent prevention and correction method.

These five dimensions represent a strategic planning architecture, with practical attributes both on the macro and microeconomic level, and also on the microeconomic level, namely on the level of the enterprise. This section has been developed as a guide proposed in order to realize a synthetic and clear approach of the different aspects of the strategic planning process adapted to the extremely specific SME sector. The globalization of the competition and the diversity of the market as well as the rapid innovation of the products and technological processes have modified the determining factors of the industrial competiveness worldwide. The New paradigm of the industrial competitiveness, (Table 1) has in view the fact that the sources of the concurrently advantage are not just related to the cost of the production factors and the availability of the raw matters, but also increasingly to the quality of the infrastructure of the institutions meant to support the industry, on the efficiency of the innovation sources, on the level of the competitive pressure, on the corporate organizational and technical skills and abilities to acquire and master new technologies and to provide a rapid answer to the needs and demand changes.

In this new environment, undergoing a permanent evolution, more than ever, the enterprises need to realize a strategic diagnosis and an analysis of the industrial sector to which they belong and ensue:

- The analysis of the general economic environment in which the industry operates;
- The analysis of the industry's historical development;
- The study of the industry's key actors (internal and international competitors, providers, clients etc.);

Strategic Dimensions of the SME System in India in the context of the rational framework are:

- The evaluation of the key indicators for industrial performance;
- The identification of the key success factors and of the decisive elements for each industry;
- The concrete knowledge of the products, technologies, technical regulations and norms;
- The conception of integrated practical implementation and development programs for the industries with perspectives of survival and growth.

As M.E. Porter has highlighted, in the new modernization context, successful countries will be only those that will know how to get prepared, to get integrated and to put into practice the following basic principles:

- The enterprises fight in the framework provided by the industries, not by the nations.

Table 1. New industrial competitiveness paradigm

Perspective	Old Paradigm	New Paradigm
Governance	Interventionism State as a Actor Operating State Owner State	Laisser-faire State as Facilitating Partner Accompanying State Private Owner
Market	Protection Natural Standard Sub-contracting Ability Geocentric Market	Openness International Norms and Standards Subcontracting Skill Spatial market
Enterprise	Scale Economies Material Production Integration	Flexibility Economies Immaterial Production Disintegration
Competitiveness	Productive Skills Labour Skill Transactional Strategies	Managerial Skills Mastering International Norms and Technologies Partnership Strategies

Source: Adapted from Dhaoui, 2002, p.5.

- A competitive advantage is built on a difference, not on a similarity.
- An advantage is often geographically focused.
- An advantage is built in the long run.

Cooperation and networking are popular in modern literature and are of increasing importance, even for SMEs. Due to the complexity of new technologies, the internationalization of markets, and changing strategies of larger firms, to list a few environmental factors, cooperation not only between SMEs, but also with bigger firms, universities, and other actors becomes an alternative. Especially since the innovation process is seen more and more as a complex process between different firms and institutions that requires collaboration and networking. In a network smaller and larger firms, suppliers, competitors, universities, etc. work together in different forms and in various projects. There exist different types of networks: supplier networks, regional networks, R&D-networks etc. There is no common classification of inter-organizational networks in the literature. Especially networks which are flexible and dynamic are proposed to be the dominant form of organization for the economy in the future (Miles & Snow, 1986). In these networks firms concentrate on their core business and on a single step of the value chain.

Solutions and Recommendations

Like in many other empirical works we found only weak correlations between various strategic parameters and performance. In the literature different strategic and organizational concepts are discussed intensively like market-based versus competence-based strategies, application of Porter-strategies, the portfolio-model, and so on. For SMEs the question is often: Should we implement a strategic management process or not? According to the strategic literature different approaches are suggested for success, depending on the school. As a consequence for SMEs in some cases to use no strategic management methods could be more beneficial than adopting an inappropriate approach. The discourse in the literature is an ongoing debate, who should entrepreneurs and managers decide between concepts and models, which are not always but often theory-based?

Today, SMEs present great potential for developing by using strategic management concepts, methods and techniques. Though SMEs strategic routines are sometimes appropriate and sufficient, in many firms there are shortcomings. Compare with the end of the 90s, when nearly none of SMEs practiced strategic management as compared to end of 2010. Usually new concepts and methods are adopted by SMEs with a time-lag. The adoption of the resource-based view is still in its nascent stage in SMEs and none of the firms which have been studied till late 90's used the concept of core competencies for their management. The willingness of a firm to accept external support affects the adoption of strategic management and methods to some extent. This is also one reason why the process in SMEs starts later and growths slower. Moreover, structure, technology and strategy are interdependent elements that have to be considered by the management of the SMEs. The cultural setting and trust are decisive factors for the success of such a structure.

FUTURE RESEARCH DIRECTIONS

This chapter has offered an overview of strategic management and adaption of new concepts and technologies. The increasing importance of a hyperlinked society highlights the relevance of this approach to SMEs business studies. So far, most of the research in business area is case based and has been carried out from an information perspective to enable belter decision making, but there is a promising and wide field to explore different types of business issues by using inclusive approach with new technologies and ICT enablement. Further research for application of strategic management concepts in SMEs can and should draw on different company models to the degree that can ensure SMEs growth and develop excellence, yet maintain the autonomy of small and medium firm entrepreneurs within an overall strategic management framework. Additional work still needs to be done in analyzing different industries and regions and in developing strategic management business applications to benefit from the findings up-to-date. It would be useful to monitor the evolving approaches to SME research periodically to analyze how technology variables and economic variables correlate over time to affect the strategic perspective.

Furthermore, explanatory models need to be explored. Surely therefore there are many perspectives and capabilities needed to understand the complexity of SME research in practice. However, this chapter makes a significant conceptual contribution because it demonstrates how strategic management and SME research can be re-conceptualized, and the specific business uses of strategic management concepts which can become central to the SME research questions we pursue. More importantly, Parker and Castleman (2009) suggest that, as a research community, we need to reflect on and critique existing theory, or build new theory, based on our empirical research on SME adoption of eBusiness tools. Parker and Castleman propose an integrated theoretical framework which can provide the starting point for such critical reflection. Their framework is based on Rogers' (2003) Diffusion of Innovation Theory because it provides an overarching theory, and their framework incorporates complementary theories such as Social Network Theory and Resource-based Theory which help explain the social dynamics among owner-managers and their personal/business networks.

CONCLUSION

To conclude, the performance of a SME depends to a large extent on how different actors interact with each other as elements of a collective system of knowledge (new and existing) as well as the technologies used. These actors are primarily governance mechanisms (e.g., corporate, political and network); institutions (e.g., industrial, science and technology, financial; educational) and the people within them. Although this chapter does not reflect totally the empirical study of strategic management in SMEs, it at least contributes an important study by adding more literature regarding strategic management overview for SMEs from globalization perspective. The chapter uncovers various emergent recommendations related to strategic management followed by SME entrepreneurs to attain competitive advantage. In doing so, there is a logical discussion about the relevance of strategic management and the need to adopt the same along with new managerial and organizational concepts in general, methods and approaches. Some of these new approaches have sometimes their theoretical basis in the 60s or 70s and are not as new as might supposed. The resource based view of the firms' starts with Penrose in 1959 and the cry for flexible, non-bureaucratic organizations is at least as old. No single element out of the range of different methods, models, concepts and tools could improve the competitiveness of SMEs on a large scale. Prognoses about future trends have to be handled with caution. Most of the SMEs have realized the significance of strategic management in the competitive and globalized markets. Many of them have started adopting formal strategic management process, but much still needs to be done. The SMEs are not small-scale copies of the large enterprises. They are distinct both in what concerns their administration models and also regarding their ways of action. Fisher et al., 2009; Jenkins, 2009, quoted in Labelle & J. St.-Pierre, 2010, p.1 Hence, it is more important to realize that the solution is not in 'one size fits all' approach.

REFERENCES

Ackoff, R. (1973). Planning in the systems age. *Sankhya: The Indian Journal of Statistics, Series B*, *35*(2), 149–164.

Andrews, K. (1971). *The concept of corporate strategy*. Homewood, IL: Richard D. Irwin.

Armstrong, J. S. (1986). The value of formal planning for strategic decisions: A reply. *Strategic Management Journal*, *7*, 183–185. doi:10.1002/smj.4250070207

Barringer, B. R., & Greening, D. W. (1998). small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, *13*, 467–492. doi:10.1016/S0883-9026(97)00038-4

Bracker, J. S., & Pearson, J. N. (1985). The impact of consultants on small firm strategic planning. *Journal of Small Business Management*, *23*, 23–30.

Chaffee, E. E. (1985). Three models of strategy. *Academy of Management Review*, *10*(1), 89–98.

Chakravarthy, A. (1992). Strategy process research: Focusing on corporate self renewal. *Strategic Management Journal*, *15*, 5–14. doi:10.1002/smj.4250131003

European Commission. (2005). The new SME definition: User guide and model declaration. Enterprise and Industry Publications, 5-50.

Felício, J. A., Couto, E., & Caiado, J. (2012). Human capital and social capital in entrepreneurs and managers of small and medium enterprises. *Journal of Business Economics & Management*, *13*(3), 395–420. doi:10.3846/16111699.2011.620139

Finne, H., Kevin, M., & Nilssen, T. (1993). Evaluation of the BUNT programme (Summary report). SINTEF IFIM and the Department of Organization and Work Science, NTH, Trondheim, Norway.

Frost. (2003). The use of strategic tools by small and medium-sized enterprises: An Australasian study. *Strategic Change, 12*(1), 49-62.

Ghobadian, A., & Gallear, D. N. (1996). Total quality management in SMEs. *International Journal of Management Science*, *23*(5), 83–106.

Glaser, B., & Strauss, A. (1967). *The discovery of grounded theory - Strategies for qualitative research*. London: Weiderfeld and Nicolson.

Hollesen, S. (2001). Global marketing: A market-responsive approach (2nd ed.). Europe: Prentice Hall.

Julien, P.-A. (1993). Small business as a research subject: Some reflections on knowledge of small businesses and its effects on economic theory. *Small Business Economics*, *5*(2), 157–166. doi:10.1007/BF01531912

Levy, M., & Powell, P. (1998). SME flexibility and the role of information systems. *Small Business Economics*, *11*, 183–196. doi:10.1023/A:1007912714741

Mahoney, J., & Pandian, R. (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal*, *13*, 363–380. doi:10.1002/smj.4250130505

McWilliams, A., & Smart, D. L. (1993). Efficiency v. structure-conduct-performance: Implications for strategy research and practice. *Journal of Management*, *19*(1), 63–78. doi:10.1177/014920639301900105

Miles, E. M., & Snow, C. C. (1986). Organizations: New concepts for new forms. *California Management Review*, *28*(3), 62–73. doi:10.2307/41165202

Mintzberg, H. (1989). Strategy formation: Ten schools of thought. In J. Fredrickson (Ed.), *Perspectus on strategic management*. New York: Ballinger.

Mintzberg, H. (1994). The fall and rise of strategic planning. *Harvard Business Review*, (January-February): 107–114.

Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*, 257–272. doi:10.1002/smj.4250060306

Nelson, R. R. (1991). Why do firms differ, and how does it matter? *Strategic Management Journal*, *12*, 61–74. doi:10.1002/smj.4250121006

Parker, C. M., & Castleman, T. (2009). Small firm eBusiness adoption: A critical analysis of theory. *Journal of Enterprise Information Management*, *22*(1/2), 167–182. doi:10.1108/17410390910932812

Penrose, E. (1959). *The theory of growth of the firm*. London: Basil Blackwell.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.

Porter, M. E. (1980). *Competitive strategy*. New York: The Free Press.

Powell, T. C. (1992). Research notes and communication. Strategic planning as competitive advantage. *Strategic Management Journal*, *13*, 551–558. doi:10.1002/smj.4250130707

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, (May-June): 79–91.

Quinn, J. (1980). *Strategies for change: Logical incrementalism.* Homewood, IL: Richard D. Irwin.

Rogers, E. M. (2003). *Diffusion of innovations* (5th ed.). New York: Free Press.

Rouleau, L., & Seguin, F. (1995). Strategy and organization theories: Common forms of discourse. *Journal of Management Studies*, *32*, 101–117. doi:10.1111/j.1467-6486.1995.tb00647.x

Rumelt, R., Schendel, D., & Teece, D. (1991). Strategic management and economics. *Strategic Management Journal*, *12*(Special Issue), 5–29. doi:10.1002/smj.4250121003

Schendel, D., & Hofer, C. (1979). *Strategic management*. Boston: Little, Brown.

Schwenk, C., & Shrader, C. (1993). Effects of formal strategic planning on financial performance in small firms: Meta-analysis. *Entrepreneurship Theory and Practice*, Spring, 53-64.

Schwenk, C. & Shrader, C. (1993). Effects of formal strategic planning on financial performance in small firms: Meta-analysis. *Entrepreneurship Theory and Practice,* Spring, 53-64.

Simon, H. (1996). *Hidden champions: Lessons from 500 of the world's best unknown companies*. Boston: Harvard Business School Press.

Steiner, G. (1979). *Strategic planning: What every manager must know*. New York: Harper & Row.

Teece, D., Pisano, G., & Shuen, A. (1990). *Firm capabilities, resources, and the concept of strategy* (CCC Working Paper No. 90-8). University of Berkeley, Berkeley, CA.

Whittington, R. (2006). Completing the practice turn in strategy research. *Organization Studies*, *27*(5), 613–634. doi:10.1177/0170840606064101

Whittington, R. (2007). Strategy practice and strategy process: Family differences and the sociological eye. *Organization Studies*, *28*(10), 1575–1586. doi:10.1177/0170840607081557

ADDITIONAL READING

Ackoff, R. (1974). *Redesigning the Future*. New York: John Wiley and Sons.

Amoroso, B. (1998). On Globalization. Basingstoke: Macmillan. 2001 Paperback Palgrave.

Andrews, K. (1971). *The Concept of Corporate Strategy*. Homewood: Richard D. Irwin.

Baumard, P. (1999). *Tacit Knowledge in Organizations*. London: Sage.

Beardwell, I., Holden, L., & Claydon, T. (2004). *Human Resource Management,* 4th Ed. London and NY: Financial Times-Prentice Hall.

Borja, J., & Castells, M. (1996). *Local & Global*. London: Earthscan.

Bracker, J. S., & Pearson, J. N. (1985). The impact of consultants on small firm strategic planning. *Journal of Small Business Management*, *23*, 23–30.

Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of the Industrial Enterprise*. Cambridge, MA: MIT Press. [Jnr.]

Edelman, G. M. (1992). *Bright Air, Brilliant Fire: on the Matter of the Mind*. Harmondsworth: Penguin.

Frost (2003). The use of strategic tools by small and medium-sized enterprises: An Australasian study. *Strategic Change* 12(1), 49-62.

Glaser, B., & Strauss, A. (1967). *The Discovery of Grounded Theory - Strategies for Qualitative Research*. London: Weiderfeld and Nicolson.

Grindly, P. (1995). *Standards, Strategy and Policy*. Oxford: Oxford University Press. doi:10.1093/acprof:oso/9780198288077.001.0001

Ichijo, K., & Nonaka, I. (2007). *Knowledge Creation and Management*. Oxford: Oxford University Press.

Kaplinsky, R. (2000). Globalization and Unequalization: What Can be Learned from Value Chain Analysis? *The Journal of Development Studies*, *37*(2), 117–146. doi:10.1080/713600071

Landels, J. G. (2000). *Engineering in the Ancient World*. London: Constable and Robinson.

Markides, C. C. (1999). A dynamic view of strategy. *MIT Sloan Management Review*, *40*(3), 55–63.

Mazzucato, M. (2011). *The Entrepreneurial State*. London: Demos.

Mintzberg, H. (1989). Strategy formation: Ten schools of thought. In J. Fredrickson (Ed.), *Perspectus onStrategic Management*. New York: Ballinger.

Mintzberg, H. (1990). The design school: Reconsidering the basic premises of strategic management. *Strategic Management Journal*, *11*, 171–195. doi:10.1002/smj.4250110302

Mintzberg, H. (2004). *Managers, Not MBAs.* London: Financial Times-Prentice Hall.

Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*, 257–272. doi:10.1002/smj.4250060306

Narayanan, V. K. (2001). *Managing technology and innovation for competitive advantage*. New Jersey: Prentice Hall Inc.

Nelson, R. R. (1991). Why do firms differ, and how does it matter? *Strategic Management Journal*, *12*, 61–74. doi:10.1002/smj.4250121006

Nooteboom, B. (1999). *Inter-firm Alliances: Analysis and Design*. London: Routledge. doi:10.4324/9780203265277

Ohmae, K. (1982). *The Mind of the Strategist: The Art of Japanese Business*. New York: McGraw-Hill.

Ohmae, K. (1985). *Triad Power*. New York: The Free Press.

Penrose, E. (1959). *The Theory of Growth of the Firm*. London: Basil Blackwell.

Porter, M. (1998). *On Competition*. Boston, MA: Harvard Business School Press.

Porter, M., & Stern, S. (2001). Innovation: Location Matters. *MIT Sloan Management Review*, *42*(4), 28–36.

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

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

Porter, M. E. (1990). *The Competitive Advantage of Nations*. New York: Free Press.

Prahalad, C. K., & Hamel, G. (1990). The Core Competences of the Corporation. *Harvard Business Review*, (May–June): 2–15.

Purcell, J., Kinnie, N., Hutchinson, S., Rayton, B., & Swart J. (2003) *Understanding the People and Performance Link: Unlocking the black box.* London, CIPD.

Quinn, J. (1995). Strategic Change: 'Logical Incrementalism. In H. Mintzberg, J. B. Quinn, & S. Ghoshal (Eds.), *The Strategy Process* (pp. 105–113). London: Prentice Hall.

Steiner, G. (1979). *Strategic Planning: What Every Manager Must Know*. New York: Harper & Row.

KEY TERMS AND DEFINITIONS

Competitiveness: The act of competing for some honor, or advantage. Rivalry between two or more persons or groups for an object desired in common, usually resulting in a victor and a loser but not necessarily involving the destruction of the latter. The need for global competitiveness is much important for any industry to sustain in this competitive world.

Core Competences: Knowledge based technical and human abilities and skills.

Entrepreneurship: Undertaking something, associated with innovative thinking and practice.

Globalization: Globalization is the tendency of businesses, technologies, or philosophies to spread throughout the world, or the process of making this happen.

Innovation: Introduction of new products or processes and creation of new markets.

Performance: Economic efficiency in terms of productivity and costs.

Small and Medium Enterprises (SMEs): A term for segmenting businesses and other organizations that are somewhere between the "small office-home office" size and the larger enterprise. Country to country this term may vary, but it is usually based on the criteria of investment, number of employees and turnover, etc.

Strategic Management: The identification of the purpose of the organization and the plans and actions to achieve the purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise.

Chapter 3
Environmental Scanning – An Information System Framework for Strategic Decisions in SMEs:
A Case Study Analysis

Ho Yin Wong
Deakin University, Australia

Jason Kokho Sit
Bournemouth University, UK

Parves Sultan
Central Queensland University, Australia

En Li
Central Queensland University, Australia

Jia-Yi Hung
Tzu Chi College of Technology, Taiwan

ABSTRACT

The aim of this chapter is to explore the role of environmental scanning in information systems for strategic decisions in the context of small and medium sized enterprises (SME) in Australia. A case study approach was adopted for this exploratory study. In-depth interviews were conducted with owners of two SMEs. Data were analysed using manual qualitative data analysis techniques. Owing to the unique characteristics of SMEs, findings suggest that SMEs share some commonalities and differences to their large firm counterparts. In general, SMEs have a clear idea what their information needs are. They have a narrow scope of scanning, which focuses mainly on economic, customers, and competitive information. External sources from media, salespeople, clients, and competitors are their major sources of information. Human memory and manual filing systems are the key methods of storing information. The information is distributed through personal communications. SMEs use common sense and intuitive approach rather than sophisticated analytical tools to analyse the information. The scanned information is used for both strategic and functional decisions. The findings provide insight to SMEs as to the usefulness of environmental scanning in making various business decisions.

DOI: 10.4018/978-1-4666-5962-9.ch003

INTRODUCTION

The contemporary economy is a global economy. Businesses in every country of the world engage in business transactions that, in one way or another, affect other businesses worldwide. An introduction of a new product range from a competitor can affect the way business deploys its marketing strategy. A government passes legislations that can impact how business runs their operations. Business environments change every day. Some of these changes come abruptly and some are somehow anticipated. The fast pace of change has unsettled the competitive game among firms irrespective of their sizes. Globalization, the rapid advancement of information and communication technology, the disbarment of the boundaries between industries and the emergence of new entrants, and significant shifts in consumers' needs and expectations are the factors that can have great impact on the firm success and the definition of competitive strength (Salmon & de Linares, 1999). Global information is foundational to understand the changing global environment (Wong & Hung, 2012). Since the firm cannot control external events, it must endeavour to anticipate and understand them. A critical issue for the firm is how best to participate and manage the changes taking place in the global economic world.

The dynamics of markets force the firm to contemplate its strategy and the environment. Strategic management is concerned with the analyses, decisions, and actions a firm undertakes so as to create and sustain competitive advantages (Dess, Lumpkin, & Eisner, 2007). The firm cannot make decisions in a vacuum. Instead, it needs information related to its business to make educated decisions. In order to make appropriate strategic decisions, the firm needs inputs from the analyses that identify opportunities and threats in the markets. Environmental scanning, as a useful information system tool for large and small businesses, can provide management with detailed and relevant global information for strategic and tactical decision makings (Choo, 1999; Jain, 1984; Wong & Hung, 2012). Environmental scanning can alert the firm emerging environmental issues. Information generated from environmental scanning helps the firm develop and modify strategy that meets the ever-changing external environment. If environmental scanning can better prepare the firm for a volatile environment, the firm has an incentive to get involved in environment scanning irrespective of the size of the firm. Timely and accurate information about the relevant environment is an important element for small and medium enterprises (SMEs) to succeed or fail (McGee & Sawyerr, 2003; Mohan-Neill, 1995). When it is successfully done, environmental scanning can signal SMEs to important trends and issues before the competitors recognize them. Otherwise, SMEs may be placed in a reactive rather than a proactive mode. As such, it is necessary to understand the nature and use of environmental scanning practices in particular to SMEs so that a better framework can be provided to SMEs for making better strategic decisions. In addition, environmental scanning practice has been a topic of study from the perspective of large firms (Wong & Hung, 2012), environmental scanning practice from the SMEs point of view is limited to the findings of the impact of the scope of scanning on strategy formulation (Beal, 2000; Mohan-Neill, 1995), organizational size, inflexibility of technology development, and firm orientation (Yasai-Ardekani & Nystrom, 1996), and the perceived value of environmental scanning practices (Ngamkroeckjoti, Speece, & Dimmitt, 2005). An exploratory study can provide further insights as to the practice of environmental scanning in the SMEs literature. The objectives of this chapter are first to review the literature of environmental scanning, in particular in the SMEs context; and second to explore the role of environmental scanning in the SMEs context with empirical evidence.

LITERATURE REVIEW

Environmental Scanning System

Environment scanning is "the acquisition and use of information about events, trends and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action" (Choo, 1999, p. 21). It can be considered as a surveillance tool of monitoring the firm's external environment. Similarly, Lester and Waters (1989) define environmental scanning as a management process of using information from the environment to aid decision making through the process of obtaining, analyzing and using information. The process view of environmental scanning has echoed and strengthened by other studies (Choo, 1995; Costa, 1995; Hough & White, 2004; Zhang, Majid, & Foo, 2010). Information needs to be uncovered, processed, and acted upon in the complex environment to be useful for the firm (Choo, 1995; Lesca & Caron-Fasan, 2008). Based on this conceptualization; an environmental scanning system, which includes identification of information needs, information acquisition, information organization and storage, information products and services, information distribution, and information use of managing environmental scanning emerges (Choo, 1995). This system indicates a continuous process of six interwoven intelligence activities.

The first step of environmental scanning is the identification of information needs, which involves the identification of key users and the situations in which they will use the scanning information (Choo, 1995, 1999; Hough & White, 2004). Identifying information needs is not an easy task. In some situations, information users are unable to tell exactly what information they require. "Knowing what information is not needed is just as helpful as specifying a long list of information wants" (Choo, 1995, p. 28).

The second step is information acquisition, which is usually involved an accumulation of a large amount of information. Planning effort needs to be made to create and coordinate information acquisition. Three main issues need to be addressed in this step; namely, the scope of scanning, the frequency of scanning, and sources of information (Choo, 1999). Beal (2000) suggested that the scope of scanning can be classified as operating environment and general (remote) environment. The former includes the immediate environment such as customers, competitors, availability of funding and labours. All of these can affect the firm's activities directly. The latter environment consists of a broader external environment such as political, legal, economic, social, and technological issues. The firm cannot do anything to change this general environment, but to adapt. The frequency of scanning is related to how often the firm scans the environment to obtain relevant information. Sources of relevant information are in two forms, internal and external (Case, 2002; Elenkov, 1997; Ghoshal, 1988; McGee & Sawyerr, 2003; Swayerr, Ebrahimi, & Thibodeaux, 2000). Internal sources are acquired from within the office. It can be from personnel in the same firm or personnel in other offices of thee firm. It can be even from the firm's computer databases. External sources come from customers, personnel in other firms, bankers, agents and distributors, consultants, general and trade publications, and trade shows. Information acquired about various market topics from different sources to be organized and stored in a central database or repository is the third step.

The important issue for the third step, information organization and storage, is to structure information to facilitate searching, retrieving and browsing information. The firm can make use of computer systems to organize and store information that covers both quantitative and textual materials (Choo, 1999). Contrary to the use of computer systems, information on paper could be stored in traditional filing systems (Zhang, et al., 2010). The fourth step, information products and services, is concerned with information relevance and added values to the users so that they can make better decisions. The collection information should be analyzed for issues and trends that may affect the firms, to assist users to better understand the external environments and make better decisions, with the consequence of facilitating the creation of a dynamic knowledge capability (Zhang, et al., 2010). The firms need to put in efforts to filter information gathered and spare adequate time to analysis data; without which could result in useless data with little value (Myburgh, 2004). Taylor (1986) proposes six main categories of information that can add values to the users. They are ease of use, noise reduction, quality, adaptability, time saving, and cost savings. With these value-added activities, information products and services can be expected to provide users with information that can solve their problems.

Information distribution, the fifth step, is the process by which the firm disseminates and shares information gathered from various sources for information users to make decisions. Three issues need to be addressed at this stage (Albright, 2004; Myburgh, 2004). Firstly, since staff may be scattered around the world for some firms, the correct information needs to reach the right people. Secondly, the information should be conveyed through vehicles and in formats that are compatible with those of the users'. Thirdly, the information should be distributed based on the requirements of the users in terms of orientation and content. Information distribution is concerned with "getting the right information to the right person at the right time and in a usable form" (Zhang, et al., 2010, p. 725).

Information use is the final step that signifies individuals using information generated from environmental scanning to make informed decisions and to create knowledge. This step focuses on three interconnected areas: sense-making, knowledge-creating, and decision-making (Choo, 1999). Information from environmental scanning plays an important role in all these three areas. While the external environment is getting more intense, the utilization of information becomes a critical successful factor (Hough & White, 2004; Qiu, 2008). At this stage, the users can utilize the information gathered, or their instincts and experiences, or a combination of both (Zhang, et al., 2010).

Characteristics of SMEs

Before looking into the environmental scanning practices of SMEs, it is necessary to understand the differences of the characteristics between SMEs and large firms. Owing to the smallness of SMEs, they lack the financial and human resources to undertake all activities (Franco, Haase, Magrinho, & Ramos Silva, 2011; Pearce, Chapman, & David, 1982; Wong & Merrilees, 2005). SMEs usually start with limited capital and are unlikely to attain financial return in a short period of time. As a result, there is insufficient cash to be invested in sophisticated strategic programs (Pearce, et al., 1982). In most situations, SMEs are barely able to handle the works in hand; let alone sparing human resources, including the owners, to perform extra business activities. In addition, SMEs rely more on individuals whereas large firms depend more on systems (Pearce, et al., 1982). Large firms make use of their systems (for example, information systems and market intelligence systems) to run their businesses; thus depending less on individuals in the firms. SMEs are characteristically managed by one or a few key individuals. The information need hinges on what these individuals perceive important. Information generated from the environmental scanning systems must be considered as critical, relevant, and time and cost effective by these key individuals. If not, SMEs are unlikely to get involved in strategic issue such as environmental scanning activities (Orpen, 1994).

The large firms, on the contrary, can set out a detailed plan for the scanning systems and establish policy to maintain them. Another difference between SMEs and large firms is that the former are more flexible than the latter (Franco, et al., 2011; Pearce, et al., 1982). Because of less staff in SMEs, the communication channel is much shorter. Consequently, they are in a better position to address to the market needs and to be more innovative in their capability to meet customer requirements (Franco, et al., 2011). The flat organizational structure of SMEs allows them to make organizational cultural change comparatively easy. When the firm needs to change the culture from intuitive to information focus, SMEs may find it easier and more likely to succeed in the change process. However, SMEs usually lack extensive external contacts and sophisticated internal management information systems (Kagan, Lau, & Nusgart, 1990). Ghobadian and Gallear (1997) forcefully summarize the characteristics of MNEs in comparison with large firms that MNEs possess simple and informal processes, less-standardized procedures, low-specialized and innovative structures, and prefer tested techniques as less financial consequences involved.

With all these unique characteristics, SMEs are likely to practice environmental scanning in a different manner (Beal, 2000; Franco, et al., 2011; Ngamkroeckjoti, et al., 2005; Wong & Hung, 2012). Consequently, there is a need to look at environmental scanning practices particular from the SMEs perspective.

Environmental Scanning Practices of SMEs

Choo's (1995) six-step environmental scanning system involves large amount of human and financial resources. This model has been used, holistically or partially, in the contexts of conceptual development study (Choo, 1999; Zhang, et al., 2010), and empirical studies of big firms (Auster & Choo, 1994; Qiu, 2008; Swayerr, et al., 2000). The applicability of this six-step model in the SME context needs further examination. The literature of environmental scanning practices of SMEs are evolved from that of large firms (Wong & Hung, 2012). However, as discussed in the previous section, SMEs differ from large firms in various aspects. Therefore, some studies examine specifically the environmental scanning practices of SMEs. A study using in-depth interviews on Thailand's SMEs found that there were differences between leaders' and followers' perceptions of the usefulness of environmental scanning practices in assisting new product development (Ngamkroeckjoti & Johri, 2008). Another study looked at the impacts of environmental scanning on competitive strategies in small U.S. manufacturing firms (Beal, 2000). It was found that the scope of scanning was statistically significantly associated with strategy formulation, but not the frequency of scanning. Mohan-Neill (1995) empirically established that experienced firms were more likely to collect macro-environmental information in terms of demographics, population, and socio-cultural trends than their newer counterparts. In addition, the experienced firms tended to use formal scanning techniques such as focus groups, structured personal interviews, and database research. Similarly, Yasai-Ardekani and Nystrom (1996) studied the relationships between the environmental scanning design and the organizational context of large firms and SMEs. The findings are: 1) organizational size was not statistically significantly related to the scope of scanning; 2) organizational size was statistically significantly related to the frequency of scanning; and 3) organizational size was statistically significantly related to the fact that top management teams in large firms tended to assume less responsibility for scanning the environments. In general, environmental scanning practices are lesser for SMEs than those of large firms (Smeltzer, Fann, & Nikolaisen, 1988).

While the existing literature on environmental scanning practices of SMEs sheds light on some scanning areas, there are still limited studies on how environmental scanning practices works in the SMEs context. Specifically, research gaps exist in the areas of how the environmental scanning is carried out by SMEs; that is exactly what the processes of environmental scanning are, especially in the information storage and distribution sections. Thus, this study, using qualitative research method, intends to further explore these issues so as to provide empirical evidence to fill the gaps.

RESEARCH METHOD

With an aim to understanding the environmental scanning practices of SMEs, we chose an exploratory qualitative case study method and employed the in-depth personal interview technique for data collection for two reasons; firstly, in consideration of the exploratory nature of the topic, and secondly, in view of the limited materials on environmental scanning practices in the SMEs perspective. A case research method provides the opportunity to fully explore the topic and gain insightful information into business practices (Wong & Merrilees, 2005). This study is not trying to empirically test a theoretical model. The in-depth personal interviews were semi-structured with open-ended questions for the owners of the businesses. This research method is in line with other SME studies (Gilmore, Carson, O'Donnell, & Cummins, 1999; Mankelow & Merrilees, 2001; Wong & Merrilees, 2005) and environmental scanning studies (Ngamkroeckjoti & Johri, 2008).

We undertook two case studies of Australia SMEs. Both of them are in the service industry; one in the car rental business and one in the tourism consulting business. The car rental firm has three staff including the owner. The in-depth personal interviews were undertaken in natural settings. The tourism consulting firm does not have any employee other than the owner. We carried out the interview with the car rental owner in a café and the tourism consultant in a garden of a university. Interviews with these two owners of SEMs were taped with their consent. The technique of probing for responses was employed whenever necessary to solicit a more complete answer to a question. Data analysis of in-depth personal interview required lots of personal judgement.

With the purpose of this study in mind, we adopted the qualitative data analysis approach for this study. The qualitative data analysis was performed manually, following Creswell's (2007) model of qualitative data analysis. Manual data analysis method is to perform data analysis by the researchers without the assistance of computer software. In the data analysis stage, the taped recordings were first transcribed into notes. The transcripts were then cleaned and edited by correcting typographical errors and disregarding irrelevant data to the core issue of the study, followed by the direct interpretation and naturalistic generalization steps. In the direct interpretation data analysis, "the case study researcher looks at a single instance and draws meaning from it without looking for multiple instance" (Creswell, 2007, p. 163). The development of naturalistic generalizations from analysing the data helps researchers learn from the case for themselves or even to apply to a population of cases (Creswell, 2007). In this study, we first describe the findings about the environmental scanning practices of the two SMEs in the next section. We then develop generalizations about the cases and discuss how they compare and contrast with the existing literature on environmental scanning practices.

FINDINGS

The cases demonstrate that the interviewees have a general understanding of what environmental scanning is. When asked what environmental scanning was, both the interviewees stated that it was an activity to monitor and understand the external market environments. Both of them also confirmed that they did environmental scanning for the firms. When probed further to discuss what type of information they usually scanned, the car rental owner came up with some different answers to the tourism consultant. The car rental owner actively monitored his competitors' marketing activities such as prices, new services, sales promotional activities, and new competitors. Initially, he did not mention anything about the macro-marketing environments such as political, legal, social, economic, and technology. In his mind, competitive environment made up most of his business environments. After probing further about the macro-marketing environment, he stated that economic situations were his concerns as well. The main piece of information about the economic situations was the number of tourists coming to the Gold Coast, Queensland.

Contrary to the car rental owner, the tourist consultant was mainly concerned with the economic environment. Since she has a very stable and focused base of clients, she was not too concerned about competition. But the general economic situations could negatively affect her clients with the consequence of decreasing sales of her business. The main economic elements that she was monitoring were the national unemployment rates, disposable income, and interest rates. Other than the economic environments, she also monitored consumer behavioural changes with emphases on tourists' motivation of choosing a particular tourism place and their media habit. When doing scanning, not only did she actively searched for information that was related to her industry in general, but also tried to focus the scanning work on some particular areas that are specifically important for her business. When asked about the reasons of not conducting a comprehensive environmental scanning, the owners provided the same responses. They did not have the time and human resources to do it. In general, both the SMEs performed some environmental scanning to assist their decision makings. The scope of their scanning was focused on the environments that they believed affected them the most. Their knowledge about the most important factors to their businesses could be contributed to their experiences in the industries and the limited resources available for them to undertake it.

The frequency of environmental scanning was another issue covered in the interviews. Once a while was the car rental owner's initial response to how frequently he monitored the environments. After further probing, he mentioned that he did not really count how frequently he monitored the environments. He did scanning when he felt needed, whenever he had time, and whatever information related to his business popped up in front of him (e.g. when reading a newspaper, an article might report issues about car rental business). The former two scanning activities are more active while the latter one is more passive. The tourism consultant responded to this question a little different to the car rental owner. She said she tried to monitor the environments regularly. She also practiced scanning actively. She would take time to look for and read through the relevant materials (to be discussed in the following section with regard to sources of information). Generally speaking, both SMEs scanned the environments periodically. But one was more active and did it regularly, while another was somehow passive and did it quite irregularly.

Sources of information were different for those two SMEs in some way. The car rental owner mainly made use of his personal connections to gather competitive information. His personal contacts included his suppliers, media salespeople, even his competitors. Whenever, he had an opportunity to talk with his connections, he would try to update his information about the latest development of the industry such as whether competitors were cutting prices, opening a shop in a new suburb, launching a new promotion campaign, and increasing or decreasing sales. With regard to the economic environments, he usually relied on newspapers and business magazines to provide him with the relevant economic information. The major sources of information for the tourism consultant were newspapers, TV news, business magazines, and industry magazines. She regularly read through these print media and watched TV news. She seldom talked with her peers/competitors or other external sources such as accountant and banker to gather environmental information other than her clients. Her clients sometimes provided her with some useful industry specific information; for instance, tourist destination surveys and economic forecast and its impacts on tourism, and some financial data provided by the clients' bankers. In general, print media seemed to be the popular choice of sources for information for both SMEs. External sources were used only in a selected manner because not all external sources were used by the SMEs.

The next scanning issues explored in the interviews were information organization and storage, and information distribution. When asked about these two issues, both owners' responses were very similar. The car rental owner stated that he did not use computer or other manual filing systems to store the information gathered from the scanning activities. He did not think that these systems would be very useful. Instead, he relied more on his brain to store useful information. Similarly, the tourism consultant did not have a computer system to store the information scanned from the environments. But she mentioned about a manual filing system that kept the clippings from different newspapers and magazines, and notes she made when reading and watching the relevant materials. In terms of information distribution, the car rental owner employed both personal conversation and emails to directly communicate the information to his staff. For the tourism consultant, since she was the only personnel working in the firm, the distribution of information issue did not apply to her. In summary, information was organized in an informal manner or a semi-formal style. Computer system was not used to store information. In addition, the owner relied on personal communication to distribute collected information within the firm.

In respond to how to analyze and use the collected information, both owners shared more commonalities than differences. Both respondents indicated that they did not use sophisticated analytical tools to analyze the information collected from environmental scanning. The car rental owner even mentioned that he did not really analyze the information, if analysis meant examining the collected information methodically in detail. Both SMEs seemed not to rely on sophisticated analytical tools to analyze the information. Instead, they counted on intuitive approach for information analysis. Both of them stated that they would usually think about the scanned information and how it could affect their businesses and be used to improve their decision making. When probing further regarding their use of the information, responses showed some differences. The car rental owner used collected environmental scanning information to assist making better marketing decisions. New products / services, pricing policy, marketing communication messages, and media planning all depends partly the information gathered. In addition, gathered information could furnish him to link up with other car rental firms to form strategic alliance. It can be seen that information from environmental scanning was utilized in both strategic (alliance) and functional (marketing) levels. In other words, the information could have both long and short term impacts. In the same way, the tourism consultant used the environmental scanning information to assist her strategic and functional business decisions. Her marketing plan in terms of product offerings, price setting, and promotion was made on the basis of the information to a certain extent. In particular, the sale forecasting section depended greatly on the information regarding the economic situations. She also mentioned about using the information to help her to find new potential markets for her clients.

On the whole, the case studies show that SMEs do undertake environmental scanning, even though they do it in a very focus manner. Choo's (1995) model of six-step environmental scanning system is able to explain the SEMs' scanning practices. Economic environment is one of the most important scopes of scanning. External sources play a vital role in the scanning activities. Most of the information is gathered from media. Media salespeople, clients, and even competitors are other sources of information. Manual systems are used by the SMEs. No computer systems whatsoever are in place to store the gathered information. To a certain extent, personal memory is the most commonly used mechanism in information storage. Information analysis relies heavily on owners' intuition rather than sophisticated analytical tools. Scanned information is factored in the business situations to help make decisions. Decisions for both strategic and functional issues benefit from the scanned information.

Selective responses from the respondents are depicted in the Appendix.

DISCUSSION

Owing to the unique characteristics of SMEs such as limited resources and individual driven, findings from this study suggest that their environmental scanning practices are different to those of large firms to a certain extent. The study demonstrates that SMEs utilize environmental scanning information to make both strategic and functional activities. In other words, environmental scanning is a useful strategic tool for both large firms and SMEs. In comparison to some existing literature emphasizing environmental scanning practices to be used in strategic decisions (Daft & Weick, 1984; Elenkov, 1997; Nadkarni & Barr, 2008; Preble, 1992), the SMEs in this study have a wider applications of the collected information. However, the scope of scanning for the SMEs is much narrower comparatively. The economic, customers, and competitive environments are the key areas of scanning. It partly confirms the findings from Beal's (2000) study. But for the large firms, the scope can extend to all macro-market environments such as political, legal, economic, social, and technology (Qiu, 2008; Yasai-Ardekani & Nystrom, 1996). The difference can be contributed to the fact that the SMEs lack time and human resources to perform an extensive scanning that covers all environments. Moreover, since SMEs are mainly engaged in niche markets, the external environments that critically affect their business may be limited to a few. This study has also found that external sources have been utilized extensively, if not exclusively. It somehow contradicts to some existing literature that suggests SMEs lacking extensive external contacts to gather information from external sources (Kagan, et al., 1990). The SMEs may not have extensive external connections due to limited resources such as staff and time; but, they do utilize external contacts selectively and wisely to gather relevant intelligence.

The extant literature suggests that some firms undertake sophisticated modelling techniques such as Delphi technique, scenario building, and econometric models (Jain, 1984) and forecasting techniques such as trend extrapolation, brainstorming, and simulation (Klein & Linneman, 1984) to analyze information from environmental scanning. The findings from this study suggests otherwise. None of the above analytical technique or other sophisticated technique was used by the respondents. It may be due to the fact that SMEs are not equipped with the special knowledge needed to carry out the analytical techniques. Rather, they make use of a common sense approach to analyze the information gathered. Information storage is arguably the least attended area in the environmental scanning literature. This study shows that SMEs have fairly simple storage systems, which are owners' brain and manual filing systems. The information storage is suitable for SMEs because only limited information is scanned. The SEMs are far from what Choo's (1995) recommendation of using data warehouses to store information. It is understandable that the SMEs do not have financial resources to build data warehouses.

Nonetheless, the SMEs do not make use of readily available facilities such as computer, tablets or cloud to store information. The SEMs depend on personal communication; for instance, face-to-face communication and personal emails, to distribute the scanned information. Electronic bulletins suggested by Choo (1995) are not materialized by the SEMs. The discussion so far suggests that both SMEs and large firms are advocates of the environmental scanning concept, but the ways it is carried out and the contents are quite different.

MANAGERIAL IMPLICATIONS

Overall results of this study have provided useful insights of the environmental scanning practice of the SMEs. To a certain extent, Choo's (1995) model work for the SMEs. The first step for SMEs to perform environmental scanning is to identify information needs. The SMEs need to know for what they look. Once the information need is known, the next step is to acquire the information. This step involves three areas: the scope of scanning, the frequency of scanning, and sources of information. The scope of scanning includes political, legal, economic, social, technological, competitive, natural environments, and customer environments. The frequency depends on the information need identified in the first step. With regard to the sources of information, external sources may be more useful for the SMEs. It is because there are not too many staff in SMEs office, internal sources may be limited in comparison to external sources. Customers, bankers, suppliers, distributors, advertising agency, and even competitors can be the external sources for the SMEs. The third step in environmental scanning includes information organization and storage. With limited financial resources, the SMEs are unable to invest a lot on storage facilities. However, they can make use of desktop computers or tablets to organize and storage information, in addition to using manual organizing methods. The information organization and storage should provide the SMEs with added value, which is step four of the environmental scanning practice. The added value can be in the form of ease of use, noise reduction, quality, adaptability, time saving, and cost savings. The fifth step is information distribution. The SMEs in general rely on personal communication to distribute gathered information. One of the advantages of the use of personal communication to disseminate information is the intended message can be further clarified if necessary. Finally, the use of information can assist the SMEs to make better decisions on new product / service development, price setting, marketing communication messages, media planning, and strategic alliance opportunity.

CONCLUSION

The aim of this study is to understand the role of environmental scanning in information systems for strategic decisions in the context of SMEs. The existing literature mainly focuses on the environmental scanning practices of large firms. While there are some studies in recently years trying to apprehend the environmental scanning practices from the SMEs perspective, research gaps exist especially in the information storage and distribution areas. This study uses Choo's (1995) model of six-step environmental scanning system as the theoretical base to examine the topic. Findings suggest that the SMEs have commonalities with and differences to the large firms. In general, the identification of information needs is very clear to the SMEs owners. They have a clear idea what they try to find. In terms of information acquisition, the SMEs have a narrow scope of scanning; that is scanning mainly economic, customers, and competitive information. It is not generalizable form the findings about the frequency of scanning because one firm has mentioned about scanning regularly whereas another one not frequent. External sources such as media, salespeople, clients, and competitors are the main sources of information. This study taps into two rather under-researched areas – information storage and distribution. Human memory and manual filing systems have been used to store information and personal communications in the form of face-to-face and personal emails are the major information distribution methods. This study has found no evidence of the SMEs using sophisticated analytical tools. Instead, they would use common sense and intuitive approach to analyze the information. Finally, the gathered information is used in making both strategic decisions such as searching for strategic alliance and functional decisions including price setting and media buying.

There are a couple of limitations in this study. Firstly, this study used only two micro SMEs in Australia to explore the topic. While the findings do shed light on the topic, it would enhance the validity of the study if the sample size were bigger. It is also worth noting that the findings of this study apply only to the micro SMEs. Bigger SMEs may show different results. Secondly, both SMEs are in the service industry. It is inappropriate to extrapolate the findings to any manufacturing industry.

Considering the limitations of this study, future research can investigate the environmental scanning practices of SMEs in countries other than Australia and medium sized enterprises. Findings can compare to this study to further understand how SMEs practice environmental scanning. Another area that needs to further study is the antecedents of environmental scanning practices. Specifically, research gaps lie in how owners' or managers' personal characteristics such as motivation and personal goals affect environmental scanning practices.

REFERENCES

Albright, K. S. (2004). Environmental scanning: Radar for success. *Information Management Journal*, *38*(3), 38–45.

Auster, E., & Choo, C. W. (1994). CEOs, information, and decision making: Scanning the environment for strategic advantage. *Library Trends*, *43*(2), 206–225.

Beal, R. M. (2000). Competing effectively: Environmental scanning, competitive strategy, and organisational performacne in small manufacturing firms. *Journal of Small Business Management*, *38*(1), 27–47.

Case, D. O. (2002). *Looking for information: A survey of research on information seeking, needs, and behavior*. New York: Academic Press.

Choo, C. W. (1995). *Information management for the intetlligent organization: The art of scanning the enviornment*. Medford, NJ: Information Today, Inc.

Choo, C. W. (1999). The art of scanning the environment. *Bulletin of the American Society for Information Science*, *25*(3), 21–24. doi:10.1002/bult.117

Costa, J. (1995). An empirical-based review of the concept of environmental sacnning. *International Journal of Contemporary Hospitality Management*, *7*(7), 4–9. doi:10.1108/09596119510101877

Creswell, J. W. (2007). *Qualitative inquiry & research design: Choosing among five approaches* (2nd ed.). Thousand Oaks, CA: Sage Publications, Inc.

Daft, R. L., & Weick, K. E. (1984). Toward a model of orgainzations as interpretation systems. *Academy of Management Review*, *9*(2), 284–295.

Dess, G. G., Lumpkin, G. T., & Eisner, A. B. (2007). *Strategic management* (3rd ed.). New York: McGraw-Hill.

Elenkov, D. S. (1997). Strategic uncertainty and environmental scanning: The case for institutional influences on scanning behavior. *Strategic Management Journal*, *18*(4), 287–302. doi:10.1002/(SICI)1097-0266(199704)18:4<287::AID-SMJ865>3.0.CO;2-B

Franco, M., Haase, H., Magrinho, A., & Ramos Silva, J. (2011). Scanning practices and information: An empirical study of firm size. *Journal of Enterprise Information Management*, *24*(3), 268–287. doi:10.1108/17410391111122853

Ghobadian, A., & Gallear, D. (1997). TQM and organisationa size. *International Journal of Operations & Production Management*, *17*(2), 121–163. doi:10.1108/01443579710158023

Ghoshal, S. (1988). Environmental scanning in Korean firms: Organizational isomorphism in action. *Journal of International Business Studies*, *19*(1), 69–86. doi:10.1057/palgrave.jibs.8490375

Gilmore, A., Carson, D., O'Donnell, A., & Cummins, D. (1999). Added value: A qualitative assessment of SME marketing. *Irish Marketing Review*, *12*(1), 27–35.

Hough, J. R., & White, M. A. (2004). Scanning actions and environmental dynamism: Gathering information for strategic decision making. *Management Decision*, *42*(6), 781–793. doi:10.1108/00251740410542348

Jain, S. C. (1984). Environmental scanning in U.S. corporations. *Long Range Planning*, *17*(2), 117–128. doi:10.1016/0024-6301(84)90143-2 PMID:10299516

Kagan, A., Lau, K., & Nusgart, K. (1990). Information system usage within small business firms. *Entrepreneurship: Theory and Practice*, *14*(3), 25–37.

Klein, H. E., & Linneman, R. E. (1984). Environmental assessment: An international study of corporate practice. *The Journal of Business Strategy*, *5*(1), 66–75. doi:10.1108/eb039048

Lesca, N., & Caron-Fasan, M. L. (2008). Strategic scanning project failure and abandonment factors: Lessons learned. *European Journal of Information Systems*, *17*(4), 371–386. doi:10.1057/ejis.2008.21

Lester, R., & Waters, J. (1989). *Environmental scanning and business strategy*. London: British Library, Research and Development Department.

Mankelow, G., & Merrilees, B. (2001). Towards a model of entrepreneurial marketing for rural women: A case study approach. *Journal of Development Entrepreneurship*, *6*(3), 221–235.

McGee, J. E., & Sawyerr, O. O. (2003). Uncertainty and information search activities: A study of owner-managers of small high-technology manaufaction firms. *Journal of Small Business Management*, *41*(4), 385–401. doi:10.1111/1540-627X.00089

Mohan-Neill, S. I. (1995). The influence of firm's age and size on its environmental scanning activities. *Journal of Small Business Management*, *33*(4), 10–21.

Myburgh, S. (2004). Competitive intelligence: Bridging organizational bourndaries. *Information Management Journal*, *38*(2), 46–55.

Nadkarni, s., & Barr, P. S. (2008). Enviornmental context, managerial cognition, and strategic action: An integrated view. *Strategic Management Journal, 29*(13), 1395-1427.

Ngamkroeckjoti, C., & Johri, L. M. (2008). Coping with hypercompetition in HTE financial sercies industry in Thailand: Enviornmental scanning practices of leaders and followers. *International Journal of Bank Marketing*, *21*(6/7), 359–368. doi:10.1108/02652320310498500

Ngamkroeckjoti, C., Speece, M., & Dimmitt, N. J. (2005). Environmental scanning in Thai food SMEs: The impact of technology strategy and technology turbulence. *British Food Journal*, *107*(5), 285–305. doi:10.1108/00070700510596884

Orpen, C. (1994). Stratetic planning, scanning activities and the financial performance of small firms. *Journal of Strategic Change*, *3*(1), 45–55. doi:10.1002/jsc.4240030106

Pearce, J. A. II, Chapman, B. L., & David, F. R. (1982). Environmental scanning for small and growing firms. *Journal of Small Business Management*, *20*(3), 27–34.

Preble, J. F. (1992). Towards a comprehensive system of strategic control. *Journal of Management Studies*, *29*, 391–409. doi:10.1111/j.1467-6486.1992.tb00671.x

Qiu, T. (2008). Scanning for competitive intelligence: A managerial perspective. *European Journal of Marketing*, *42*(7/8), 814–835. doi:10.1108/03090560810877178

Salmon, R., & de Linares, Y. (1999). *Competitive intelligence: Scanning the global environment*. London: Economica.

Smeltzer, L. R., Fann, G. I., & Nikolaisen, V. N. (1988). Environmental scanning practices in small business. *Journal of Small Business Management*, *26*(3), 55–62.

Swayerr, O. O., Ebrahimi, B. P., & Thibodeaux, M. S. (2000). Executive environmental scanning, information source utilisation, and firm performance: The case of Nigeria. *Journal of Applied Management Studies*, *9*(1), 95–115. doi:10.1080/713674356

Taylor, R. S. (1986). *Value-added processes in information systems*. Norwood, NJ: Ablex Publishing Corp.

Wong, H. Y., & Hung, J. Y. (2012). Environmental scanning literature - Past, present and future research propositions. *International Journal of Business Environment*, *5*(1), 30–50. doi:10.1504/IJBE.2012.044926

Wong, H. Y., & Merrilees, B. (2005). A brand orientation typology for SMEs: A case research approach. *Journal of Product and Brand Management*, *14*(3), 155–162. doi:10.1108/10610420510601021

Yasai-Ardekani, M., & Nystrom, P. C. (1996). Designs for environmental scanning systems: Tests of a contingency theory. *Management Science*, *42*(2), 187–204. doi:10.1287/mnsc.42.2.187

Zhang, X., Majid, S., & Foo, S. (2010). Environmental scanning: An application of information literacy skills at the workplace. *Journal of Information Science*, *36*(6), 719–732. doi:10.1177/0165551510385644

KEY TERMS AND DEFINITIONS

Analysis of Information: The process of evaluating information using analytical and logical reasoning to examine each component of the information gathered.

Case Study: An empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are use.

Decision Making: The thought process of selecting a logical choice from the available alternatives.

Environment Scanning: A management process of using information from the environment to aid decision making through the process of obtaining, analyzing and using information.

External Environment: Conditions, entities, events, and factors that can influence a firm's activities and decisions, and determine its opportunities and threats.

Frequency of Environmental Scanning: The number of conducting environmental scanning in a period of time.

Information Organization and Storage: Ways of grouping information gathered from different sources in a systematized manner that facilitates information analysis and use.

Information System: A combination of hardware, software, infrastructure and trained personnel organized to facilitate planning, control, coordination, and decision making in an organization.

Sources of Information: Indications of where the information originates.

APPENDIX: SELECTIVE RESPONSES FROM THE RESPONDENTS

Table 1.

	Respondent - Car Rental	**Respondent - Tourism Consultant**
Identification of information needs	*"I monitor my competitors' marketing strategies actively. I want to know their prices, new services, sales promotional activities, and even if there are new comers to this industry. When I know all these, I can make better decisions."* *"I am also concerned with other things as well. One piece of information particularly important to me is the number of tourists coming to the Gold Coast."*	*"I closely look at the economic environment, especially the national unemployment rates, disposable income, and interest rates. All these affect the tendency of travelling."* *"I study consumer behavioural changes in terms of tourists' choice of destinations and their media habit."*
Information acquisition	*"I monitor the business environment once a while, not too often, I guess. I don't have too much time to do it."* *"I don't really count it. I do it when I need to do it."* *"I have my own connections to gather information about my competitors' moves and the business environment. My advertising people give me a lot of information."* *"I also get some information about the economic situations from newspaper and business magazines."*	*"I monitor the environment pretty regularly. I would take some time off to look for materials and read through them."* *"I find that newspapers, TV news, business magazines, and industry magazines are very informative. In fact, my clients sometimes provide me with some information; for example, tourist destination surveys, economic forecast, and some financial data from their banks."*
Information organization and storage	*"No computers for me or any other sort of filing systems. The most reliable system is my brain."*	*"I do it manually, a messy way if you like. I have clippings all over my office."*
Information products and services	*"I don't do much analysis. I guess I just think about how the information I have can affects my business."*	*"I don't know how to do data analysis methodically. But I somehow intuitively sift through and analyse the information that can help me make decisions."*
Information distribution	*"I communicate the information with my staff via emails or I tell them in person."*	*"I don't have any colleague in my firm. Hence, in principle, I don't need to share the information with anybody."*
Information use	*"I use it (the information gathered) to make marketing decisions about new services, pricing policy, marketing communication messages, and media planning. The information may hook me up with other car rental firms to form strategic alliance."*	*"All the information I have mentioned is put in the marketing plans for my clients. The sales forecasting part depends greatly on the information about the economic situations."*

Chapter 4
Strategic Learning for Agile Maneuvering in High Technology SMEs

Charlotta A. Sirén
University of Vaasa, Finland & Luleå University of Technology, Sweden

Marko Kohtamäki
University of Vaasa, Finland & Luleå University of Technology, Sweden

ABSTRACT

This chapter illustrates four interrelated strategic learning processes, namely knowledge creation, dissemination, interpretation, and implementation, that are critical in ensuring the effective and rapid renewal of the core capabilities of technology-based small and medium-sized enterprises (SMEs). Based on a cluster analysis of 182 Finnish software companies and information from illustrative case examples, the chapter highlights success factors related to strategic learning practices necessary for survival and prosperity in the highly dynamic IT industry. By offering a consistent strategic learning framework and multiple practical examples, the chapter provides SME leadership teams with practical suggestions to facilitate strategic learning. In addition, the chapter considers learning traps that prevent firms from renewing their capabilities and highlights practices to avoid those traps to facilitate strategic learning in technology-based SMEs.

INTRODUCTION

How do organizations survive in the face of rapid technological and market change? This question has become central across industries where technological and competitive landscapes undergo constant and rapid change. In this environment, firms need dynamic capabilities, such as strategic agility, for rapid renewal (Doz & Kosonen, 2008, 2010). An agile firm is able to rapidly renew and transform its core capabilities and adapt to changes in technologies, ecosystems, and competitor behaviors. Recent studies have suggested that for firms to be agile they need strategic learning capabilities to effectively absorb, evaluate, distribute, and integrate new knowledge to foster accelerated innovation and renewal (e.g., Berghman, Matthyssens, Streukens & Vandenbempt, 2013;

DOI: 10.4018/978-1-4666-5962-9.ch004

Kuwada, 1998; Mintzberg & Waters, 1985; Thomas, Sussman & Henderson, 2001). We define strategic learning as an organization's dynamic capability that consists of the four sub-processes of knowledge creation, dissemination, interpretation, and implementation. Unlike other forms of organizational learning, the concept of strategic learning is commonly used in reference to learning behaviors and processes that facilitate a firm's long-term adaptive capability (e.g., Kuwada, 1998; Mueller, Titus, Covin & Slevin, 2012).

One of the central arguments for strategic learning capability is a firm's ability to avoid exploitation traps (e.g., Berghman et al., 2013; March, 1991; Sirén, Kohtamäki & Kuckertz, 2012) that emerge from historical success and blind the firm to developments taking place around it. The firm becomes satisfied with its present state and disregards the need for continuous strategic maneuvers necessary when competitors commoditize their products, services, and ecosystems (Doz & Kosonen, 2010). This happened to Nokia, once the world's leading mobile phone manufacturer[1]; the firm rapidly became commoditized, first by Apple and the IOS operating system, and later by Samsung and the Android operating system. Trapped by its investment in the Symbian operating system and lacking the ability to create a new platform for touchscreen smartphones, Nokia lost its competitive edge against Apple and Samsung. The reasons for Nokia's failure are multitude, but at the core, as industry analysts and researchers suggest, Nokia became trapped by not only its investments in Symbian, but also its path dependent capabilities and historical success. This example illustrates how companies accustomed to effectively exploiting their existing resource base may sacrifice their future due to exploitation traps (Kuckertz, Kohtamäki & Körber, 2010). Exploitation traps have mostly been considered a problem of larger and well-established firms, yet the problem is particularly evident in SMEs that lack finance and other resources to accelerate renewal of their business models.

The existing research on dynamic capabilities has ignored new ventures and SMEs, and as a result, researchers (e.g. Zahra, Sapienza & Davidsson, 2006) have called for studies on learning capabilities of SMEs. Moreover, recent studies (e.g., Berghman et al., 2013, p. 40) highlight that the *"insights into the specific organizational mechanisms that enhance strategic learning is still limited."* Through the application of emerging strategic learning literature, supported by cluster analysis of 182 Finnish software companies accompanied by four innovation-intensive SME cases, we provide insights on strategic learning practices in a highly dynamic IT industry characterized by intense global competition, short product lifecycles, and continually changing customer needs. Although they comprise a small proportion of the total population, these innovative and agile SMEs offer interesting examples from which others can learn. By offering a consistent framework and multiple examples, this chapter provides practical suggestions of means to manage strategic learning in SMEs.

BACKGROUND

At the heart of strategic management research is the finding that firms compete with core competencies and strategic capabilities embedded in the organization that develop over time through organizational learning processes (Levinthal & March, 1993). An organization's ability to learn has been argued to be the most important and perhaps the only source of a firm's sustainable competitive advantage (Levinthal & March, 1993; Mintzberg & Lampel, 1999). The role organizational learning plays in a firm´s survival is particularly evident in dynamic environments such as high technology settings where the value of knowledge rapidly diminishes and new capabilities needs to be acquired. For growth-oriented SMEs, the importance of strategic learning capabilities is particularly evident. SME competencies and capabilities require continual upgrading to ensure successful adaptation for firm growth (Zahra et al., 2006).

Interest in strategic learning emerges from criticism of traditional strategic planning research (i.e., The Planning School of strategic management) (Mintzberg & Waters, 1985). A purely planned strategy involves formally-expressed intentions about the future, commonality of intentions among actors, and exact execution of intentions as planned (Mintzberg & Waters, 1985; Titus, Covin & Slevin, 2011). In questioning the formality of planned strategy processes; researchers from the learning school have underlined the emergent nature of the strategy process. A purely emergent strategy is an ongoing social learning process where strategy is born and shaped by actions initiated by actors without any formal plan and intention for the strategy (Burgelman, 1991; Mintzberg & Waters, 1985). The recognition that important strategic initiatives can emerge from within an organization in the form of learning separates the learning school from prior mainstream strategic thinking (Mintzberg & Lampel, 1999). Researchers have advised that planning and emergence should be conceived as complementary strategy-making modes (Andersen, 2004). For instance, Mintzberg and Waters (1985) emphasized that "strategy formation walks on two feet, one deliberate the other emergent" (p. 271). In the spirit of previous studies, we also highlight the coalition between strategic planning and strategic learning by agreeing that both processes are necessary for a firm (Andersen, 2004; Hart & Banbury, 1994; Mintzberg & Waters, 1985). Thus, we consider an organization as a learning and interaction platform that enables creation, sharing, sense-making, and implementation of strategic knowledge to de-commoditize business models and to create competitive advantage (Thomas et al., 2001).

Strategic Learning Framework

Previous studies posit that long-term survival requires mechanisms for identifying, acquiring, and exploiting new knowledge (Oswald & Macpherson, 2006). However, very little is known about the internal processes associated with organizational learning and strategic renewal in smaller firms (Sadler-Smith, Spiecer & Chaston, 2001). The strategic learning framework presented here suggests that the SMEs capable of developing an effective strategic learning process are those firms that are capable of rapidly renewing their strategies and capabilities. The strategic learning framework builds on the knowledge-based view of a firm (Grant, 1996) by application of an information processing view of organizational learning (Huber, 1991) to understand strategic renewal. Strategic learning includes core processes of strategic knowledge creation, dissemination, interpretation, and implementation. Building on the idea of emergent strategies, studies suggest that strategic learning takes place at different levels of an organization, such as upper and lower echelons, marketing, product development, and production, and involves individuals, groups, and the entire organization (Crossan, Lane & White, 1999; Nonaka, 1994). It has been argued that in SMEs lacking formal systems and procedures for knowledge distribution and implementation, building and implementing efficient strategic learning models may be more difficult than in more established organizations (Oswald & Macpherson, 2006). In the next section, we theoretically explore how SMEs acquire, disseminate, interpret, and implement knowledge to foster strategic change.

Creating Knowledge for Strategic Purposes

Strategic renewal requires that firms need to break from their current paths and shift from knowledge exploitation to knowledge exploration (Crossan & Berdrow, 2003; March, 1991).

Knowledge exploration requires platforms and ways of working that facilitate the recognition of new knowledge with strategic value. Radical innovation strategies often require firms to investigate more distant environmental areas to find new market opportunities (Berghman et al., 2013). The process through which individuals engage in strategic knowledge creation activities is called creative search (Adler & Obstfeld, 2007; Crossan et al., 1999). Creative search is a future-oriented and uncertainty-enhancing cognitive process revolving around the deliberate search for and recognition of opportunities (Atuahene-Gima & Murray, 2007; Pandza & Thorpe, 2009). The aim of this process is to lead the individual, the team, and finally, the firm, to novel information to provide an important feed for the knowledge creation processes of the organization. For instance, a growing stream of research advocates the use of network relations (Hite & Hesterly, 2001; Huikkola, Ylimäki & Kohtamäki, 2013) as a means for young and small firms to search for and acquire knowledge expending fewer internal resources than would generally be needed for knowledge creation implemented entirely within the firm, such as by an internal R&D function. In fact, Oswald and Macpherson (2006) highlighted that for SMEs, access to external knowledge providers (e.g., customers, suppliers, and competitors) is particularly important. In such circumstances, knowledge is created by the boundary actors and then absorbed and developed in interaction with the rest of the organization.

Disseminating New Knowledge throughout the Organization

Firms' ability to distribute acquired and created knowledge is of primary importance for organizational renewal. According to Nonaka (1994), personal knowledge can be brought into a social context through knowledge dissemination. Knowledge dissemination refers to the internal spread of knowledge acquired at an individual level through conversations and interactions between individuals and groups within the organization (Jerez-Gómez, Céspedes-Lorente & Valle-Cabrera, 2005; Nicolini & Meznar, 1995). The organization, with its formal and informal systems, practices, and activities, creates a platform for communication, dialogue, and debate (Bontis, Crossan & Hulland, 2002), enabling effective knowledge distribution (Jerez-Gómez et al., 2005; Thomas et al., 2001). Although SMEs may lack sophisticated knowledge sharing systems, their smaller size enables effective informal interactions and knowledge transfer, signaling the importance of a knowledge sharing culture. In fact, larger and more hierarchical firms may suffer from excessive coordination costs associated with rigid functional boundaries between departments that prevent active dialogue and sharing (Real, Roldán & Leal, in press). Strategic knowledge dissemination activates knowledge interpretation and is therefore an important phase in the development of shared organizational knowledge.

Interpreting and Making Sense of the Knowledge

In the process of strategic knowledge interpretation organizational members interpret new information about potential opportunities through a mutual process of interaction (Daft & Weick, 1984). Interpretation of strategic knowledge allows a firm's personnel to make sense of relevant knowledge and jointly develop cognition that could enable more collective actions that, in turn, enhance the effectiveness of strategy implementation (Daft & Weick, 1984; Tippins & Sohi, 2003). Collective sense-making requires engagement in an open dialogue among organizational members that often have diverse backgrounds and perspectives (Kuwada, 1998; Liedtka, 2000; Slater & Narver, 1995). In the process of sense-making, conflicting assumptions and alternative interpretations are considered and, if needed, acted upon to change behaviors, as well as the organization's ways of interpreting information. Particularly if the new knowledge is radically new and it does not fit with the existing cognitive schemas, organization needs effective knowledge interpretation (Berghman et al., 2013). To avoid strategic mistakes, or to analyze and learn from mistakes already made, it is essential that in the sense-making process wrongly perceived signals are collectively interpreted to find appropriate shared interpretations of the existing reality and opportunities (Cegarra-Navarro & Sánchez-Polo, 2011). This may be particularly challenging for smaller owner-managed SMEs, where the owner-manager´s influence is pervasive, but could be enriched by careful listening and dialogue within the organization. Thus, organizational norms that enable dialogue by facilitating collaboration may decrease potential authoritarian influence of any organizational member or harmful competition between organizational members, and in this way foster collective thinking and strategic learning (Adler, 2001).

Implementing Knowledge

Strategic renewal requires that new knowledge is embedded in organizational routines, systems, and structures (Huber, 1991). Organizational memory (Walsh & Ungson, 1991) has been used to reference the stock of knowledge every member of an organization can access. Organizational memory can be divided into hard (semantic) and soft (episodic) memory (Walsh & Ungson, 1991). Whereas hard memory comprises general, explicit, and articulated knowledge (e.g., organizational files, documentary records, transactional records, or annual reports), soft memory includes context-specific and situated knowledge. Examples of soft memory include organizational culture, transformations (production processes and work procedures), structure (formal organizational roles), ecology (physical work settings), and information archives both within and outside the organization (Cegarra-Navarro & Sánchez-Polo, 2011). In the process of strategic knowledge implementation, new knowledge will be institutionalized and saved in organizational memory where it will influence the firm´s future activities. Thus, this is the phase in which strategies become implemented, new targets are set, and new products or services are introduced.

Whereas many prior studies analyze strategic learning in the context of larger companies and presuppose the existence of formal structures that enable effective knowledge implementation (e.g., Crossan et al., 1999; Crossan & Berdrow, 2003), this is not the case in smaller SMEs (Oswald & Macpherson, 2006). Although SMEs may lack formal structures and systems for effective knowledge implementation, they can gain advantage through committed teams and individuals that effectively implement new knowledge in their everyday practices. However, the change from informal to formal knowledge development practices may be one of the biggest challenges when SMEs grow. Where larger companies may struggle with path dependency, SMEs encounter challenges of knowledge formalization.

Strategic Learning Traps and the Costs Related to Developing Learning Capabilities

Researchers have recently suggested that developing learning capabilities involves serious costs (e.g., Schilke, in press), generating a critical challenge for SMEs, which often lack development resources. In fact, Dalley and Hamilton (2000) found that due to resource scarcity, a great number of SMEs do not devote any resources to improving their organizational learning processes. In addition, Wales, Parida, and Patel (2013) recently found that in the context of high-tech Swedish SMEs developing learning capabilities has diminishing and even harmful performance effects beyond intermediate levels of absorptive capacity (i.e., a firm's ability to access and absorb external R&D-related knowledge). Scholars apply the concept of learning traps to reflect the factors that constrain learning and innovation to suggest that firms are path dependent and bound by their previous success (Levinthal & March, 1993), existing competencies (Levitt & March, 1988), inclination to exploit rather than to explore (Sirén et al., 2012), and propinquity (Ahuja & Lampert, 2001).

Scholars have noted several underlying reasons for the occurrence of learning traps, such as the presence of path dependencies and specialization (Levinthal & March, 1993; Tripsas & Gavetti, 2000) that generate core rigidities (Leonard-Barton, 1992), organizational inertia (Hannan & Freeman, 1984; Kelly & Amburgey, 1991), firms' limited ability to observe signals from a complex and dynamic environment (Lant & Mezias, 1990), and tendency to ignore distant times, places, and past failures (Levinthal & March, 1993). A common aspect of learning traps is that they represent a conflict between routines that enable an organization to perform well in the short run, but position the organization unfavorably for the future (Ahuja & Lampert, 2001). According to inertia theory, organizations are path dependent with regards to their development and trapped by their historical core capabilities, which may turn into core rigidities (Leonard-Barton, 1992) if existing technologies or product lines are commoditized by market competition (Tripsas & Gavetti 2000). This capability-related path dependency is often strengthened by the historical success of a firm. Prior success may cause firms to ignore technological developments that occur within a sector, resulting in commoditization (Tripsas & Gavetti, 2000). The experiences of a firm play an important role in the development of path dependencies (Michael & Palandjian, 2004). In a discussion of primacy effects, Michael and Palandjian (2004) suggest that organizations place too much weight on prior experiences relative to recent events, and in that case, a reliance on prior experience begins to shape the current actions of the firm. The utilization of previously acquired knowledge can be particularly disastrous if a firm experiences a novel and dynamic market context (Mueller et al., 2012). In addition, Schilke (in press) suggests that if a firm rarely has a need to change, its performance may suffer if it devotes significant resources to developing strategic learning capabilities. Thus, strategic learning can be seen as an investment that has costs and firms should carefully consider whether they need to invest in such capabilities.

STRATEGIC LEARNING IN PRACTICE

We began the exploration of the strategic learning practices by first analyzing questionnaire data obtained from Finnish software companies. We deepened our analysis by reviewing four cases to highlight success factors related to strategic learning practices in highly innovative Finnish SMEs operating in the software industry. SMEs are particularly important for the Finnish economy; in 2010, 99.4% of all firms in Finland were SMEs and they employed approximately 60% of the labor force (OECD, 2012).

Strategic Learning in the Finnish Software Industry

Nokia's recent downfall, exemplified by the firm making 10,000 employees redundant worldwide during the last few years, has led to the creation of numerous interesting start-ups in Finland that provide compelling examples of strategic learning. The Finnish IT industry is an important growth driver in the economy; EuroStat estimates that the software industry grew by 5% in 2010 and 8% in 2011, while Finland's overall GDP growth in 2010 was 3.1% and 2.9% in 2011. Moreover, the positive impact of the IT industry, with its rapid innovation and short product lifecycles, is argued to extend well beyond IT industry boundaries (Mendelson & Whang, 2000). The Finnish software sector, which forms a crucial part of the IT industry, was selected as the target industry for this study. Scholars have identified the need for learning in the software industry due to its high rate of change (Bingham & Davis, 2012). Knowledge creation and application are especially important in high-tech sectors (Autio, Sapienza, & Almeida, 2000; Eisenhardt & Schoonhoven, 1990) as strategic learning is believed to play an important role in knowledge-intensive, dynamic, and uncertain business environments (Mintzberg & Lampel, 1999; Volberda, 1996). Thus, in these sectors it is central to understand how the acquisition and internalization of new knowledge influences firms' internal knowledge and learning (Matusik & Heeley, 2005).

Strategic Learning and Firm Performance: Highlights from Cluster Analysis

To illustrate the variation in strategic learning capabilities within high-tech SMEs, we conducted a cluster analysis with data from 182 SMEs. The quantitative survey data was collected from Finnish software-industry SMEs in 2009. The sample is representative and generalizable, providing a good snapshot of strategic learning in Finnish software firms (see Sirén 2012 for more detailed description of the data collection). To capture data on strategic learning, we utilized a total of 16 items from a previous study (Sirén, 2012) divided into two main theoretical dimensions of exploratory and exploitative learning, each with two sub-dimensions: exploratory learning with sub-dimensions of knowledge creation and dissemination, and exploitative learning with sub-dimensions of knowledge interpretation and implementation. We measured firm performance through four items adapted from Gibson and Birkinshaw (2004) that captured the CEOs' satisfaction with their firm´s overall performance. The average of the scores against these four items was used as the performance measure. A subjective measure of performance based on CEOs' perceptions was chosen over objective data as SMEs are often very reluctant to provide "hard" financial data (e.g., Covin, Prescott, & Slevin, 1990). It was therefore felt that more complete financial information could be obtained with a subjective measure that did not directly ask respondents to report their financial figures but instead measured their satisfaction with performance. Furthermore, financial data on small firms are difficult to interpret and are affected by industry-related factors (e.g., Covin et al., 1990). Last, several studies (e.g., Dess & Robinson, 1984; Venkatraman & Ramanujam, 1987) have found that perceptual and objectively determined measures are highly correlated, signaling the reliability of self-reported performance measures. On the basis of these arguments, we followed on the common agreement that it is appropriate to use subjective measures when measuring SME performance. The survey items used were measured on 5-point Likert scales (1 = fully disagree, 5 = fully agree) and are reported in the Appendix. Prior to their use in the analysis, all the items were tested for validity and reliability. The correlation matrix (Table 1) illustrates that all the constructs correlate statistically significantly, but the correlations remain well below the multicollinearity threshold value of 0.90 (Hair et al., 2006, p. 227).

Table 1. Descriptive statistics and correlation matrix

	Variable	Mean	SD	(1)	(2)	(3)
(1)	Exploratory learning	3.79	0.56	1.00		
(2)	Exploitative learning	3.91	0.53	0.56***	1.00	
(3)	Performance	3.56	0.63	0.34***	0.39***	1.00

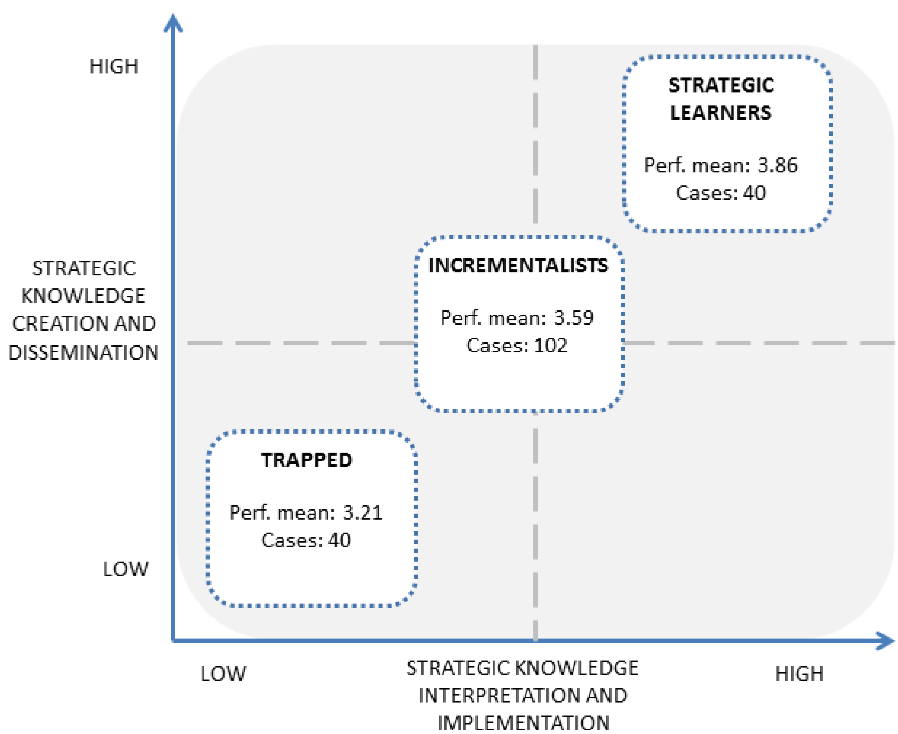
**Correlation is significant at the 0.01 level (2-tailed)

The study applies non-hierarchical k-means cluster analysis to identify and compare groups of companies with different strategic learning levels. To determine whether the identified strategic learning clusters vary in terms of performance, a one-way ANOVA test was conducted. Tukey's post hoc analysis was used to test which clusters statistically significantly differ from each other in terms of performance. Cluster analysis revealed three different types of software companies, depicted in Figure 1. These three clusters vary statistically significantly ($p < 0.05$) with regard to exploratory (knowledge creation and dissemination) and exploitative learning (knowledge interpretation, and implementation). Based on the cluster analysis, we designated firms with high strategic learning capabilities as "strategic learners," whereas we labeled SMEs with mediocre strategic learning capabilities "incrementalists," referring to the incremental learning that takes place in such organizations. Finally, we labeled firms with the lowest strategic learning capability levels "trapped," referencing the learning trap these firms have encountered. Strategic learners displayed the highest performance scores (3.86), the trapped illustrated the lowest scores (3.21), and the incrementalists' scores fell between those extremes (3.59). Hence, the results demonstrate how strategic learning positively influences firm performance by enabling effective adaptation and renewal.

How to Facilitate Strategic Learning in SMEs: Illustrative Cases from the Finnish Software Industry

In this section, we use multiple examples such as the smartphone operating system developer,

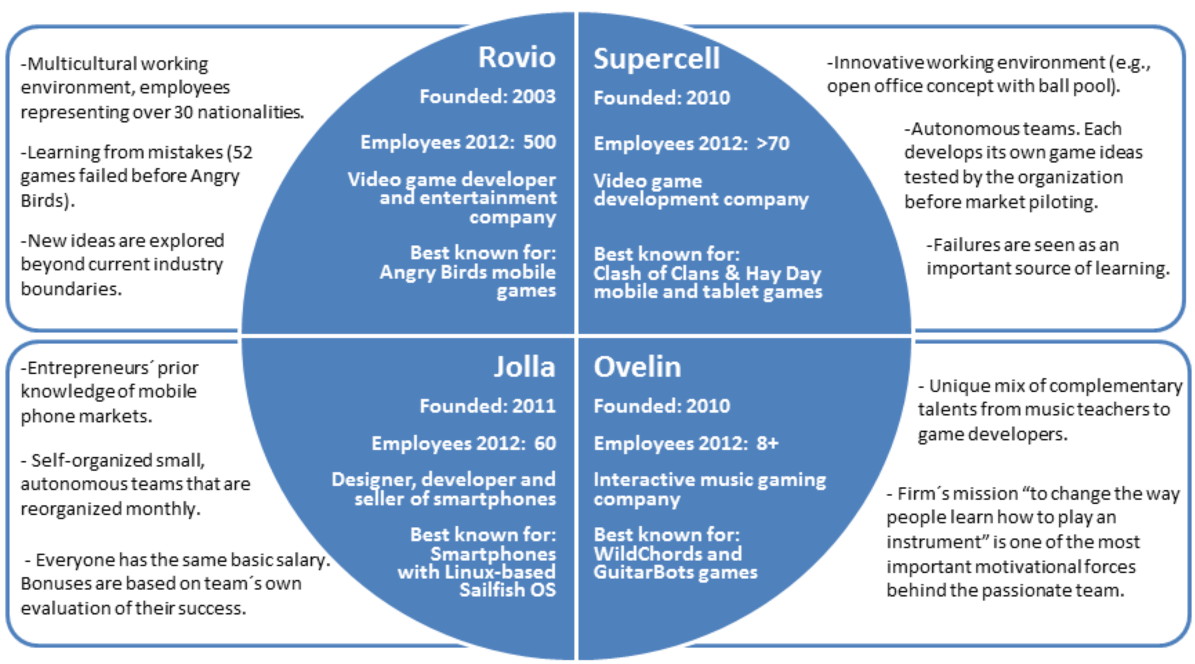
Figure 1. The three company types of the Finnish software industry, in terms of their differing mixes of strategic learning and performance



smartphone designer and vendor *Jolla*, and game developing companies such as *Rovio Entertainment*, *Supercell,* and *Ovelin,* to illustrate practices that these promising high-tech SMEs utilize to foster strategic learning. These companies were not included in the cluster analysis as three of them were founded after the initial data collection, however, we chose to investigate the learning practices developed by these companies because they represent highly innovative startups that have already shown great potential to learn and to become leading companies in the Finnish IT-sector. For example, in June 2013, Business Insider listed Supercell, Jolla, and Rovio among the most promising Finnish startups. *Rovio,* a Finnish mobile game developer and inventor of the game *Angry Birds*, has grown in two years from a game development firm with 24 employees to an entertainment media firm employing nearly 500 people and valued at US$9 billion. *Supercell* is a Finnish tablet game development firm founded in June 2010 that, by November 2012, had become the largest publisher, measured by sales revenues, in the Apple App Store. At the beginning of 2013, Supercell´s daily revenue exceeded US$2 million and the firm was at a run-rate of more than US$800 million for 2013 and could even reach $1 billion (Strauss, 2013). *Ovelin,* a Finnish producer of guitar tuition apps, was founded in December 2010. Ovelin´s most popular guitar tuition game *WildChords* was the most downloaded music application in 34 countries in the Apple App Store, and provides evidence of the firm's potential.

When collecting the data on these four companies, we relied on three data sources: (1) qualitative data from semi-structured interviews, (2) quantitative data on companies' descriptive statistics, from company and public sources, and (3) archival data, including company websites, business publications, news, and other materials produced inside the firms. (see Figure 2)

Figure 2. Summary of characteristics of case companies



Knowledge Creation in Practice

To learn and renew, a firm has to be continuously exposed to new ideas. This becomes particularly evident in the case of the software business, where the innovation cycle is short and new software products are introduced at a rapid rate. For instance, approximately 200–300 new games are introduced weekly to the Apple App Store. Hence, if a firm wants to learn faster than the markets are changing, it must think differently about the source of new ideas.

At *Supercell*, strategic knowledge creation is fostered by encouraging employees to systematically look at new trends in other related industries. For instance, employees are urged to explore and recognize new ideas from popular culture such as comics, movies, music, etc. *Rovio* has utilized a comparable practice and built a movie theater in its headquarters for employees to play video games and watch movies so they can find new ideas and enrich their thinking. These companies are integrating R&D as a part of every member´s work. Rovio's CEO, Peter Vesterbacka encourages looking outside the box: "*It is important to stand out and not do what everybody else does. Do not think that you can do what Google is doing, only a little better, because it is probably not going to be good enough. Do something that completely changes your landscape… Get out of your territory and comfort zone*" (Profile, 2011). Google provides an important example of a larger firm that systematically invests in knowledge creation by giving its engineers 20% of their time to work on projects that are not directly connected to its core business, known as the Innovation Time Off (ITO) model (Levy, 2011). This has been proven to be an effective way to create new explorative knowledge, as 50% of Google´s newly launched features (e.g., Gmail, Google News, and AdSense) have been reported to have originated from this "exploration time" (Bharat & Bick, 2007). Google takes a negative view towards micro-management and trusts that employees use their time wisely; they feel it is a sense of purpose and vision that guides employees' work. Jolla holds a similar view and their former CEO Mark Dillon (CEO until May 2013, after which he was appointed Head of Software at Jolla) said, "I wanted to create a company where you don´t need to tell people what to do" (Nykänen, 2013). The Jolla management team has invested a lot of effort into building an organizational culture that supports opportunity recognition and knowledge creation.

Shane (2000) emphasizes that a team of founders, equipped with prior market and technological knowledge, provides an enhanced means of evaluating and developing viable opportunities. Kuwada (1998) adds that knowledge variety is needed and suggests that heterogeneous teams and variation in employees' prior knowledge and background improve strategic knowledge creation. At Jolla, the entrepreneurial team´s background and prior knowledge of mobile phone markets enable effective identification of strategically important knowledge; four out of five founders are former Nokia employees and half of all the employees previously worked for Nokia. Ovelin's co-founder and COO Mikko Kaipainen says the firm has built a team to develop its online guitar learning game with complementary skills from different fields, absorbing contributions from music teachers, musicians, game developers, visual designers, and marketing experts. According to Kaipainen, the unique mix of talents is one of the central factors behind Ovelin´s success, as it enables the firm to recognize important signals from markets and to handle problems in a comprehensive manner. In addition to an entrepreneur's social networks and prior knowledge, the entrepreneur's personality traits including optimism, self-efficacy (optimism about one's ability to achieve specific, difficult goals), and creativity are important antecedents of the entrepreneur's alertness to business opportunities (Ardichvili, Cardozo, & Ray, 2003). These attributes are particularly evident in the CEO of Rovio (Vesterbacka) who, despite Rovio's near fatal difficulties in its early growth phase, never doubted its ultimate success.

Knowledge Dissemination in Action

Creation of an organizational climate in which employees share their tacit and explicit knowledge is central for the management of high-tech firms (Nonaka, 1994). To facilitate strategic learning, organizations are advised to apply practices related to knowledge sharing across teams and departments. Therefore, firms may apply different practices to improve openness of their organizational culture and lower interaction boundaries. The world´s most profitable mobile games are developed in particularly open atmosphere, where dress-codes do not exist; for example, Supercell employees change their shoes into comfortable slippers or just wear socks at work. This practice generates an informal organizational culture that encourages ease of discussion and free-flowing dialogue. At the same firm, despite its increasing number of employees, all facilities are designed using the open office concept to increase interaction. As evidence of their adherence to this design, Supercell´s headquarters has only four internal doors; three lead to negotiation rooms and one to a ball pool providing an experience that seeks to separate workers from conservatism and facilitate creative thinking. In contrast to most game studios ruled over by an autocratic executive producer judging the work of designers and programmers, Supercell's developers work in autonomous groups of five to seven people. Each cell comes up with its own game ideas that they present first to the CEO (who hardly ever rejects ideas), and then to the whole organization. Supercell´s CEO Ilkka Paananen says, "Small is beautiful. I believe in super small, independent teams. This keeps everyone passionate about what they do…The teams have the decision making power. It brings along both freedom and responsibility. At the same time, the whole team is constantly in touch with players and everyone is building the game by taking into consideration the user experience" (Mäntylä, 2013). Supercell's organizational practices enable it to provide more opportunities for team members to share their ideas and voice their opinions, and to encourage teams to express their suggestions. According to Srivastava, Bartol, and Locke (2006), team members feel their contributions influence decision making under such circumstances, facilitating commitment towards the work done within the firm. Jolla also has a similar practice, where the firm organizes a shared strategy meeting in which employees jointly consider the firm strategy and strategic targets.

Knowledge Interpretation Practices

Interpretation requires organizations promote reflective discussions to facilitate the emergence of shared interpretations of entrepreneurial opportunity among personnel, which may then lead to implementation. Strategic change requires a firm´s current cognitive framework to break down (Berghman et al., 2013). The usual assumption is that the firm must face unusual experiences such as failures or smaller mistakes that contribute to breaking the current set of basic assumptions so that new interpretations can be formed and implemented (Kuwada, 1998). Thus, one of the key management issues is to build an organizational culture that not only encourages the challenging of current cognitive frameworks and assumptions, but also promotes open discussion and reflection on mistakes and failures. At Supercell, employees toast failures with champagne. "We really want to celebrate, maybe not the failure itself, but the learning that comes out of the failure," says Paananen, CEO of Supercell (Strauss, 2013).

Rovio produced 52 unsuccessful games and almost went bankrupt before Angry Birds. Vesterbacka (CEO of Rovio) emphasizes, "People can make mistakes but again we learn from our mistakes. I cannot emphasize that too much. A learning organization … we learn new things every day" (Indrasafitri, 2012). At Supercell the strategy has already been changed drastically in its few years of existence. After the first year Paananen (CEO of Supercell) realized that the firm's initial strategy (producing games for multiple devices) was going to be a mistake and that not to radically change it (by focusing on producing games mainly for tablets) would rule out any chance of success. Thus, as the case examples of Rovio and Supercell illustrate, the initial strategies of both Supercell and Rovio required revision along the way. These types of rapid changes in direction can be considered as reflections of strategic learning. At Ovelin, Kaipainen (COO) sees that it is extremely important to be able to "understand the importance of failures to the firm's development" and to "respect failures and to know how to handle failures." When mistakes are properly analyzed and interpreted through collective conversations, they provide valuable lessons. In the context of SMEs, the correct interpretation of failures (i.e., reviewing their origin, consequences, and actions needed) is particularly important, as the firms may not be able to absorb many consecutive failures because of scarce resources.

Approaches to Facilitate Knowledge Implementation

Implementation refers to the development of organizational culture, work procedures, and structure to enable project, product, or service developments that seize a recognized opportunity. The existence of an open-minded culture and loosely-coupled organizational structure are important factors facilitating knowledge implementation in SMEs (Flores, Zheng, Devaki & Thomas, 2012; Ravasi & Verona, 2001). Jolla has a very dynamic structure and its CEO describes it as "a completely flat organization without fixed teams. With the help of executives, employees organize themselves into teams on a monthly basis. We call this an iteration round. Iterations enable us to fully react to change." (Nykänen, 2013). The continuous reformation of teams enables Jolla to quickly implement new knowledge and align the organization with current targets.

Despite the growth of Supercell, the organizational structure is kept as flat as possible and redundant processes and harmful bureaucracy are eliminated. At Jolla, employee compensation is based on contribution in the previous business iterations. Every member in the organization has the same basic salary. Once a month teams evaluate their own success and are accordingly paid bonuses. According to Dillon, the former CEO of Jolla, "The salary system has worked perfectly...after the last iteration round we were able to say that every single task was done. This is very unusual in a software firm." (Nykänen, 2013). The dynamic structure enables quick implementation, as the salary politics facilitate an organizational culture where every employee is equal. At Ovelin, the practices related to knowledge documentation and storing such as meeting minutes are becoming increasingly more important as the firm grows (at the moment they have offices in three locations; two in Finland and one in the USA). The quick implementation of knowledge is also important, as it reduces the risk of losing valuable information when an employee leaves the company.

Resolving the Paradox: Long-Term Planning vs. Strategic Learning

Although strategic learning has clear benefits in the software industry, it has to be acknowledged that an appropriate strategy for any particular firm depends on its environment, developmental state, and resources. For instance, Mintzberg and Waters (1985) emphasize that strategic learning is more beneficial in dynamic environments. When operating in a more predictable environment, a firm may for a certain period apply a more traditional strategic planning approach intended to predict, choose, and implement long-term goals, instead of continuous adjustments. Thus, depending on the characteristics of the environment, it may be beneficial for a firm to sequentially switch between formal strategic planning and strategic learning (Chen & Katila, 2008).

Strategic learning may be nurtured more effectively by leaders whose leadership style is characterized by transformational leadership that appeals to their followers' intrinsic motivations, that challenges and inspires those followers with a sense of purpose and vision, and shapes conditions that are important for the success of new ventures, including fostering employees' creativity (Ensley, Pearce & Hmieleski, 2006; Mumford, Scott, Gaddis & Strange, 2002). In contrast, strategic planning may be executed most effectively in an organization whose leader follows a more transactional style characterized by control, goal setting, productivity, and efficiency (Bass, 1990). Thus, leadership can be considered as a central tool in the transition from traditional planning to strategic learning. This practice is exemplified by Jolla, which has already changed its CEO three times as the firm transitioned through its various growth phases. The former CEO, Dillon, with his charismatic leadership style, was well suited when the focus was on finalizing the development of the operating software. In contrast, the current CEO, Tomi Pienimäki, whose leadership experience derives from large technology organizations, is a more business-centric leader bringing expertise on distribution, lean production, and logistics, that are important when entering the markets. Thus, rotating between different leadership styles may enable software companies to sequentially switch the emphasis between learning and planning as appropriate for their developmental phase. Finally, a CEO's business-related connections, his/her standing in the social network and timely and comprehensive communication with the rest of the leadership team are factors that enable the CEO to access the rich and reliable information essential to decide when a focus on planning in a given situation outweighs the benefits of learning and vice versa (Cao, Simsek & Zhang, 2010).

FUTURE RESEARCH DIRECTIONS

A recent literature review by Zahra et al., (2006) revealed that existing research on dynamic capabilities has focused mainly on established and larger companies and has ignored new ventures and SMEs. This is surprising since SMEs need learning capabilities that allow them to survive, grow, achieve legitimacy, and reap the rewards of innovation (Sapienza, Autio, George & Zahra, 2006). Although this study sheds some light on strategic learning in SMEs, future research should continue exploring the role and nature of dynamic capabilities in SMEs. Furthermore, the scarce literature on SME´s strategic learning capabilities has mostly been conceptual and case-based. Thus, future research could benefit from analyzing how age- and size-related factors affect the usefulness of learning capabilities in broader empirical settings. In addition, relatively little attention has been afforded to the process by which learning capabilities develop, emerge, and evolve, especially in SMEs with limited resources, knowledge bases, and expertise in building and integrating diverse capabilities (Zahra et al., 2006). This suggests a need for research that either uses specifically-designed questionnaires administered over time and/or longitudinal case studies capturing the evolutionary nature of dynamic capabilities (Helfat & Peteraf, 2003). As noted in this chapter, strategic learning sub-processes are interrelated and necessary for effects to occur (Berghman et al., 2013). In this sense, a particularly salient path for future research could be to study the antecedent factors of strategic learning and to consider whether different factors influence strategic learning sub-processes differently. In this regard, the recent study by Flores et al. (2012) provides a fertile starting point demonstrating both the joint and unique antecedents that facilitate different learning dimensions.

The global and innovative nature of the software industry, its special characteristics, and the presence of many young firms are factors that may limit the generalizability of our results. Thus, exciting opportunities exist for future comparative research—covering multiple industries that differ in life cycle, technological intensity, or institutional context—that could reveal how particular industry conditions influence strategic learning. Going beyond firm-specific differences, future research could also engage with context-specific differences, such as environmental or competitive dynamics that may influence the effectiveness of learning capabilities. In this vein, we encourage future researchers to pay greater attention to the factors that moderate the impact of strategic learning on a particular outcome, thereby revealing unique conditions that might enhance or weaken the impact of each.

Furthermore, most learning studies have ignored the role of the owner, entrepreneur, and entrepreneurial team in the organizational learning process. However, there may be important behavioral and learning differences between experienced and more novice entrepreneurs, for example, that are reflected in the learning of the whole organization. Entrepreneurs with denser information, more industry specific knowledge, larger contact networks, and management expertise might be better able to foster strategic learning in their organizations than those without these knowledge resources. In addition, an entrepreneur's individual attributes such as tenacity, risk aversion, proactivity, and a passion for work can affect many aspects of a newly created venture, including the learning processes prevalent in it (Dutta & Crossan, 2005). However, although prior studies have recognized the need to incorporate these individual-level demographic and psychological factors identified in entrepreneurship models in the organizational learning context, details of their application and empirical testing are extremely scarce (Dutta & Crossan, 2005). Thus, future studies exploring these issues should consider a multilevel approach to strategic learning that covers learning at different levels of an organization (those of the entrepreneur, individual employees, teams, departments, etc.). One promising avenue for future research is to explore the "dark side" of strategic learning such as sunk costs without innovation or performance benefits. This line of research is needed to provide a more realistic approach to learning processes by considering that learning may entail tradeoffs, such as the adjustment between exploration and exploitation (March, 1991), or compromise between learning outcomes and invested resources (Deeds, DeCarolis & Coombs, 2000). In this regard, researchers may want to adopt cross-disciplinary approaches by combining psychology and entrepreneurship research to shed light on the factors that give rise to learning traps.

CONCLUSION

Our conceptualization of strategic learning, with its four constituent sub-processes of knowledge creation, dissemination, interpretation, and implementation, offers organizational leaders a comprehensive overview with which to assess and manage organizational learning. In order to illustrate whether or not SMEs operating in the highly dynamic software industry differ in terms of strategic learning and whether the level of learning is associated with higher perceptions of firm performance, we conducted a cluster analysis including 182 Finnish software SMEs. The analysis revealed three clusters; strategic learners, incrementalists, and firms that have encountered a learning trap. These clusters indicate that learning is associated with better performance in SMEs, alerting firms to learning traps and resulting poor performance. We conclude the chapter by presenting some practical, actionable steps that CEOs and leadership teams can take to foster strategic learning and escape learning traps, making successful adaptation and strategic change possible and more likely. The actions suggested are summarized under five main thoughts that encapsulate the determinants of strategic learning. In particular, high-tech SME management can consider these thoughts when facilitating strategic learning in their organizations.

Five Thoughts for SME Leaders Wishing to Facilitate Strategic Learning

1. Organize work around small and autonomous entrepreneurial teams.
2. Encourage employees to break free from their comfort zones and explore new fields to add new knowledge.
3. Value and exploit failures as learning opportunities and promote the idea of rapid trial-and-error learning.
4. Utilize the participative leadership style, minimize bureaucracy, and build an organic organizational structure.
5. Co-create a sense of shared purpose and lead by simple guidelines.

REFERENCES

Adler, P. (2001). Market, hierarchy, and trust: The knowledge economy and the future of capitalism. *Organization Science*, *12*(2), 215–234. doi:10.1287/orsc.12.2.215.10117

Adler, P. S., & Obstfeld, D. (2007). The role of affect in creative projects and exploratory search. *Industrial and Corporate Change*, *16*(1), 19–50. doi:10.1093/icc/dtl032

Ahuja, G., & Lampert, C. M. (2001). Entrepreneurship in the large corporation: A longitudinal study of how established firms create breakthrough inventions. *Strategic Management Journal*, *22*(6-7), 521–543. doi:10.1002/smj.176

Andersen, T. J. (2004). Integrating decentralized strategy making and strategic planning processes in dynamic environments. *Journal of Management Studies*, *41*(8), 1271–1299. doi:10.1111/j.1467-6486.2004.00475.x

Ardichvili, A., Cardozo, R., & Ray, S. (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, *18*(1), 105–123. doi:10.1016/S0883-9026(01)00068-4

Atuahene-Gima, K., & Murray, J. (2007). Exploratory and exploitative learning in new product development: A social capital perspective on new technology ventures in China. *Journal of International Marketing*, *15*(2), 1–29. doi:10.1509/jimk.15.2.1

Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal*, *43*(5), 909–924. doi:10.2307/1556419

Bass, B. M. (1990). From transactional to transformational leadership: Learning to share the vision. *Organizational Dynamics*, *18*, 19–31. doi:10.1016/0090-2616(90)90061-S

Berghman, L., Matthyssens, P., Streukens, S., & Vandenbempt, K. (2013). Deliberate learning mechanisms for stimulating strategic innovation capacity. *Long Range Planning*, *46*(1-2), 39–71. doi:10.1016/j.lrp.2012.11.003

Bharat, M., & Bick, J. (2007, October 21). The Google way: Give engineers room. *The New York Times*. Retrieved from http://www.nytimes.com.

Bingham, C. B., & Davis, J. P. (2012). Learning sequences: Their existence, effect, and evolution. *Academy of Management Journal*, *55*(3), 611–641. doi:10.5465/amj.2009.0331

Bontis, N., Crossan, M. M., & Hulland, J. (2002). Managing an organizational learning system by aligning stocks and flows. *Journal of Management Studies*, *39*(4), 437–469. doi:10.1111/1467-6486.t01-1-00299

Burgelman, R. A. (1991). Intraorganizational ecology of strategy making and organizational adaptation: Theory and field research. *Organization Science*, *2*, 239–262. doi:10.1287/orsc.2.3.239

Cao, Q., Simsek, Z., & Zhang, H. (2010). Modelling the joint impact of the CEO and the TMT on organizational ambidexterity. *Journal of Management Studies*, *47*(7), 1272–1296.

Cegarra-Navarro, J.-G., & Sánchez-Polo, M. T. (2011). Influence of the open-mindedness culture on organizational memory: An empirical investigation of Spanish SMEs. *International Journal of Human Resource Management*, *22*(1), 1–18. doi:10.1080/09585192.2011.538963

Chen, E. L., & Katila, R. (2008). Rival interpretations of balancing exploration and exploitation: simultaneous or sequential? In S. Shane (Ed.), *Handbook of technology and innovation management* (pp. 197–214). Chichester, UK: John Wiley & Sons.

Covin, J. G., Prescott, J. E., & Slevin, D. P. (1990). The effects of technological sophistication on strategic profiles, structure, and firm performance. *Journal of Management Studies*, *27*(5), 485–510. doi:10.1111/j.1467-6486.1990.tb00258.x

Crossan, M. M., & Berdrow, I. (2003). Organizational learning and strategic renewal. *Strategic Management Journal*, *24*(11), 1087–1105. doi:10.1002/smj.342

Crossan, M. M., Lane, H. W., & White, R. E. (1999). An organizational learning framework: From intuition to institution. *Academy of Management Review*, *24*(3), 522–537.

Daft, R. L., & Weick, K. E. (1984). Toward a model of organizations as interpretation systems. *Academy of Management Review*, *9*(2), 284–295.

Dalley, J., & Hamilton, B. (2000). Knowledge, context and learning in the small business. *International Small Business Journal*, *18*(3), 51–59. doi:10.1177/0266242600183003

Deeds, D. L., Decarolis, D., & Coombs, J. (2000). Dynamic capabilities and new product development in high technology ventures: An empirical analysis of new biotechnology firms. *Journal of Business Venturing*, *15*(3), 211–229. doi:10.1016/S0883-9026(98)00013-5

Dess, G. G., & Robinson, R. B. (1984). Measuring organizational performance in the absence of objective measures: The case of the privately-held firm and conglomerate business unit. *Strategic Management Journal*, *5*(3), 265–274. doi:10.1002/smj.4250050306

Doz, Y. L., & Kosonen, M. (2008). *Fast strategy: How strategic agility will help you stay ahead of the game*. Harlow, UK: Pearson/Longman.

Doz, Y. L., & Kosonen, M. (2010). Embedding strategic agility. *Long Range Planning*, *43*(2-3), 370–382. doi:10.1016/j.lrp.2009.07.006

Dutta, D. K., & Crossan, M. M. (2005). The nature of entrepreneurial opportunities: Understanding the process using the 4I organizational learning framework. *Entrepreneurship Theory and Practice*, *29*(4), 425–449. doi:10.1111/j.1540-6520.2005.00092.x

Eisenhardt, K. M., & Schoonhoven, C. B. (1990). Organizational growth: Linking founding team, strategy, environment, and growth among US semiconductor ventures, 1978–1988. *Administrative Science Quarterly*, *35*(3), 504–529. doi:10.2307/2393315

Ensley, M. D., Pearce, C. L., & Hmieleski, K. M. (2006). The moderating effect of environmental dynamism on the relationship between entrepreneur leadership behavior and new venture performance. *Journal of Business Venturing*, *21*, 243–263. doi:10.1016/j.jbusvent.2005.04.006

Flores, L. G., Zheng, W., Devaki, R., & Thomas, C. H. (2012). Organizational learning: Subprocess identification, construct validation, and an empirical test of cultural antecedents. *Journal of Management*, *38*(2), 640–667. doi:10.1177/0149206310384631

Gibson, C., & Birkinshaw, J. (2004). The antecedents, consequences and mediating role of organizational ambidexterity. *Academy of Management Journal*, *47*(2), 209–266. doi:10.2307/20159573

Grant, R. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*(Special Issue), 109–122.

Hair, J. F., Black, B., Babin, B., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (6th ed.). New York: Prentice Hall.

Hannan, M., & Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review*, *49*(2), 149–164. doi:10.2307/2095567

Hart, S., & Banbury, C. (1994). How strategy-making processes can make a difference. *Strategic Management Journal*, *15*(4), 251–269. doi:10.1002/smj.4250150402

Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic Management Journal*, *24*(10), 997–1010. doi:10.1002/smj.332

Hite, J. M., & Hesterly, W. S. (2001). The evolution of firm networks: From emergence to early growth of the firm. *Strategic Management Journal*, *22*(3), 275–286. doi:10.1002/smj.156

Huber, G. P. (1991). Organizational learning: The contributing processes and the literatures. *Organization Science*, *2*(1), 88–115. doi:10.1287/orsc.2.1.88

Huikkola, T., Ylimäki, J., & Kohtamäki, M. (2013). Joint learning in R&D collaborations and the facilitating relational practices. *Industrial Marketing Management*, *42*(7), 1167–1180. doi:10.1016/j.indmarman.2013.07.002

Indrasafitri, D. (2012, January 31). Peter Vesterbacka: Even mighty eagles make mistakes. *The Jakarta Post*. Retrieved from http://www.thejakartapost.com.

Jerez-Gómez, P., Céspedes-Lorente, J., & Valle-Cabrera, R. (2005). Organizational learning capability: A proposal of measurement. *Journal of Business Research*, *58*(6), 715–725. doi:10.1016/j.jbusres.2003.11.002

Kelly, D., & Amburgey, T. (1991). Organizational inertia and momentum: A dynamic model of strategic change. *Academy of Management Journal*, *34*(3), 591–612. doi:10.2307/256407

Kuckertz, A., Kohtamäki, M., & Körber, C. (2010). The fast eat the slow – The impact of strategy and innovation timing on the success of technology- oriented ventures. *International Journal of Technology Management*, *52*(1/2), 175–188. doi:10.1504/IJTM.2010.035861

Kuwada, K. (1998). Strategic learning: The continuous side of discontinuous strategic change. *Organization Science*, *9*(6), 719–736. doi:10.1287/orsc.9.6.719

Lant, T. K., & Mezias, S. J. (1990). Managing discontinuous change: A simulation study of organizational learning and entrepreneurship. *Strategic Management Journal*, *11*(Summer), 147–179.

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, *13*, 111–125. doi:10.1002/smj.4250131009

Levinthal, D., & March, J. (1993). The myopia of learning. *Strategic Management Journal*, *14*(4), 95–112. doi:10.1002/smj.4250141009

Levitt, B., & March, J. G. (1988). Organizational learning. *Annual Review of Sociology*, *14*(2), 319–340. doi:10.1146/annurev.so.14.080188.001535

Levy, S. (2011). *In the plex: How Google thinks, works, and shapes our lives*. New York: Simon & Schuster.

Liedtka, J. (2000). Strategic planning as a contributor to strategic change: A generative model. *European Management Journal*, *18*(2), 195–206. doi:10.1016/S0263-2373(99)00091-2

Mäntylä, J.-M. (2013, January). Haluan kuulua klaaniin (ja maksaa siitä). *Talouselämä*, *1*, 34–40.

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, *2*(1), 71–87. doi:10.1287/orsc.2.1.71

Matusik, S. F., & Heeley, M. B. (2005). Absorptive capacity in the software industry: Identifying dimensions that affect knowledge and knowledge creation activities. *Journal of Management*, *31*(4), 549–572. doi:10.1177/0149206304272293

Mendelson, H., & Whang, S. (2000). Introduction to the special issue on the information technology industry. *Management Science*, *46*(4), i–iii. doi:10.1287/mnsc.46.4.i

Michael, S. C., & Palandjian, T. P. (2004). Organizational learning and new product introductions. *Journal of Product Innovation Management*, *21*(4), 268–276. doi:10.1111/j.0737-6782.2004.00078.x

Mintzberg, H., & Lampel, J. (1999). Reflecting on the strategy process. *Sloan Management Review*, *40*(3), 21–30.

Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*(3), 257–272. doi:10.1002/smj.4250060306

Mueller, B. A., Titus, V. K., Covin, J. G., & Slevin, D. P. (2012). Pioneering orientation and firm growth: Knowing when and to what degree pioneering makes sense. *Journal of Management*, *38*(5), 1517–1549. doi:10.1177/0149206310380249

Mumford, M. D., Scott, G. M., Gaddis, B., & Strange, J. M. (2002). Leading creative people: Orchestrating expertise and relationships. *The Leadership Quarterly*, *13*, 705–750. doi:10.1016/S1048-9843(02)00158-3

Nicolini, D., & Meznar, M. (1995). The social construction of organizational learning: Conceptual and practical issues in the field. *Human Relations*, *48*(7), 727–746. doi:10.1177/001872679504800701

Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, *5*(1), 14–37. doi:10.1287/orsc.5.1.14

Nykänen, P. (2013, January 17). Huima haaste. *Optio*, *1*, 26–31.

OECD. (2012). *Financing SMEs and entrepreneurs 2012: An OECD scoreboard*. OECD Publishing.

Oswald, J., & Macpherson, A. (2006). Inter-organizational learning and strategic renewal in SMEs. Extending the 4I framework. *Long Range Planning*, *39*, 155–175. doi:10.1016/j.lrp.2005.02.012

Pandza, K., & Thorpe, R. (2009). Creative search and strategic sense-making: Missing dimensions in the concept of dynamic capabilities. *British Journal of Management*, *20*, 118–131. doi:10.1111/j.1467-8551.2008.00616.x

Profile. (2011). *Global success: Anger management*. Helsinki, Finland: Aalto University Executive Education Ltd.

Ravasi, D., & Verona, G. (2001). Organising the process of knowledge integration: The benefits of structural ambiguity. *Scandinavian Journal of Management*, *17*(1), 41–66. doi:10.1016/S0956-5221(00)00032-4

Real, J. C., Roldán, J. L., & Leal, A. (in press). From entrepreneurial orientation and learning orientation to business performance: Analysing the mediating role of organizational learning and the moderating effects of organizational size. *British Journal of Management*.

Sadler-Smith, E., Spicer, D., & Chaston, I. (2001). Learning orientation and growth in smaller firms. *Long Range Planning*, *34*(2), 139–158. doi:10.1016/S0024-6301(01)00020-6

Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review*, *31*(4), 914–933. doi:10.5465/AMR.2006.22527465

Schilke, O. (in press). On the contingent value of dynamic capabilities for competitive advantage: The nonlinear moderating effect of environmental dynamism. *Strategic Management Journal*.

Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science*, *11*(4), 448–469. doi:10.1287/orsc.11.4.448.14602

Sinkula, J., Baker, W. E., & Noordewier, T. (1997). A framework for market-based organizational learning: Linking values, knowledge, and behavior. *Journal of the Academy of Marketing Science*, *25*(4), 305–318. doi:10.1177/0092070397254003

Sirén, C. (2012). Unmasking the capability of strategic learning: A validation study. *The Learning Organization*, *19*(6), 497–517. doi:10.1108/09696471211266983

Sirén, C., Kohtamäki, M., & Kuckertz, A. (2012). Exploration, exploitation, performance and the mediating role of strategic learning: Escaping the exploitation trap. *Strategic Entrepreneurship Journal*, *6*(1), 18–41. doi:10.1002/sej.1126

Slater, S. F., & Narver, J. C. (1995). Market orientation and the learning organization. *Journal of Marketing*, *59*(3), 63–74. doi:10.2307/1252120

Srivastava, A., Bartol, K. M., & Locke, E. A. (2006). Empowering leadership in management teams: Effects on knowledge sharing, efficacy, and performance. *Academy of Management Journal*, *49*(6), 1239–1251. doi:10.5465/AMJ.2006.23478718

Strauss, K. (2013, May 6). Is this the fastest-growing game company ever? *Forbes*. Retrieved from http://www.forbes.com/

Thomas, J. B., Sussman, S. W., & Henderson, J. C. (2001). Understanding strategic learning: Linking organizational learning, knowledge management and sensemaking. *Organization Science*, *12*(3), 331–345. doi:10.1287/orsc.12.3.331.10105

Tippins, M. J., & Sohi, R. S. (2003). It competency and firm performance: Is organizational learning a missing link? *Strategic Management Journal*, *24*(8), 745–761. doi:10.1002/smj.337

Titus, V. K., Covin, J. G., & Slevin, D. P. (2011). Aligning strategic processes in pursuit of firm growth. *Journal of Business Research*, *64*(5), 446–453. doi:10.1016/j.jbusres.2010.03.003

Tripsas, M., & Gavetti, G. (2000). Capabilities, cognition, and inertia: Evidence from digital imaging. *Strategic Management Journal*, *21*(10), 1147–1161. doi:10.1002/1097-0266(200010/11)21:10/11<1147::AID-SMJ128>3.0.CO;2-R

Venkatraman, N., & Ramanujam, V. (1987). Planning system success: A conceptualization and an operational model. *Management Science*, *33*(6), 687–705. doi:10.1287/mnsc.33.6.687

Volberda, H. (1996). Toward the flexible form: How to remain vital in hypercompetitive environments. *Organization Science*, *7*(4), 359–374. doi:10.1287/orsc.7.4.359

Wales, W., Parida, V., & Patel, P. C. (2013). Too much of a good thing?: Absorptive capacity, firm performance, and the moderating role of entrepreneurial orientation. *Strategic Management Journal*, *34*(5), 622–633. doi:10.1002/smj.2026

Walsh, J. P., & Ungson, G. R. (1991). Organizational memory. *Academy of Management Review*, *16*(1), 57–91.

Zahra, S. A., Sapienza, H. J., & Davidsson, P. (2006). Entrepreneurship and dynamic capabilities: A review, model and research agenda. *Journal of Management Studies*, *43*(4), 917–955. doi:10.1111/j.1467-6486.2006.00616.x

ADDITIONAL READING

Anderson, B. S., Covin, J. G., & Slevin, D. P. (2009). Understanding the relationship between entrepreneurial orientation and strategic learning capability: An empirical investigation. *Strategic Entrepreneurship Journal*, *3*(3), 218–240. doi:10.1002/sej.72

Bierly, P. E., & Daly, P. S. (2007). Alternative knowledge strategies, competitive environment, and organizational performance in small manufacturing firms. *Entrepreneurship Theory and Practice*, *31*(4), 493–516. doi:10.1111/j.1540-6520.2007.00185.x

Bierly, P. E., & Hämäläinen, T. (1995). Organizational learning and strategy. *Scandinavian Journal of Management*, *11*(3), 209–224. doi:10.1016/0956-5221(95)00011-J

Eisenhardt, K. M. (1989). Making fast strategic decisions in high-velocity environments. *Academy of Management Journal*, *32*(3), 543–576. doi:10.2307/256434

Eisenhardt, K. M., & Sull, D. N. (2001). Strategy as simple rules. *Harvard Business Review*, *79*(1), 106–116. PMID:11189455

Ekanem, I., & Smallbone, D. (2007). Learning in small manufacturing firms: The case of investment decision-making behaviour. *International Small Business Journal*, *25*(2), 107–129. doi:10.1177/0266242607074515

Garvin, D. A. (1993). Building a learning organization. *Harvard Business Review*, *71*(4), 78–91. PMID:10127041

Helfat, C. E., & Winter, S. G. (2011). Untangling dynamic and operational capabilities: Strategy for the (n)ever-changing world. *Strategic Management Journal*, *32*(11), 1243–1250. doi:10.1002/smj.955

Liao, J., Welsch, H., & Stoica, M. (2003). Organizational absorptive capacity and responsiveness: An empirical investigation of growth-oriented SMEs. *Entrepreneurship Theory and Practice*, *28*(1), 63–85. doi:10.1111/1540-8520.00032

Voudouris, I., Dimitratos, P., & Salavou, H. (2011). Entrepreneurial learning in the international new high-technology venture. *International Small Business Journal*, *29*(3), 238–258. doi:10.1177/0266242610369739

Zahra, S. A., & George, G. (2002). Absorptive capacity: A review, reconceptualization, and extension. *Academy of Management Review*, *27*(2), 185–203.

Zeitsma, C., Winn, M., Branzei, O., & Vertinsky, I. (2002). The war of the woods: Facilitators and impediments of organizational learning processes. *British Journal of Management*, *13*(S2), 61–74. doi:10.1111/1467-8551.13.s2.6

Zhang, M., Macpherson, A., & Jones, O. (2006). Conceptualizing the learning process in SMEs. *International Small Business Journal*, *24*(3), 299–323. doi:10.1177/0266242606063434

KEY TERMS AND DEFINITIONS

Cluster Analysis: An exploratory data analysis tool used to divide data into groups (clusters) that are meaningful and useful.

Dynamic Capability: Organizational routines that affect change in a firm´s existing resource base competences to address rapidly changing environments.

Exploitation Trap: The tendency of learning processes to favor the assimilation of exploitative knowledge for commercial ends at the expense of explorative knowledge.

Learning Trap: A situation in which a firm´s routines equip the firm to perform well in the short run, but position the firm unfavorably for future conflict by constraining learning and innovation.

Organizational Memory: A stock of knowledge accumulated by the organization over its history to which every member of the organization has access.

Strategic Agility: The ability to continuously adjust and adapt strategic direction in the core business, as a function of strategic ambitions and changing circumstances, to create new products and services, business models and innovative ways to create value for a firm.

Strategic Learning: An organization's dynamic capability, consisting of intra-organizational processes for the creation, dissemination, interpretation, and implementation of strategic knowledge that together contribute to the long-term survival of a firm.

ENDNOTES

1 Nokia was the world's largest vendor of mobile phones as measured by quantity from 1998 to early 2012. However, Samsung Electronics overtook Nokia in the first quarter of 2012 and became the world's largest producer of mobile phones.

APPENDIX: MEASUREMENT SCALES

Constructs and items
Strategic learning (Sirén, 2012) *How would you assess your firm's learning practices with the following statements?* **Strategic knowledge creation** (Atuahene-Gima & Murray, 2007
• We prefer to collect market information before determining strategic needs to ensure experimentation
• Our aim is to acquire knowledge to develop projects that led us into new areas of learning such as new markets and technological areas
• We collect novel information and ideas that go beyond our current market and technological experiences
• Our aim is to collect new information that forces us to learn new things during product development
Strategic knowledge dissemination (Bontis *et al*., 2002; Tippins & Sohi, 2003)
• Within our firm, sharing strategic information is the norm
• Within our firm, strategically important information is easily accessible to those who need it most
• Representatives from different departments meet regularly to discuss new strategically important issues
• Within our firm, strategically important information is actively shared between different departments
• When one department obtains strategically important information, it is circulated to other departments
Strategic knowledge interpretation (Bontis *et al*., 2002; Sinkula, Baker, & Noordewier,1997; Tippins & Sohi, 2003)
• When faced with new strategically important information, our managers usually agree on how the information will impact our firm
• In meetings, we seek to understand everyone's point of view on new strategic information
• Groups are prepared to re-think decisions when presented with new strategic information
• When confronting new strategic information, we are not afraid to critically reflect on the shared assumptions we have about our organization
Strategic knowledge implementation (Bontis *et al*., 2002)
• Strategic knowledge gained by working groups is used to improve products, services and processes
• The decisions we make according to any new strategic knowledge are reflected in changes to our organizational systems and procedures
• Strategic knowledge gained by individuals has an effect on the organization's strategy
Performance (Gibson & Birkinshaw, 2004)
How would you assess your firm's performance with the following statements?
• People at my level are satisfied with the level of firm´s performance
• Our company does a good job of satisfying our customers
• This business unit is achieving its full potential
• This business unit gives me the opportunity and encouragement to do the best work I am capable of

Chapter 5
Strategic Asset Building and Competitive Strategies for SMEs which Compete with Industry Giants

Carmine Bianchi
University of Palermo, Italy

Graham W. Winch
University of Plymouth, UK

Federico Cosenz
University of Palermo, Italy

ABSTRACT

This chapter studies companies which are arguably business super-heroes – the small firms which despite the apparent handicap of very limited resources are able to compete against much larger, multinational firms – the micro-giants Davids that take on Goliaths. Through a process of detailed case studies of actual firms, analysis of asset structure, and experiments with a simulation model, the relationships between key assets, critical success factors, and micro-giant competiveness are explored. The model produces six scenarios reflecting different strategies for developing tangible and intangible assets and, critically, the balance between them. A level of aggression is needed in asset building to maintain competitiveness, but the simulations show that this can all be undone if balanced development is not managed. This confirms there are pathways by which micro-giants can remain competitive and deny multinationals the overwhelming victory that the received wisdom suggests.

DOI: 10.4018/978-1-4666-5962-9.ch005

INTRODUCTION

A small but not insignificant group of small companies are in the arguably unfortunate situation that, despite their small size, they are actually competing in major markets where much larger, multi-national firms also operate.

There are essentially two ways that such SMEs can be competitive in these environments:

1. They develop and protect a small, highly-specialised product or service. This strategy enables them to utilise their relatively scarce R&D and other resources most effectively to develop their offerings and protect their competitive position. The small size of the highly specialised market may also mean that it is not a target of the larger firms, and this can offer them an element of further protection. This has been called a "deep niche strategy."
2. The small firms face head-on the competition from much larger, often multinational firms. Despite the disadvantages of their small size, they must design strategies that fully exploit all their strategic resources. We have chosen to call these firms '*micro-giants*' – they are small themselves but the nature of their market position means they operate in major national and even international market places against the giants of their industry.

This chapter will examine both these strategic approaches. However, the deep niche approach has been addressed elsewhere, but more importantly is predicated on the SME discovering or developing a highly specialised niche in the first place. This is not a strategy that can therefore be adopted by more than a very small number of enterprises. On the other hand, any small firm with a solid product base and which enjoys a period of extended growth might in time find itself in the position of being a micro-giant. These firms must purposefully develop the necessary strategies to compete in this environment.

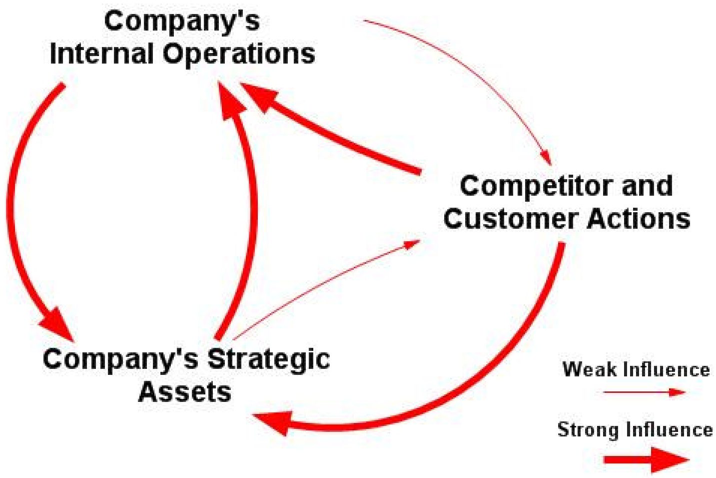
Such firms face the challenges that all smaller enterprises face, but have the added struggle of having to develop sustainable strategies that will enable them to build and maintain high levels of relative competitiveness against the big firms which enjoy all the benefits that size brings. These are *Davids* taking on *Goliaths*. Typically, multi-nationals enjoy much larger product and market development budgets, larger knowledge and skill bases, and other advantages their size, multi-divisional and multi-national nature bring.

By focussing on the characteristics of micro-giant firms, the main objective of this chapter is the development of a quantitative model which could be used to simulate their system behaviour and to examine how the balance in asset management differentially impacts on company performance, and, in particular, to analyse micro-giants' competitiveness, The process for achieving this involves looking for links between three cases of successful "micro-giants" and to develop generic insights into the relationship between the balanced management of assets and competiveness, and to then reflect these within the generic model and system behaviour. System Dynamics (SD) methodology will be used to model the relationship between key asset management and competitive success of such SMEs.

Examining Competitiveness in Micro-Giants

This chapter will briefly examine three case study companies, each in a quite different industry, and the critical system drivers are identified. Of particular interest are the pressures placed on small company competitors because of their need to be reactive to the timings and competitive thrusts of their bigger competitors. The analysis centres on the close interaction between three interlocked

Figure 1. Interlocking processes in company management



sets of processes representing a firm's strategic assets, its internal operations and external activities (Figure 1).

Such a system is difficult enough to manage when a company can coordinate its activities so that all of these processes are balanced. The specific problem facing the micro-giant is that one of these sets of processes is usually to a greater extent outside its control. Competitors with access to much larger pools of strategic resource have greater flexibility in managing their external activities – timing of promotional campaigns, new product launches, and so on (Hudson et al., 2001; Analoui & Karami, 2003). Therefore while the larger competitors can have significant influence over the market place and hence over the small firm competitors, the smaller firms' limited resources mean they are likely to have very limited influence in return (Barney, 1986).

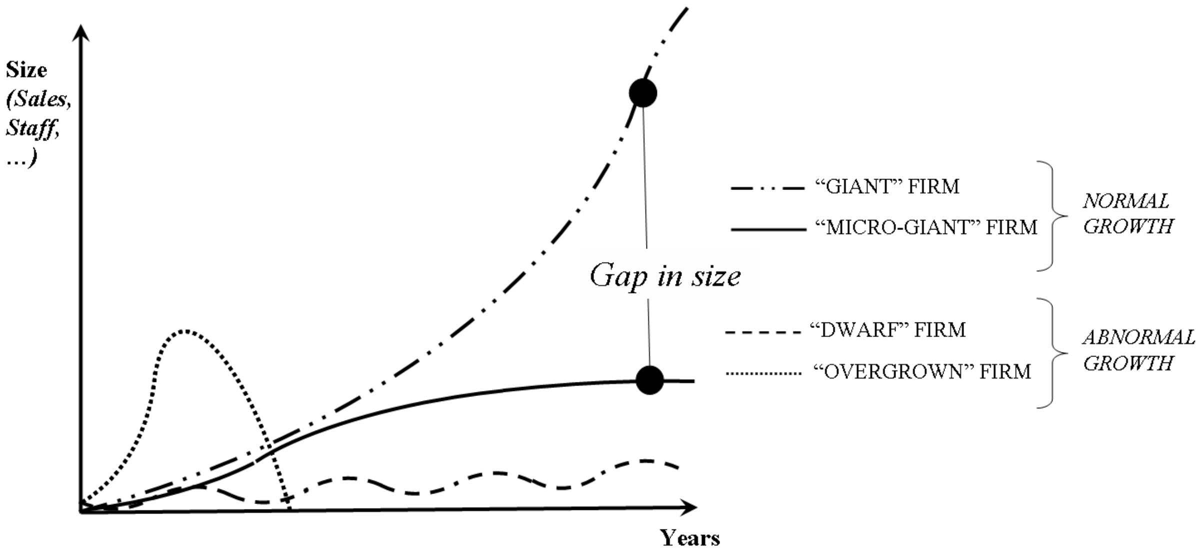
This chapter utilises a qualitative cause-effect analysis of strategic asset management, especially as it relates to the building and maintenance of competiveness. Feedback analysis and performance implications of having to operate in markets with especially strong competitors highlight the vulnerability of micro-giants, and what management principles they should follow to remain competitive. A small firm that grows strongly and consistently over time is likely eventually to find itself competing against much larger companies. If we consider the potential growth strategies of small firms they can be characterised as in Figure 2.

The two upper trajectories represent what might be considered "normal growth" – either development in to a giant firm or constrained, but still successful, growth. The gap in size between these two company types is the source of the micro-giant's disadvantages. The lower two growth types are the "dwarf" firm whereby a small fails to grow to its full potential, and the "overgrown" whereby a firm grows at an unsustainable fast rate and eventually collapses. This chapter focuses on the former two growth types.

HOW CAN RESOURCE IMPOVERISHED "MICRO-GIANTS" BE COMPETITIVE AGAINST MUCH LARGER FIRMS?

In the original story David was able to beat Goliath because, whilst Goliath was very big, muscular and well-armed and he was much smaller, David was agile, intelligent, and armed with a weapon that

Figure 2. Trajectories defining normal and abnormal growth



particularly suited his abilities and the competitive arena in which they faced each other. Of course, it was probably expected by almost everyone at the time that Goliath would be the victor, and the received wisdom is similar in the context of this study: large firms will always win out over smaller competitors. Hirschman (1958) argued that small firms will fail or be consumed by large firms, and Welsh & White (1981) concluded that because small firms enjoy very limited resources, they face significant disadvantages when trying to compete head-to-head.

That said, some argue that small firms can compete and may even enjoy advantages in some circumstances. In a study of the beer market in Puerto Rico, Allio & Allio (2002) studied the confrontation between global brand Coors and the small local brewers Suärez. They asserted that even when a global player is a major player in an industry, a smaller competitor can win in local markets by paying attention to the different needs and expectations of consumers. They particularly identified the trait often adopted by multinational consumer product companies of top-down standardization of strategy as potentially failing badly if these differences are ignored. Further, a smaller competitor can often exploit these differences to great advantage, particularly if some core competencies, like distribution or market intelligence, can be utilised. Similarly, Chen & Hambrick (1995) considered how small firms differ in their competitive behaviours from their large rivals in the US airline industry. They observed that "small airlines more actively initiated competitive challenges and were speedy but low-key, even secretive, in executing their actions." They also noted that smaller airlines were less likely and slower to respond when attacked and, possibly contrary to expectations, their responses were more overt than those of their larger opponents.

Even if small firms can compete, there is no universal agreement on which strategies enable success (e.g., McCune, 1994; Porter, 1980). In 1990, Covin et al. commented that the literature offered little help in the identification of specific business practices and competitive tactics but, rather, most discussion centres on the prescription of broad strategy types and relatively complex models of SME competitiveness (Sirikrai & Tang, 2006; Toppinen et al., 2007,p. 386-387; Chew et al., 2008; Yan, 2010; Awuah & Amal, 2011,p. 127; Ambastha & Momaya, 2004,p. 57). An example is the often recommended niche strategy also observed by Winch & Gill (2003) who, when considering high technology small firms, discuss how adopting a deep niche strategy – operating in a small, highly specialized and defendable niche market – enables small firms to remain competitive in the face of much larger firms with huge R&D budgets.

Research into strategy and competitiveness often takes a resource-based view and advocates the building of internal resources and capabilities by SMEs to generate sources of competitive advantages (Maranto-Vargas & Gómez-Tagle Rangel, 2007; Grant, 1991). Covin et al. (1990) also argued that their research suggests that an "entrepreneurial strategic posture" is most strongly associated with high performance among firms that "have a cohesive and focused strategic mix or pattern of strategic decisions." Wiklund & Shepherd (2003) concluded that theory suggests that while management has discretion in manipulating resources in order to build competitive advantage, the research on a resource-based view has tended to focus on the characteristics of resources, paying less attention to the relationship between those resources and the way firms are organized. When considering the entrepreneurship literature, they also observe that there is a focus on firms' entrepreneurial strategic orientation (EO), leaving its interrelationship with internal characteristics aside. They assert that their findings "suggest that knowledge-based resources (applicable to discovery and exploitation of opportunities) are positively related to firm performance and that EO enhances this relationship."

The case studies examined in this chapter demonstrate how three small firms have succeeded at being "Davids." The first company concerns Sellerio, a publishing house sited in Palermo (Sicily, Italy). The importance of intellectual capital for success in creative industries has been remarked by several authors and, in this respect, Sellerio has demonstrated a strong inclination to discover and nurture the potential of unknown young writers. The firm's strategy encompasses this core industry factor, supported by maintenance of a high reputation which leads customers to select their titles just by looking at the covers and the company's ability to mount promotional campaigns as its tight control of production costs enables it to compete by lowering books prices and promoting discount campaigns.

The second company, Zappalà, is a family-owned company established in the early 1970s to produce typical Italian cheeses. From the beginning, production quality, product authenticity, customer service and advanced logistics have been the main drivers for the firm's advancement. Its position was strengthened further by product portfolio diversification into milk, frozen food and preserves alongside the cheeses and a distribution process that assures freshness.

Kemeco, the third case, is a chemical company also located in Palermo (Sicily, Italy). The core business has been the development and production of cleaning agents and detergents for domestic cleaning purposes. The company has developed distinctive products reflecting "modern" attributes driven by Research & Development (R&D), innovation, new technologies and production capacity. Part of its well-established competitive strategy is to try to understand in advance consumers' needs and, consequently, to respond quickly to market opportunities with innovative products.

Detailed analysis of the success of these three firms points to generic lessons in strategy building for any company growing into a micro-giant position.

STRATEGY DEVELOPMENT FOR THE MICRO-GIANT

Over a period of time if a small firm has a popular product and/or has been able to market its product strongly, it may enjoy sustained growth to a point where it eventually finds itself competing against much larger companies. As this happens it moves from the relatively comfortable situation where the coherent management of its assets and activities is largely an internal matter, with the firm able to coordinate asset building, operational development and customer-facing initiatives. In its new state, the market place activities may largely be driven by the initiatives and moves of the large competitors. The received wisdom is that smaller firms have little chance in the long term and that sooner or later they will be overwhelmed by the product development, cost-containment, market leverage and distribution power of the resource-rich majors. Yet the literature does suggest that there may be subtle ways that the smaller firms may actually have some advantages, and the case studies of three micro-giants have identified critical characteristics of a sample of companies that have grown to a significant size in their market segments, and have managed to maintain this strong position.

For a strategy to be sustainable it must ensure that a small company can not only effectively utilise its strategic assets, but also be reactive to the timings and competitive thrusts of their multinational competitors; but as Figure 1 suggested small firms would normally have very limited power in the market place.

This chapter is designed to outline and debate three main issues, namely:

1. How growth patterns in small and micro firms can actually differ from the typical *S-shaped* growth curve 'stereotype' emerging from most of the literature on business growth;
2. That specific lenses, i.e. models, might be needed to frame growth in small and micro-firms and support small business entrepreneurs to manage the critical stages of their business life-cycle;
3. How sustainable strategies can be developed in a micro-giant.

The key features of a successful strategy will be centre around:

- Defending the integrity of the core product/service offering;
- The balanced and effective use of strategic resources;
- Developing and maintaining agility in the market place.

Classical strategy development approaches, including analytical techniques like SWOT, can be core to this process, but must always have a particular emphasis on the dynamics of the interactions between larger and smaller competitors. Further, specific consideration must be made as to how the disadvantages that small size brings can be minimised, and maybe even how to exploit the advantages that might apply to smaller entities. Among the critical issues which emerge in developing sustainable growth strategies for 'micro-giant' family firms can be included the relationship between the company and the business-owning family, particularly concerning the role of family members in the governance and the key managerial roles in the firm.

We also highlight how failure to do this means vital and limited finance and effort in building up resources will be wasted as they cannot be fully exploited because the short-comings in other asset bases will reduce their effectiveness. When micro-firms are clearly time- and finance-impoverished relative to their multinational competitors, this is a clear recipe for losing their competitive edge and succumbing to the power of the majors.

A THREE CASE-BASED ANALYSIS OF MICRO-GIANT SUCCESS

Detailed case studies of three micro-giant firms have demonstrated conspicuous success in markets where large multi-national companies operate and might be expected to dominate and over-whelm any small competitors. All companies are in the retail consumables industry representing the pocket paper-back novel sector, typically selling at airport kiosks and similar book outlets, along with household cleaning products and regional cheese products, typically sold in supermarkets and grocery stores. These consumer retail outlets are all channels where large multi-nationals can dominate through their combination of product development, branding, logistics and ability to resist the retailers' market strength.

The first case concerns the publishing house Sellerio. It was founded in 1963 by the Sellerio family, which viewed the then cultural scene as offering business opportunities. In particular, well known Sicilian writers like Leonardo Sciascia and Antonino Buttitta supported the spirit of such enterprise. Initially, Sellerio decided to position itself in a 'peripheral' market niche since the core of its editions was represented by light but stylish materials, enhanced by graphical elegance and engravings and illustrations by important illustrators. The main authors published by Sellerio came from the Sicilian literature tradition and other European quality niches. The direct managerial responsibility of the owner-family, the small number of employees, and the peripheral position of the firm all define it as a small-sized enterprise. On the other hand, its successful sales performance and long presence in the market confirm Sellerio's ability to compete on a day-to-day basis with 'giant' enterprises.

The importance of intellectual capital for the success of enterprises in creative industries has been remarked by several authors. In this respect, Sellerio has demonstrated a strong inclination to discover and nurture the hidden potential of unknown young writers. Further, their successful writers have relied on the publisher to promote and position their work, contributing further to improving the firm's competitiveness. The quality of product and graphics are considered significant drivers in creating a distinctive format for collections and books (Barnard, 2005). This factor and the firm's high reputation encourage customers to select their titles just by looking at the covers, even when customers are not actually familiar with the authors or content. The final Sellerio strength has been its ability to mount promotional campaigns - its tight control of production costs enables it to compete by lowering books prices and promoting discount campaigns.

The second company, Zappalà, is a family-owned company that was established in the early 1970s to produce typical Italian cheese, such as mozzarella, ricotta and other kinds of cottage cheese. Since the beginning, production quality, product genuineness, customer service and advanced logistics technology have been the main drivers for the firm's development. During the 1980s and 1990s, the company accelerated its growth by increasing production capacity and strongly reinforcing its commercial presence in both the Sicilian and Calabrian markets, becoming one of the major cheese providers of the main supermarket chains operating in these regions. Its position was strengthened further by product portfolio diversification into milk, frozen food and preserves as well as the cheeses. Currently, Zappalà owns three production plants and a refrigerated warehouse in northern Italy; employs around 250 employees, and is undertaking a globalization process by exporting goods outside of the Italian market (Japan).

Zappalà has developed some distinctive abilities that have driven the company to its success in the food market. Firstly, its cheese products are steeped in the Southern Italian and Mediterranean food traditions, popular not only in Italy but around the world. However, not only do they take great care that their products are authentic, but also that they are produced to the highest quality standards in terms of raw materials and strictly controlled processes. Finally they have assured freshness either through physical proximity to their customers or through the use of refrigerated trucks - labelled in the company jargon as 'travelling warehouses'. Such a system has involved a rapid growth of customers confidence and satisfaction and, consequently, of sales turnover.

The final case concerns Kemeco, which is a chemical company also located in Palermo (Sicily/

Italy), and was also established during the 1970s. The company name comes from the combination of two words – 'chemistry' and 'ecology' – and underlines the company's business philosophy oriented towards developing and selling products that combine scientific research and environmental awareness. The core business has been the development and production of cleaning agents and detergents for domestic cleaning purposes. The company employs about 70 workers and has reached sales of approximately Euro 20 million per year supplying the major supermarket chains as well as small retailers. The company has developed distinctive products reflecting up-to-date attributes like aromas that are based on Research & Development (R&D), innovation (Rosenbusch et al., 2010), new technologies and production capacity (Simpson & Docherty, 2004), and has always supported these with original and memorable advertising campaigns. Kemeco has diversified to cover every household cleanliness need, and part of its well-established competitive strategy is to try to anticipate future consumers' needs and, consequently, to respond quickly to market opportunities with innovative products.

Kemeco is characterized by its family-ownership, small size, and location in a peripheral region in Europe. Despite this it is able to compete in a worldwide arena against both national and multinational enterprises. The critical factors that have enabled this are, firstly, the company's corporate image bolstered by significant marketing investments and enhancing communication strategies to increase brand loyalty. This has involved the major use of advertising campaigns characterised by creativity, originality and mass media impact. Secondly, it enjoys acknowledged product quality, maintained through strategic investments in laboratory facilities, R&D, and market know-how. However, the R&D investments not only lead to product quality but also enable the company to innovate and diversify in its product offerings. Finally, the company does seem to enjoy strong entrepreneurial leadership, with the founder demonstrating serial skills in discovering new market niches and in nurturing both the internal organization of productive processes and external relationships with market players.

In synthesis, building from our earlier analysis of the management of strategic assets in the physiology of SME growth, and reconciling this with the literature on competitiveness of micro-giants which also adopts a resource-oriented view, we can also develop a view of managing micro-

Table 1. Description of critical success factors and key strategic assets of case study companies

Case Company	Business Sector	Critical Success Factors	Key Strategic Assets
Sellerio	Popular books publishing	• Elegant, convenient book format • Niche but popular authors	• Inventory of author copyrights • Book quality and graphics • Sales promotion capability •
Zappala	Regional cheese manufacture	• Authenticity of products • Advanced distribution/ logistics	• Regional attributes of products • Capabilities for Process and Product quality • Rapid delivery capability •
Kemeco	Household cleaning materials	• Customer loyalty • Attractive and innovative products	• Company image • Innovativeness • R&D know-how • Strong & Diversified product portfolio

giants to achieve competitiveness. The analysis of the three case study companies has led to the identification of the factors that are critical to the ability of each firm to maintain its competiveness. Further analysis also identified the key strategic assets that are essential for the maintenance of the critical success factors in each case. (see Table 1)

MODELLING THE RELATIONSHIP BETWEEN KEY ASSET MANAGEMENT AND COMPETITIVE SUCCESS IN MICRO-GIANTS

The micro-giant competitive model is based around the building and maintenance of strategic assets, which earlier research on strategic assets and small firm growth trajectories has shown to be significant. It is central to the success of micro-giants that they are able to maintain high levels in the strategic assets that are key to their success in maintaining their competitiveness against large, maybe multi-national rivals. The strategic assets reflect both tangible and intangible assets, which have to be managed individually and, critically as our researches have shown, the appropriate balance between the assets must also be maintained. Correct balance ensures that not only is the effective utilisation of one asset not impeded by other assets being inadequate, but also that time and money investments are spent optimally.

The emerging model does not reflect the detail of each company's strategic assets but rather includes a "key strategic asset" collective index for both tangible and intangible assets. This enables us to experiment with strategic asset management policies at the general level for small firms who compete with much larger rivals, but it also emphasises the commonality of the challenges and beneficial policies.

Table 2 indicates the strategic assets falling into the tangible and intangible asset categories which are key to each company being able to underpin its critical success factors.

A MODEL STRUCTURE FOR ANALYSING MICRO-GIANTS COMPETITIVENESS

Previous studies (Bianchi et al., 2012; 2010) on SMEs have demonstrated the critical importance for micro-giants in keeping a balanced development of key strategic assets in order to successfully compete in a market characterized by the presence of multinational companies. Such companies are also called to face national and international market competitors from nearby regions. Based on the understanding emerging from previous research, an insight SD model has been developed to explain micro-giants' competitive behaviour over time. SD modelling is an approach adopted to map system structure to capture and communicate an understanding of behaviour driving processes and the quantification of the relationships to produce a set of equations that form the basis for simulating possible system behaviours over time. The underlying principle is that if process

Table 2. Tangible and intangible strategic assets of case study companies

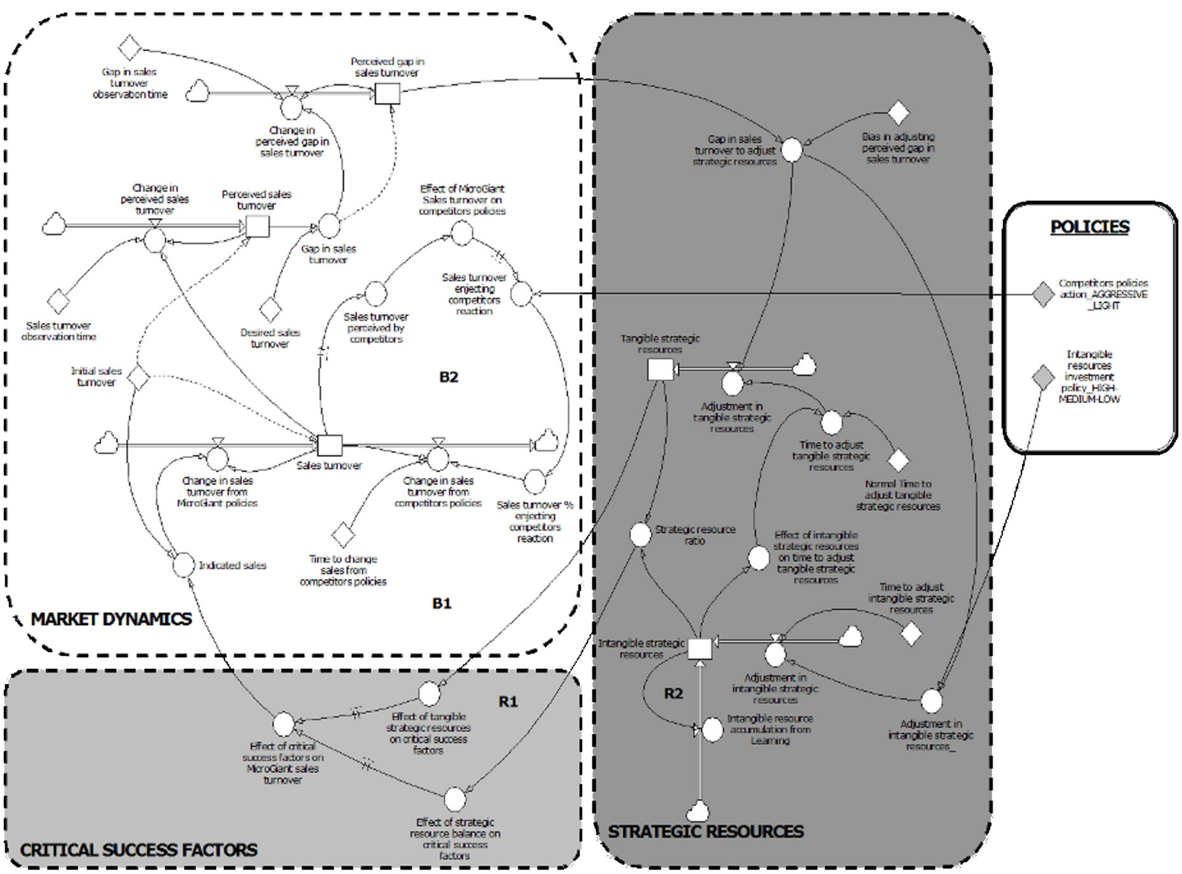
Strategic Assets	Sellerio	Zappala	Kemeco
Tangible	• Author copyright inventory	• Production facilities • Modern fleet of delivery trucks	• Strong & Diversified product portfolio
Intangible	• Sales promotion capability • Design and printing capability • Book format quality	• Knowledge of attributes of regional speciality cheeses • Logistics know-how	• Company image • Innovativeness • R&D know-how

structure determines system behaviour, and system behaviour determines organization performance, then the key to developing sustainable strategies to maximize performance is acknowledging the relationship between processes and behaviours and managing the leverage points[1].

In particular, the "micro-giant" competitive model could support entrepreneurs by improving their ability to manage key strategic assets through a deeper understanding of their competitive system. This is possible since the basic stock-and-flow diagram can lead to development of a quantitative model that allows decision makers to simulate trajectories and, in doing so, verify to what extent a given policy is successful and sustainable.

The SD model is displayed in Figure 3. In particular, the focal point is "sales turnover" or more precisely, how the sales turnover can be affected through good strategic resources management. Specifically, the stock-and-flow structure respectively identifies two reinforcing and two balancing loops. Briefly, the major loops R1 and B1 describe how sales turnover negatively affects the gap between actual and desired turnover. Such a gap causes an increase in both tangible (R1) and intangible (B1) assets investments, which involves a more balanced mix between strategic assets (strategic resource ratio = tangible/intangible resources). This will lead to an increase in sales turnover. Likewise, loop R2 is related to the strengthening of intangibles accumulation due to the effect of learning processes. On the other hand, balancing loop (B2), *ceteris paribus*, implies that sales turnover growth causes competitors

Figure 3. The "Micro-giant" competitive model structure

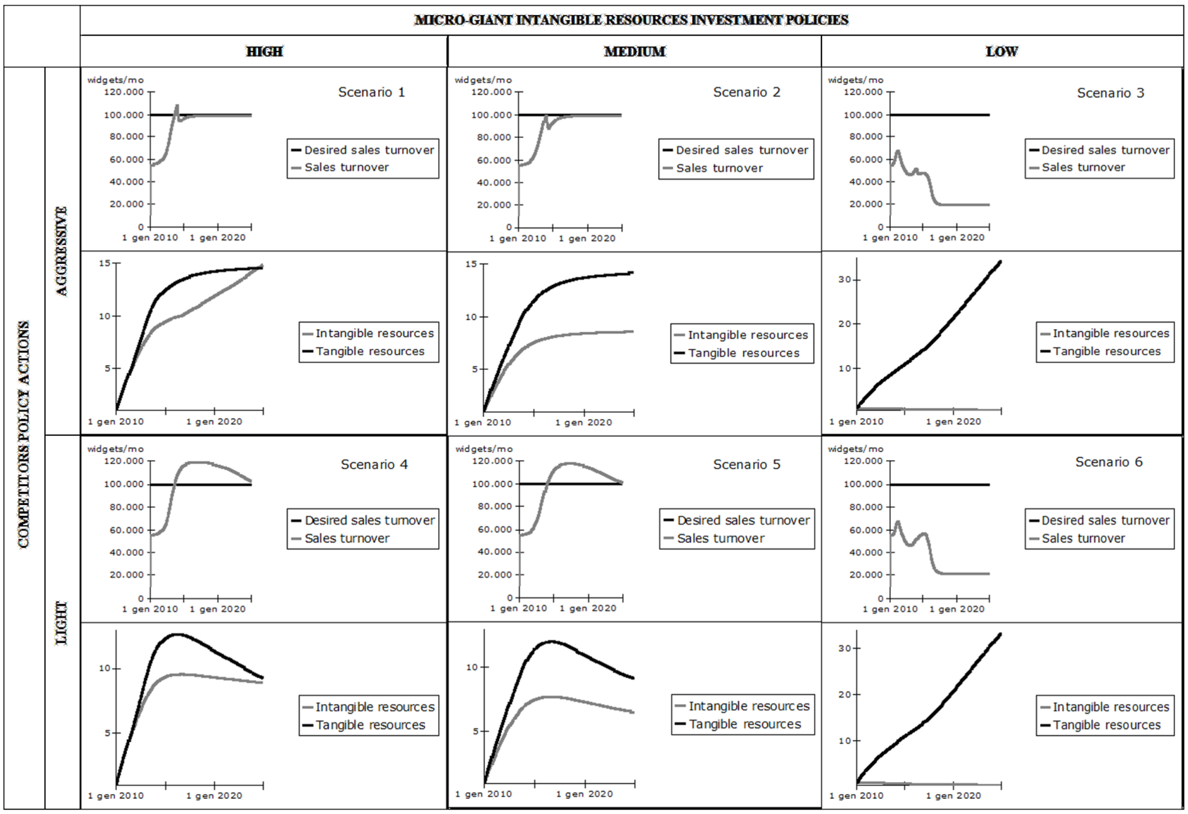


reactive policy adoption which, in turn, restrains such sales increase.

Looking in a little more detail, the model is essentially divided into four sectors (which, interestingly, closely mirror the constructs in Man et al's (2002) conceptual model of SME competitiveness):

1. *Strategic resources*, which micro-giants hold and use to compete in the market. Specifically, we distinguish between tangible and intangible resources to frame the structure of the strategic resources mix. The dominant logic (Prahalad & Bettis, 1986; Hamel & Prahalad, 1990) underlying the proper mix between tangible and intangible strategic assets and the characteristics of both kinds of assets can vary widely depending upon the industry where the firm operates. Previous researches (Itami, 1987; Lev, 2001; Hand & Lev, 2003; Bounfour, 2003; Cohen, 2005) demonstrated the relevance of intangibles for SMEs' market survival, especially when the main competition comes from large companies. In our SD model, the company decision to develop new strategic resources depends on both the gap between the desired and the actual level of sales turnover – which determines the firm's reaction to fill such shortfall – and the policy adopted by entrepreneurs to maintain a sustainable balance between tangible and intangible assets. Furthermore, intangible assets accumulation is strengthened by firm's learning processes (loop R2).
2. *Critical success factors*, which represent those key drivers that the firm should continuously feed in order to preserve and improve micro-giants' competitiveness. In fact, such factors embody the source of the long-lasting competitive advantage acquisition in the market. They are industry- or market-specific. Based on the effect generated by available strategic resources, they directly influence micro-giants' sales turnover. Such relations are not immediate, however. In fact, delays are likely to impact between the decision to develop and deploy strategic resources and their effects on the company competitive performance.
3. *Market dynamics*, which include significant cause-and-effect relations among variables of the competitive system. This model section shows the detail of how the sales turnover of micro-giants affects their future investment policy. In other words, given a desired sales turnover, the firm will set up and adopt corrective strategies to fill the gap between the expected and the actual turnover. As this happens, sales turnover information takes time to be perceived and compared to budget previsions by decision makers. Afterwards, the eventual gap in sales turnover will encourage adjustment policies related to investments in both tangible and intangible assets development. In addition, micro-giants' sales turnover also influences the reactive policies of its competitors, which, according to the model settings, can be aggressive – whether the market is characterized by high competition intensity – or moderate – whether competitors weakly react to the firm's sales increase.
4. *Policies*, which are related to both micro-giant and competitors' decision making processes. In this respect, the former can decide to invest in intangible assets according to a scale of preference and capability, ranging through "high," "medium" and "low" rates. Such propensity strongly influences the balance between tangible and intangible resources, which directly relates to critical success factors development. On the other hand, the larger firms may adopt aggressive or light competitive policies towards a micro-giant's attempts to grow market share.

Figure 4. Growth trajectories of the six different policies-based scenarios



In the light of the above policy options, the model allows the creation of six different scenarios to study the competitive system of micro-giants. Figure 4 synthesizes such scenarios by graphing both sales turnover and strategic resource behaviours over time. Simulation length is fixed at 15 years (2010 – 2025). In particular, it is assumed that the micro-giant plans to reach a desired sales turnover level, equal to 100.000 product units ("widgets") per month. On the basis of the applied policies, the table also shows both tangible and intangible resources trends related for each scenario.

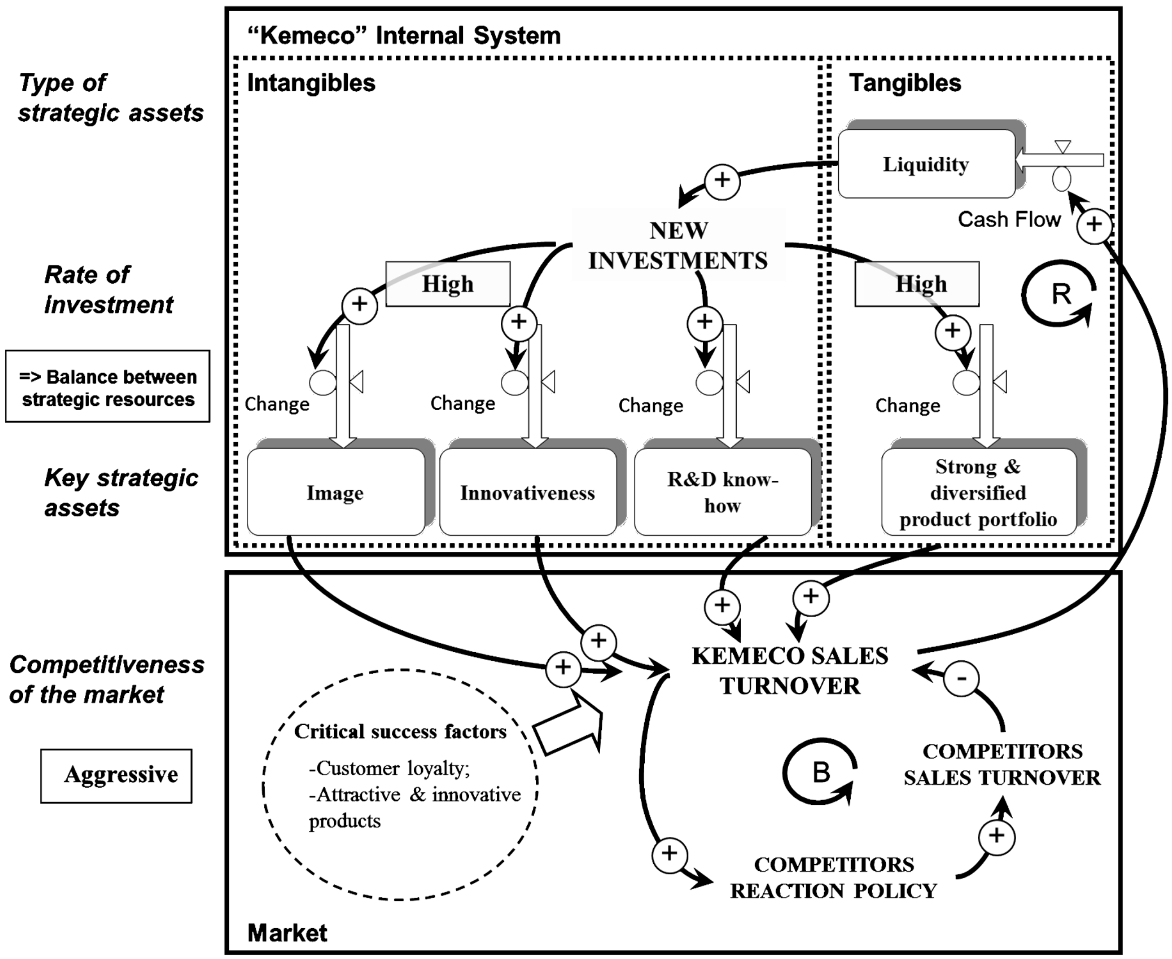
Scenario 1

Micro-giants decide to face aggressive market competition by adopting a strong intangible-based investment policy. As this happens, we observe an exponential growth in sales turnover, which even leads the firm to exceed the desired turnover level. After about 5 years of growing, the firm stabilises its sales turnover at the expected level.

Hand-in-hand, strategic resources also grow but, while tangibles show a goal-seeking behaviour, intangibles rapidly increase displaying an exponential trend due to the reinforcing effect of learning processes accumulation. This ensures a sustainable balance between key strategic resources able to feed critical success factors.

In particular, such a scenario recalls the Kemeco case study dynamics. In fact, since its establishment the firm has adopted a continuous intangible-based investment policy, which has led the company to successfully compete in a globalized household cleaning materials market, where

Figure 5. The strategic assets, critical success factors and input data synthesis of the Kemeco model



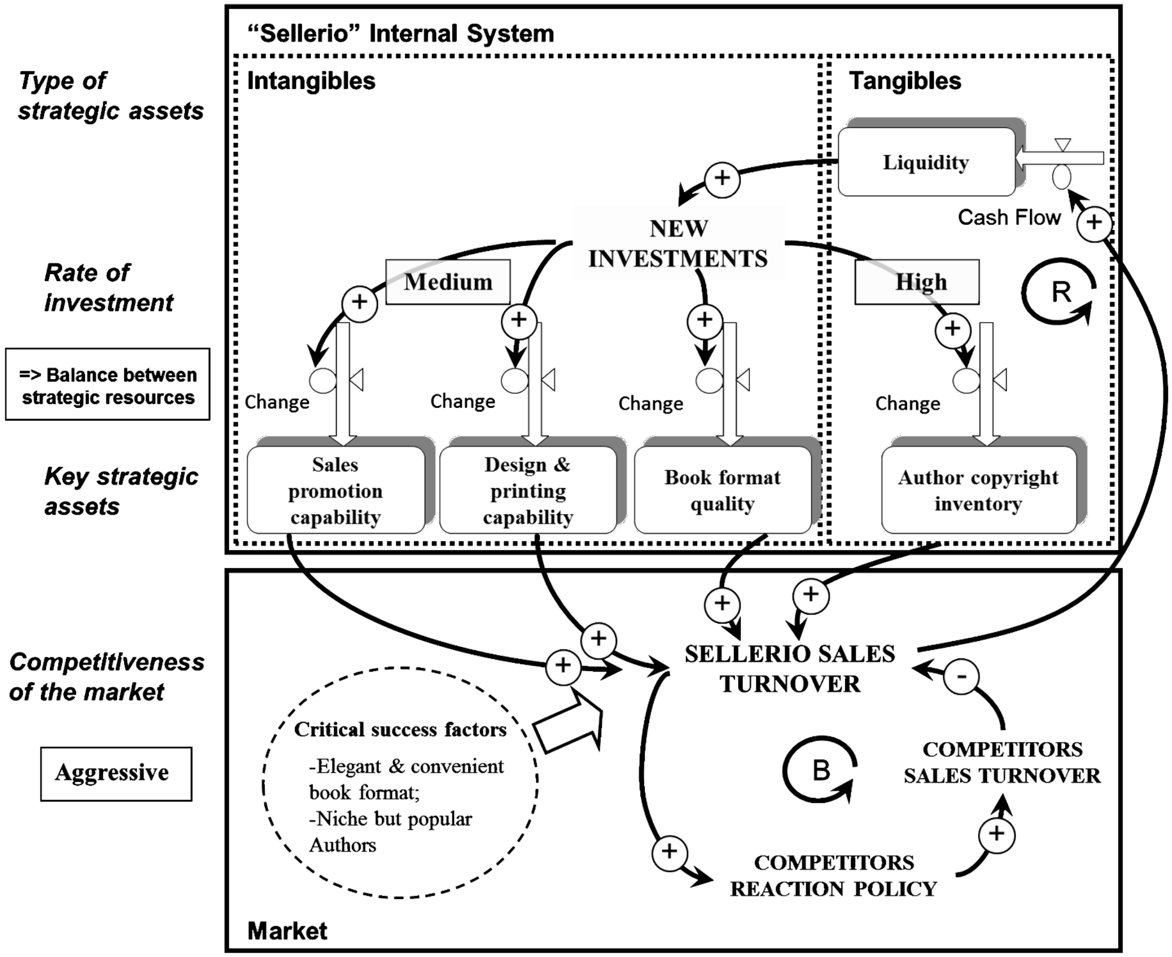
competitors are represented by multinational giants as Colgate-Palmolive, Unilever, Procter & Gamble and Henkel (Bianchi et al., 2010). Figure 5 synthesizes Kemeco's competitive model features.

Scenario 2

In this situation, micro-giants respond to aggressive competitors by investing in intangible assets with a lower – but still substantial – propensity. This is confirmed by strategic resources behaviours, which show a lower increase in intangibles compared to scenario 1. As a result, sales turnover grows and achieves a stable equilibrium at the desired level after about 8 years. This means that such policy still appears successful due to a well balanced mix of tangible and intangible assets.

An example of such scenario may be offered by looking at Sellerio's business dynamics. In fact, the firm tends to allocate a large part of investment in tangible assets – as new authors' copyrights – but, at the same time, does not ignore the maintenance of an adequate stock of their key intangible assets. Although the equilibrium between tangible and intangible assets appears less balanced than in scenario 1, such a policy similarly allows Sellerio to successfully survive in a book market characterized by aggressive

Figure 6. The strategic assets, critical success factors and input data synthesis of the Sellerio model



competition. Sellerio's competitive dynamics are summarized in Figure 6.

Scenario 3

In this scenario, a micro-giant proves incapable of filling the gap between desired and actual sales turnover, but rather we observe a dramatic enlargement of such gap. This perspective comes about due to the policy which is strongly oriented to primarily building tangible assets. As a consequence, the imbalance between tangible and intangible assets hinders the firm's ability to be competitive in aggressive markets. The strategic resources graph displays an exponential growth trajectory of tangibles, which definitely reveals a pointless contribution in terms of enhancing critical success factors. On the other hand, intangibles behaviour remains consistently very low over time.

Together with scenario 6, simulation results may be associated with the abnormal growth of the firm that stems from a pathological view to strategic assets management. Particularly, such a perspective may point towards business *dwarfism* and *gigantism* company development emerging (Bianchi et al., 2004; Bianchi & Winch, 2008).

Scenario 4

In the presence of a less competitive market, micro-giants reasonably have the opportunity to survive more easily. Therefore, a higher propensity to invest in intangible assets involves a higher capability to successfully compete and ensures increasing financial performance. Specifically, such a policy allows small sized firms to reinforce their competitive development by reformulating strategies to raise desired sales turnover towards even higher target levels.

In fact, both actual and desired sales turnover trends suggest a profitable perspective, since the firm enjoys consistent over-performance even against rising targets. Just at the end of the simulation period, the actual sales turnover declines to reach the desired level due to the effect of the balancing loop related to the gap in sales, which tends to seek a stable equilibrium in the system with the company performing at the desired sales turnover level. In these circumstances, both tangible and intangible resources show increasing behaviours and, therefore, reach a stable balance over time that, evidently, implies positive impacts on critical success factors development.

Scenario 5

This scenario appears very similar to the former. In fact, the actual sales turnover also rises beyond the target level and both trends complete their adjustment by the end of the simulation period. The main discrepancy regards intangible assets behaviour which, due to a lower investment propensity towards building such resources, shows a clearly lower increase over time. Nevertheless, the overall strategic resources mix appears reasonably well-balanced and, consequently, strongly contributes to improve the micro-giant's market performance, especially in the absence of an aggressive reaction by their larger competitors.

Scenario 6

The last scenario is particularly meaningful: even though the market is characterized by relatively light competition, by investing exclusively in tangible assets the micro-giant's turnover falls well short of the expected level. Consequently, what clearly emerges is that the lasting lack of investments in intangibles sentences the firm to failure.

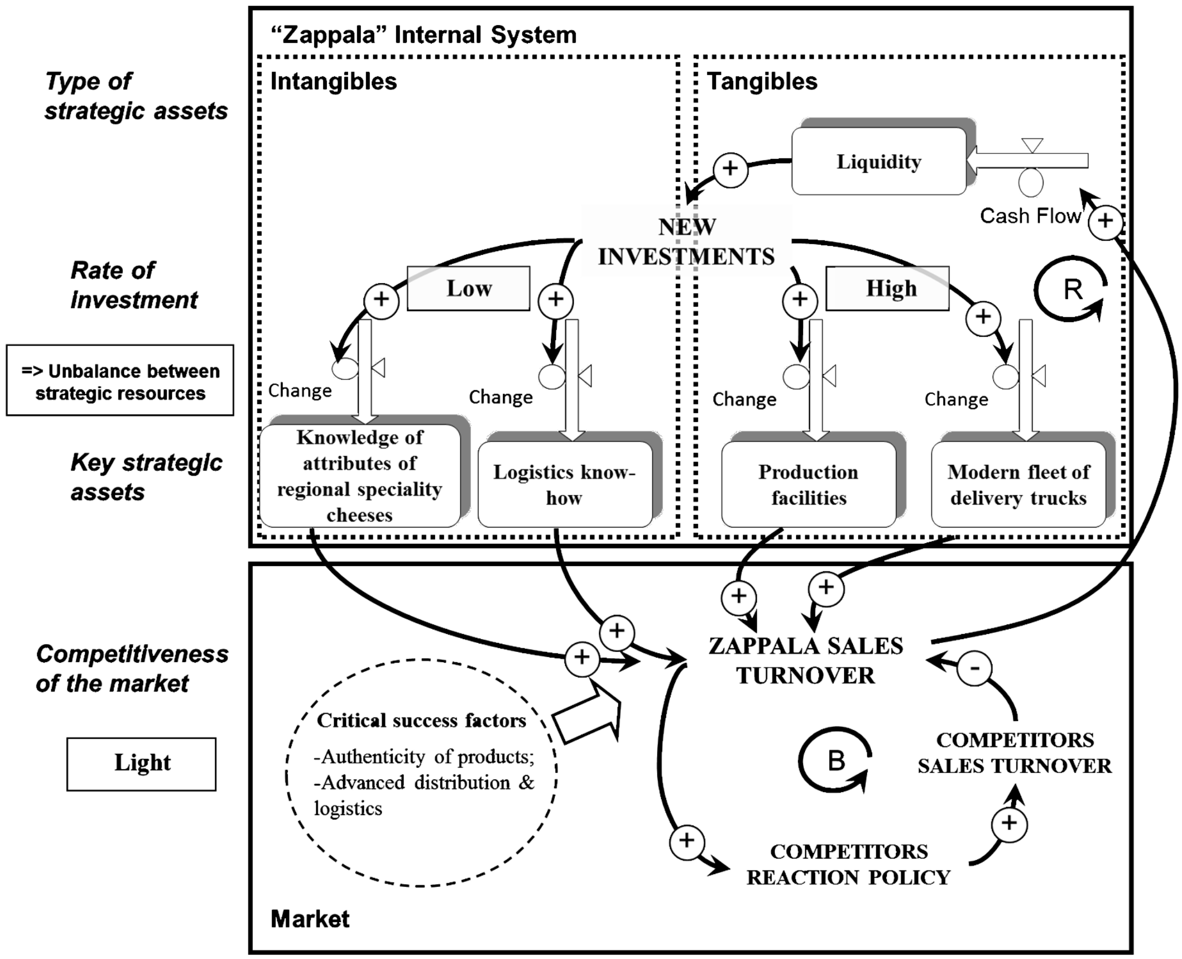
Specifically, the actual sales turnover definitely displays a decreasing behaviour which achieves equilibrium at a very low level. On the other hand, while tangible assets grow exponentially, the trajectory for the intangible assets constantly tends towards zero. This re-asserts that an imbalance in strategic assets mix leads to the loss of the firm's competitiveness.

In recent times, the Zappala company has revealed a loss of competitiveness consistent with the emerging insights of this scenario. In fact, the firm is currently facing something of a financial crisis stemming from the effect of a policy which has tended to favour investments in tangible rather than intangible assets. As a result, although the firm operates in a somewhat specialised market (traditional Sicilian cheeses), its survival appears threatened, and it needs timely measures oriented towards re-establishing an adequate balance between tangible and intangible resources. Figure 7 shows the current Zappala competitive model reflecting its market features.

CLOSING REMARKS

Arguably the real heroes of the business world are the companies that we have called micro-giants – small firms that take on and succeed against very large multinational companies, even in relatively undifferentiated markets like basic foodstuffs and household cleaning materials. The received wisdom is that such firms have no chance, that sooner or later they will be overwhelmed by the product

Figure 7. The strategic assets, critical success factors and input data synthesis of the Zappala model



development, cost-containment, market leverage and distribution power of the resource-rich majors. Yet the literature suggests that there may be subtle ways that the smaller firms may actually have some advantages, and our case studies of three micro-giants have characterised companies that have grown to a significant size in their market segments and have managed to maintain a strong position over an extended period of time.

After reviewing the profiles of the case study companies, this study has identified their success factors and key assets structures to try to understand how they manage to hold their own against much larger competitors. The perspective used in this analysis is not only the size of the asset bases but the balance between them. We also focussed on the nature of the assets and divided them into tangible and intangible assets. In each of the cases, there was at least one key asset in each of the asset categories. The intention of this analysis was to look for links between the three cases and to develop generic insights into the relationship between the balanced management of assets and the maintenance of competiveness by micro-giants. For this reason, an objective was to construct a generic model that captured the common structures but not the detail relating to any individual firm. From the analysis described here and using the asset management modelling framework developed in earlier small firm growth studies, a model was developed that includes sectors that reflect the building and run-down of both tangible and intangible assets, and a sector that links the balance of these to critical success drivers and hence to micro-giant competitiveness. A final sector reflects the market interaction between a micro-giant and its much larger competitors and includes mechanisms to reflect competitive moves and counter-moves. A key feature of all system dynamics studies is using the stock-flow diagrams to do some preliminary analysis of how structure is likely to impact on behaviour and company performance, and this was also achieved here. However, the main purpose was to develop a quantitative model which could be used to simulate system behaviour and to examine how the balance in asset management differentially impacts on company performance.

A total of six scenarios were run which reflected the differing policies which could be adopted by a micro-giant to combat marketing, promotional or product development initiatives by their large competitors by enhance its competitiveness through the management of key assets/resources. Not surprisingly, the analysis suggests that if the smaller competitor fails to focus on managing its key resources, whether tangible, intangible or both, and does not ensure that they are in top condition, then it will not be able to repel any aggressive moves by the competitors. More significantly though, the simulations confirm the critical importance of intangible assets – specialist market knowledge, product understanding, R&D capability – and especially maintaining the balance between these intangibles and the tangible assets plays a key role in sustaining competitiveness as hypothesised in earlier studies. As further confirmation it was possible to correlate particular policies for competiveness development, and the asset management patterns that they demand, with the success of each of the case companies – Kemeco's sustained policy of balanced development of both sets of assets reflects scenario 1, Sellerio demonstrates parallel asset development but in a less balanced manner, but is still able to remain competitive in a highly cut-throat market as in scenario 2, and, finally, while Zappala has been successful in the past through balanced asset management, in recent times its strategy has involved significant investment in tangible assets which have not been matched by intangible asset development; this has meant it has lost its competitive edge and must now take some remedial action.

The model that has been presented here lacks the detailed specifics that would be needed to support the identification of critical success factors and the development of detailed policies for resource development to drive them for any specific individual firm, though the generic model could form the basis for a tailored version which could achieve this. Rather, the intention here was to develop a model that could provide generic insights into how micro-giants can remain competitive. Failure to do this means that a micro-giant will be wasting vital, and limited, finance and effort building up resources which cannot be fully exploited because the short-comings in other asset bases reduces their effectiveness. When micro-firms are clearly time- and finance-impoverished relative to their multinational competitors, this is a clear recipe for losing their competitive edge and succumbing to the power of the majors.

Unlike in the biblical story, these *Davids* do not have to kill their respective *Goliaths*, but with the right policies they can and do survive and thrive over extended periods of time.

REFERENCES

Allio, D. J., & Allio, R. J. (2002). Coors Light in Puerto Rico: Battling for local dominance in a global market. *Strategy and Leadership*, *30*(6), 13–17. doi:10.1108/10878570210451579

Ambastha, A., & Momaya, K. (2004). Competitiveness of firms: Review of theory, frameworks and models. *Singapore Management Review*, *3*(5), 45–61.

Analoui, F., & Karami, A. (2003). *Strategic management in small and medium enterprises*. London: Thomson Learning.

Awuah, G. B., & Amal, M. (2011). Impact of globalisation: The ability of less developed countries' (LDCs) firms to cope with opportunities and challenges. *European Business Review*, *23*(1), 120–132. doi:10.1108/09555341111098026

Barnard, M. (2005). *Graphic design as communication*. London: Routledge.

Barney, J. B. (1986). Firm resources and sustainable competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Bianchi, C., Raimondi, L., & Fasone, V. (2004, September). *Structural growth disengagement and value creation in small and micro-firms. Mapping pathologies and physiologies of business dwarfism in a dynamic resource-based view*. Paper presented at the Rencontres de St. Gallen, St. Gallen, Switzerland.

Bianchi, C., & Winch, G. (2008). *Giants with feet of clay. The pitfalls in going for unbalanced and unsustainable growth*. Paper presented at the 5th AGSE Entrepreneurship Research Exchange, Melbourne, Australia.

Bianchi, C., Winch, G., & Cosenz, F. (2010, September). *Generalising theories explaining the different modes of SME development and the associated growth trajectories*. Paper presented at the Rencontres de St. Gallen, St. Gallen, Switzerland.

Bianchi, C., Winch, G., & Cosenz, F. (2012). A physiological approach to analysing SME growth patterns and to understanding the distinctions and similarities between normal and abnormal growth. In M. Porada-Rochon (Ed.), *Managing a small business in the contemporary environment*. Rome: Eurilink.

Bounfour, A. (2003). *The management of intangibles. The organization's most valuable assets*. London: Routledge. doi:10.4324/9780203465035

Chen, M. J., & Hambrick, D. C. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Journal*, *38*(2), 453–482. doi:10.2307/256688

Chew, D. A. S., Yan, S., & Cheah, C. Y. J. (2008). Core capability and competitive strategy for construction smes in China. *Chinese Management Studies*, *2*(3), 203–214. doi:10.1108/17506140810895898

Cohen, J. A. (2005). *Intangible assets. Valuation and economic benefit*. Hoboken, NJ: John Wiley & Sons.

Covin, J. G., Slevin, D. P., & Covin, T. J. (1990). Content and performance of growth-seeking strategies: A comparison of small firms in high- and low-technology industries. *Journal of Business Venturing*, *5*(6), 391–412. doi:10.1016/0883-9026(90)90013-J

Forrester, J. W. (1961). *Industrial dynamics*. Cambridge, MA: MIT Press.

Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, *22*, 114–135. doi:10.2307/41166664

Hand, J., & Lev, B. (2003). *Intangible assets*. New York: Oxford University Press.

Hirschman, A. O. (1958). *The strategy of economic development*. New Haven, CT: Yale University Press.

Hudson, M., Smart, A., & Bourne, M. (2001). Theory and practice in SME performance measurement systems. *International Journal of Operations & Production Management*, *21*(8), 1096–1115. doi:10.1108/EUM0000000005587

Itami, H. (1987). *Mobilizing invisible assets*. Cambridge, MA: Harvard University Press.

Lev, B. (2001). *Intangibles: Management, measurement and reporting*. Washington, DC: Brookings Institution Press.

Man, T. W. Y., Lau, T., & Chan, K. F. (2002). the competitiveness of small and medium enterprises: A conceptualisation with focus on entrepreneurial competencies. *Journal of Business Venturing*, *17*(2), 123–142. doi:10.1016/S0883-9026(00)00058-6

Maranto-Vargas, D., & Gómez-Tagle Rangel, R. (2007). Development of internal resources as sources of differentiation of SME under increased global competition: A field study in Mexico. *Technological Forecasting and Social Change*, *74*(1), 90–99. doi:10.1016/j.techfore.2005.09.007

McCune, J. (1994). In the shadow of Wal-Mart. *Management Review*, *83*(12), 10–17.

Porter, M. (1980). Generic strategies as determinants of strategic group membership and organizational performance. *Academy of Management Journal*, *27*(3), 467–488.

Prahalad, C. K., & Bettis, R. (1986). The dominant logic: A new link between diversity and performance. *Strategic Management Journal*, *7*(6), 485–501. doi:10.1002/smj.4250070602

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*.

Rosenbusch, N., Brinckmann, J., & Bausch, A. (2011). Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs. *Journal of Business Venturing*, *26*(4), 441–457. doi:10.1016/j.jbusvent.2009.12.002

Simpson, M., & Docherty, A. J. (2004). E-commerce adoption support and advice for U.K. S.M.E.'s. *Journal of Small Business and Enterprise Development*, *11*(3), 315–328. doi:10.1108/14626000410551573

Sirikrai, S. B., & Tang, J. C. S. (2006). Industrial competitiveness analysis: Using the analytic hierarchy process. *The Journal of High Technology Management Research*, *17*, 71–83. doi:10.1016/j.hitech.2006.05.005

Sterman, J. vD. (2000). Business dynamics systems thinking and modeling for a complex world. London: McGraw-Hill.

Toppinen, A., Toivonen, R., & Mutanen, A. (2007). Sources of competitive advantage in woodworking firms of Northwest Russia. *International Journal of Emerging Markets*, *2*(4), 383–394. doi:10.1108/17468800710824527

Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, *59*(4), 18–32.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation and the performance of small and medium sized enterprises. *Strategic Management Journal*, *24*(13), 1307–1314. doi:10.1002/smj.360

Winch, G., & Gill, A. (2003). A deep niche (A strategic ploy to maximize effectiveness in product design and R&D). *Manufacturing Engineering*, *82*(5), 28–31. doi:10.1049/me:20030506

Yan, S. (2010). Competitive strategy and business environment: The case of small enterprises in China. *Asian Social Science*, *6*(11), 64–71.

KEY TERMS AND DEFINITIONS

Case Study: An analytical study of the development of a specific business or social institution aimed at supporting the validity of a methodological approach and related findings through empirical evidences.

Competitive Strategies: Long-term action plans that are devised to support a company in gaining competitive advantages over its rivals into a market or a niche.

Dynamic Resource-Based View: An approach that combines a resource-based view of the firm and System Dynamics methodology in order to frame both accumulation and depletion processes of strategic resources and to achieve consistency in their arrangement. Such approach focuses on the maintenance of an appropriate balance between strategic assets as the key to firm's sustainable development.

Micro-Giant Firms: Small companies that, despite their small size, successfully compete in major markets where much larger, multi-national firms also operate.

SMEs: This term stands for small and medium-sized enterprises – as defined in EU law: EU recommendation 2003/361. Particularly, the main factors determining whether a company is an SME are: (1) number of employees and (2) either turnover or balance sheet total.

Strategic Asset Building: The process through which companies build and foster those strategic resources linked to critical success factors.

System Dynamics Modelling: System Dynamics is a methodology for framing, understanding, and analysing the dynamic behaviour of complex business systems. System Dynamics models are built through the identification of those feedback loops and time delays that affect the behaviour of the system. Models enable decision-makers to simulate performance trends over time. In a dynamic model key-resources – whose monitoring on a strategic perspective over time is crucial – are represented as level variables and their inflows and outflows are shown as rate variables. System Dynamics is currently being used throughout the public and private sector for policy analysis and design.

ENDNOTES

1. An in-depth overview of System Dynamics methodology can be found in Forrester (1961) and Sterman (2000).

Section 2

The Entrepreneur/Manager as Strategist, Leader, and Improviser

The second section deals with the Entrepreneur/Manager as an engine of strategic management of SMEs, filling the role of strategist, leader and improviser, as well as other supporting roles. This sections discusses the ways the entrepreneur-strategist detect and realize entrepreneurial opportunities in the context of the new paradigm of strategic entrepreneurship, using "so-called" explorer strategy, more acceptable for the case of SMEs. It is demonstrated in a conceptual and especially in practical terms how to understand better the role of the entrepreneur as a strategist, leader and improviser by using non-routine methods, myths, metaphors, and jargon in the training of students and entrepreneurs. The challenges for entrepreneurial methods, knowledge and skills necessary to build a competitive behavior are discussed, focusing on the opportunities for their acquisition (in the learning process). The necessity of acquiring core competencies is analyzed and, more generally, the cognitive specific plan as a prerequisite for strategic competitive behavior.

Chapter 6
The Entrepreneur as Strategist and Improviser:
Subject of Activity and Object of Understanding

Kiril Todorov
University of National and World Economy, Bulgaria

ABSTRACT

The chapter deals with the search for relevant strategic responses to the challenges of a dynamic and competitive, international and multicultural business environment where new strategic approaches like Strategic Entrepreneurship (SE) and tools to meet the specific characteristics and needs of SMEs are launched. The entrepreneurial opportunities, and their exploration and exploitation through the entrepreneur's/ manager's various roles as a strategist, leader, and improviser, are analyzed. It is shown that in most cases the entrepreneur (especially in long-term dynamic, ambiguous conditions) acts without sufficient formal information and resources and therefore has to improvise taking certain risks (strategic improviser). Difficulties in the understanding and the implementation of entrepreneurial roles, especially those of strategist and improviser, require non-traditional approaches, forms and methods in the education of students in entrepreneurship, and in training/ consulting for both new and established entrepreneurs. The forms and methods of mythology, metaphorical representation and jargon, as tools of the so-called subjective (qualitative) approach, are widely accepted. The chapter employs examples of original myths and metaphors to demonstrate how better to understand the linkages across strategic orientation/ management, improvisation and strategic learning, thus helping entrepreneurs/ managers to better adapt theories, concepts and tools for effective working in a dynamic, competitive environment.

DOI: 10.4018/978-1-4666-5962-9.ch006

INTRODUCTION

Undoubtedly there is a growing interest in understanding strategic aspects of entrepreneurial activity that are of critical importance for competitive behavior in a dynamic, international multicultural business environment. In this respect new ideas and concepts are emerging to meet these challenges, especially in the specific conditions of SMEs.

Researchers in the field have worked intensively in recent years in an attempt to combine the two separate areas of entrepreneurship (E) and strategic management (SM) into one, formulating the concept of strategic entrepreneurship (SE) (Shane & Venkataraman, 2000; McMullen & Shepherd, 2006; Ketchen, Ireland & Snow, 2007; Hitt, Ireland, Sirmon & Trahms, 2011). In both research and business practice there are high expectations surrounding the new formulation. It is more than clear, however, that to launch such a new concept, especially in the research field, creates real difficulties for many reasons.

On one hand, there are the very different international, national and local political, economic and socio-cultural conditions in which many millions of small, medium and large enterprises of different sizes, phases of life cycle and sectors are operating as well as entrepreneurs/ managers with varying personal and behavioral characteristics. This makes it difficult to formulate, compare and use even basic definitions and measures related to entrepreneurship and entrepreneurs as an activity /phenomenon, identifying existing or creating new entrepreneurial opportunities, and their exploitation.

On the other hand, although the strategic management is a more "fermented concept" primarily in large companies it has its own problems - running from the definition of strategy to the question of whether it is a practical method or art (Cummings, 1994; Ohmae, 1994) to assessing the effectiveness of strategies (Mintzberg, 1994). The ever-changing external environment puts under question the achievement of pre-set (stable) targets and the appropriate allocation of resources to achieve it. In addition, the specific role of the entrepreneur (alone or with team) whether as strategist, leader or manager, in micro and small enterprises is difficult to identify, analyze and interpret for the reasons stated. Therefore, the key question is how to combine organically two highly complex, specific areas such as E and SM, reflected in the new concept of SE. For larger companies with sufficient resources and opportunities to attract qualified managers (strategists) it is perhaps easier to enhance their entrepreneurial behavior (corporate entrepreneurship) at the strategic level. In small and medium enterprises, the situation is quite different. Characterized by their resource limitation and isolation "a priori" and with the dominant role of the entrepreneur-manager, these enterprises (especially those operating in competitive, dynamic business environment) also need to find and exploit entrepreneurial opportunities, leading to the development of competitive advantages and generating added value. This requires the implementation of strategic entrepreneurship - achieving synergistic effects from identifying promising entrepreneurial opportunities and turning them into sustainable competitive (strategic) advantages.

But how does this happen in practice? How does the entrepreneur act as a strategist (complemented by other roles), very often without enough formal, rational information and arguments?

In micro and small enterprises (unlike medium-sized enterprises which can share some of the advantages of size with large companies), the entrepreneur-manager as strategist uses formal available resources (though often insufficient), but relies to a significant degree on his/her personal and behavioral characteristics in the form of knowledge, skills, experience, intuition, charisma, refracted through his/ her own value system (Todorov, 2011a). In effect, in most situations, he/she is forced (alone or supported by team) to enrich, finish and interpret events and processes "on the hoof", i.e. to improvise (Weick, 1993, 2005; Crossan & Hurst, 2006; Hmieleski, 2009; Hmieleski & Corbett, 2006). Improvisation, "improvisus" meaning "not seek ahead of time", is "playing extemporaneously … composing on the spur of the moment" (Barrett, 1998). And if, with operational decisions, the entrepreneur regularly improvises and the potential losses from "wrong" improvisation are typically bearable, it can be quite different in the case of improvisation at the strategic level. In more complex situations with longer time horizons it is necessary, but more difficult, to improvise and the potential losses from the "wrong improvisation" can be fatal for a small enterprise that does not have the compensating, diversification capabilities and resources of a big company.

In many situations entrepreneurs are faced with insufficient knowledge and skills of competitive entrepreneurial behavior, moreover of strategic improvisation (SI), both theoretically and in practice with a few exceptions (see for example Crossan & Hurst (2006)). The very concept of improvisation in terms of process and content as it relates to entrepreneurial activity is still at its early stages, but it is a promising field of research and practically useful actions.

So, some research issues emerge such as:

- The functionality of the concept of SE;
- The strategies and behavior of entrepreneurs in exploring and exploiting opportunity;
- The balance in the entrepreneur's behavior towards being a strategist and improviser;
- How to better understand what tools/ methods to use in the training of entrepreneurs in the context of SE.

Therefore, the main goals of this chapter are to:

- Identify and highlight specific expressions, problems and solutions in the role of the entrepreneur as a strategist, complemented by other roles in exploration and exploitation of entrepreneurial opportunities in the context of strategic entrepreneurship;
- Identify the role of entrepreneur, particularly as (strategic) improviser, in a complex and dynamic business environment;
- To demonstrate in a concrete way how entrepreneurs strategize and improvise, so as to be better able to teach students of entrepreneurship, assist start-ups and established entrepreneurs in particular, using non-traditional approaches and tools.

Following this, the intention is to add value to the themes in the chapter through a particular perspective based on observations and analysis of prominent authors' work and good practice accumulated by the author over the past 20 years, while researching, teaching/ training and consulting with students/entrepreneurs.

ENTREPRENEURIAL OPPORTUNITIES AND ENTREPRENEURIAL BEHAVIOUR

A starting point in analyzing entrepreneurial activity are entrepreneurial opportunities or the so-called "entrepreneurial windows" examined by Casson (2000) and Drucker (1985). Entrepreneurial opportunities are a major focus in the research of such classic authors in the fields of economics, entrepreneurship and management as Schumpeter (1934), Hayek (1945, 1978), Drucker (1985) and their followers. The entrepreneur is regarded as a pioneer in identifying market opportunities and while pursuing a path of reasonable risk (Schumpeter, 1934). In the transformation of the U.S. economy from "managerial" (for large firms) to "entrepreneurial" (for small firms) and the resulting new business opportunities, the so-called "entrepreneurial windows" are open not only in an economic but also in a social context – Drucker (1985).

Recent studies of entrepreneurship view entrepreneurial opportunities in a more comprehensive and contextual manner. Many authors emphasize that identifying and exploiting (market) business opportunities is not always entrepreneurial, but only when introducing new products, services, resources and organizational methods (Shane & Venkataraman, 2000). Other authors focus attention on entrepreneurial opportunities, the use of which leads to the establishment and development of sustainable competitive advantages, emphasizing discovery (exploration) and use (exploitation) of entrepreneurial opportunities of a strategic nature and their consequences (Crossan & Hurst, 2006; Hitt, Ireland, Sirmon & Trahms, 2011; Companys & McMullen, 2007).

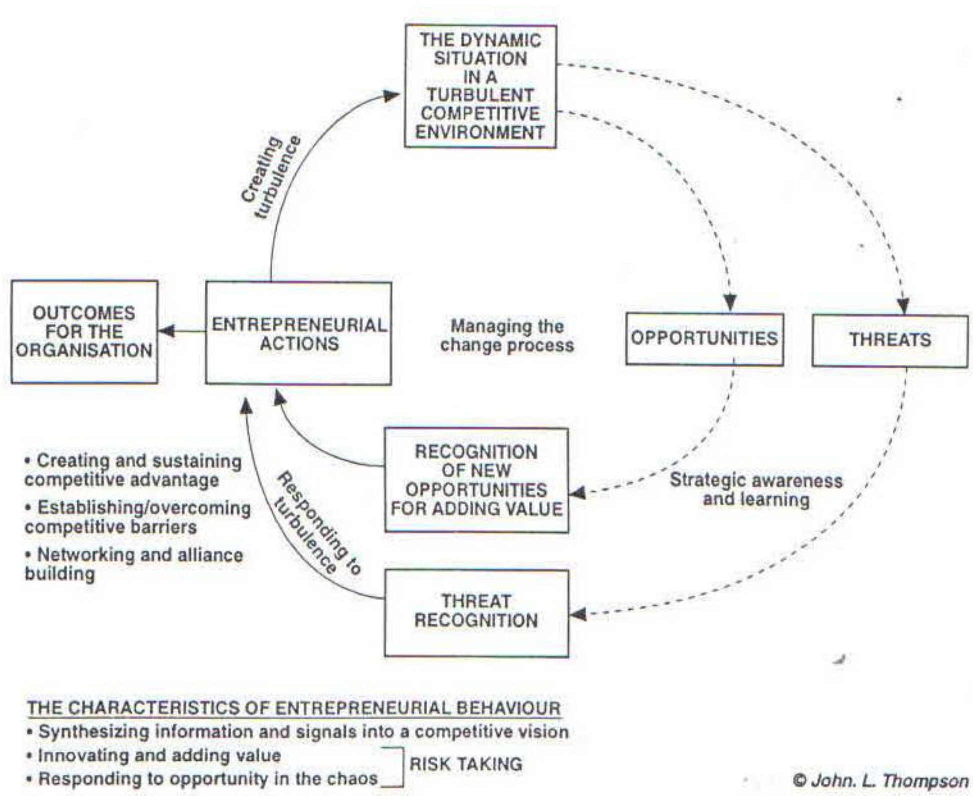
The researchers develop and apply different theories and concepts, sometimes eclectic, to explain the nature of entrepreneurial opportunities, their sources and manifestations. Using the research framework of Shane & Venkataraman (2000) who consider entrepreneurship as an "examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited"; Companys & McMullen (2007) attempted to answer these questions through the concepts developed by other authors. They analyzed three basic concepts (schools) viz. economic cultural, cognitive and socio-political schools. Based on these concepts, they attributed the launching of economic/ social, cultural and political strategies for discovery and exploitation respectively of objective and subjectively cognitively generated entrepreneurial opportunities (pp. 311-315). The added value here is both in identifying and analyzing the so-called business opportunities existing objectively and constructed subjectively, as well as their integration in the search for synergistic effects.

Here we can point that one of the underestimated problems in understanding entrepreneurial opportunities is the limited development and attention on "how some already identified and exploited entrepreneurial opportunities, initiate other entrepreneurial opportunities". And entrepreneurial practice over a long period of time shows that initiated "secondary entrepreneurial opportunities" are sometimes more important and effective for individuals, groups and societies than the primary ones which initiated them. In this context main challenge is forming competitive entrepreneurial behavior to explore existing or create new (secondary) entrepreneurial opportunities and their appropriate exploitation.

A summarized, synthesized view of the relationship and interaction between the external environment (entrepreneurial opportunities and threats); identifying opportunities of a strategic nature and entrepreneurial actions (behavior) with their forward links and feedbacks is presented in Figure 1.

Figure 1 shows that entrepreneurs (using their social capital) seek prospective (strategic) opportunities and positions for the formation of sustainable competitive behavior. In this situation, they violate the current status quo, creating an imbalance, but enter a new (dynamic) equilibrium as described by Schumpeter (1934). Of course, this is the ideal case, because entrepreneurs make mistakes from which they must learn (strategic learning). Therefore, in the process of identifying opportunities and threats, learning from their mistakes and those of others through the system of feedbacks, entrepreneurs build proactive, successful behaviors in a competitive environment, based on available resources (learning by doing). But here they not only have to comply with the strategic opportunities thus identified, but also be aware that these opportunities must be met with the resources of the firm (own or acquired). They must also lobby often in an unfavorable, dynamic environment, filled with great uncertainty, and organize properly the operational system for the realization of their strategic goals. In this sense, the entrepreneur (alone or with team support) (has to) play together different roles like a "man orchestra" or a multi-faced Buddha.

Figure 1. Entrepreneurial behavior (Source: Thompson, 1999, p. 288.; Published with written permission of the author)



THE ENTREPRENEUR'S ROLES IN EXPLORING AND EXPLOITING ENTREPRENEURIAL OPPORTUNITIES

The heterogeneity of entrepreneurial activity, entrepreneurial personality and behavior determine the different roles that the entrepreneur must perform in different contexts. In general, they are associated with the identification of dynamic, strategic opportunities, providing the resources necessary to achieve the objectives, the organization of business processes and especially encouraging and motivating staff. On this basis, various researchers have tried to make an appropriate identification of the roles, which entrepreneurs (should) play. Of course, in practice, and depending on the situation, there is a leading role, while others are complementary. This dynamic of changing roles is the most important element in the "entrepreneur-orchestra" necessary to operating successfully in complex situations of a strategic nature. All researchers emphasize the entrepreneur's roles as of crucial importance in the identification, evaluation and exploitation of entrepreneurial opportunities.

Basically, the approaches to assessment of the entrepreneur and his/her roles are viewed in different research constructions. Attempts to identify these roles can be seen firstly in the work of researchers in strategic management in large companies. For example Quinn, Mintzberg & James (1988), write about the entrepreneurial approach and leading figure and role of the entrepreneur-founder or top manager, an adaptive approach where the power is "blurred" between managers, groups, etc. and a formal planning approach with the leading role of analyzer/ planner.

Some authors try to objectively identify different types of organizations with their respective trajectories, common strategies and to identify in them the leading roles of the entrepreneurs/ managers/ experts. For example, D. Miller (1994) defines: a focusing trajectory (focus) on the quality and technology and the leading role of highly trained engineers; an inventing trajectory, presented by launching product champions, often bordering on utopias; a decoupling trajectory led by excellent, recognized marketers; a venturing trajectory, growth-driven, led by entrepreneurial builders, imaginative leaders, exploiting 'helter-skelter' into business they know nothing about (p. 455). Such entrepreneurial builders are growth-driven, oriented towards expansion. These builders have the promotional skills to raise capital, the imagination and initiative to exploit significant growth (strategic opportunities) and the courage to take substantial risks. Therefore, the leading role in the cycle is associated with strategic proactivity (vision), accounting for the resources that are available, including core competencies, balanced with contextual improvisation (when required).

Other authors try to identify more specific typologies of entrepreneurs and the roles they perform in the exploration and exploitation of entrepreneurial opportunities, trying to avoid relevant threats. For example, according to Rogoff & Lee (1996) the three main types of entrepreneur can be reduced to: (1) c*reators* – higher risk-takers, starting businesses to follow their dreams by creating new products/ services; (2) *inheritors (successors)* – family firm members who inherit the business; (3) o*perators* – motivated by financial objectives or lacking other alternatives, they buy businesses/ franchises as a means of minimizing risk.

Of course, other typologies with many common points and often claiming to be exhaustive, can be highlighted. For example, from Schumpeter (1934) to the present, among the most popular type of entrepreneur is the innovative one (Wilhelm, 2001; Kirzner, 1997). Their road to success is the generation and promotion of new ideas for development, since they have the unique ability to see phenomena in different and creative ways. Such entrepreneurs make difficult and controversial decisions in the context of incomplete information while demonstrating creativity and a sense of context - Casson (2000).

Great attention is also paid by researchers to the entrepreneur-leader with corresponding actions, as interpreted by Kirzner (1997). The leader is such, because he/she possesses qualities that not everyone has, particularly to see the "whole picture." Especially important for the entrepreneur-leader is to inspire and build trust with and among followers (Todorov, 2011a).

Also right is Casson (2000), who emphasizes that the probability that the entrepreneur-leader will succeed is greater if at least part of the necessary resources are available. In this context we can highlight the entrepreneur as a coordinator and integrator of resources.

Synthesizing the dominant views of researchers about entrepreneurial roles it is possible to identify several general entrepreneurial roles:

The Entrepreneur as a Manager/Operator

In the smallest businesses, the entrepreneur in the role of manager/ implementer of his/ her vision makes things really 'happen'. He/she regularly deals with the organization and the change in business processes, distribution and tracking of financial flows and the training and organization of staff. The fulfillment of these different, even routine roles may be the most difficult for a visionary entrepreneur and therein lies a danger – the vision (strategic orientation) may be eroded or may prove difficult to implement in practice. Ultimately achievement will reflect the interplay of the knowledge, skills and adaptability of the entrepreneur.

The Entrepreneur as a Leader

Following important characteristics proposed by different authors we see entrepreneur-leader as a person with a vision as well as with communication and negotiation skills, taking risk and responsibility even for mistakes of others, and perhaps possessing a charismatic style. The real entrepreneur-visionary leader can encourage the team to follow him/her even in ill-defined or unpredictable circumstances.

The Entrepreneur as a Strategist

This type identifies the so-called focused entrepreneur with an overlap between personal and business goals. He/she supports goal-setting, the use of strategic management tools and feedback mechanisms for achieving harmony across the key success factors - see Driessen, Lean & Zwart (2010). The entrepreneur-strategist can be viewed as a performer with "high standards" in entrepreneurial activity, mainly because of the combination of thinking well- ahead matched by rapid responses to changes in the environment with its multiple forces acting in. This leadership role of the entrepreneur as a strategist and an agent of change will be discussed in more details below according the theme of the chapter.

The Complex Entrepreneur

From above, it can be seen that although some of the leading roles/ characteristics of the entrepreneur are highlighted, supporting roles are also very important. Therefore, some authors talk about the complex entrepreneur claiming that he/she is most likely to start and develop a successful company (Wilhelm, 2001; Miner, 1997). And that implies better recognition of available entrepreneurial opportunities (and/ or cognitively created by him/ her) and their successful realization (exploitation) – thereby closing the circle.

In practice, for better understanding, views of the entrepreneur are often distributed in a popular way, comprising the subjective interpretations and abstractions of some researchers, media and even wider audiences of the entrepreneur's nature and role, forming a so-called entrepreneurial mythology. The entrepreneur has been described through various metaphors mostly as a hero, anarchist, dispenser of justice (Johanisson, 1999) or ice-breaker as well as paternalist or quick money-maker (Todorov, 2011b). So, in such mythology improvisation tools like myths, metaphors, jargon, etc. are used. Significant changes can be seen in the entrepreneurial mythology that follows socio-economic changes in the world and the reinvention and renaissance of entrepreneurship. If in 1990s the entrepreneur is more a hero and savior, then 15-20 years later this figure is represented, for example, by the subgroups "global winner, wolfish entrepreneur, charming entrepreneur". Despite its significant subjective impact, such metaphorical presentation helps considerably in understanding the figure and behavior of the entrepreneur in real life. Such a tendency towards mythological and metaphorical references will be presented more fully later in the context of non-routine (improvisational) forms and methods of entrepreneurial behavior and in its place in teaching/ training students and entrepreneurs. The very different and specific role of the Entrepreneur as improviser will also be examined.

THE ENTREPRENEUR AS A STRATEGIST AND AGENT OF CHANGE

Strategic Management in SMEs

As pointed out in the introduction to this chapter, researchers have identified and investigated the need for SMEs to use strategic approaches and tools, but they differ very much from strategic tools used in large-scale enterprises, where SM is more popular.

Larger companies usually have written strategic plans developed and implemented by specific units. In more complex situations and developments they are supported by specialized consulting teams – most often formed by experts in the company with the external consultants. A further process involves differentiation of the general (corporate) strategy into shorter periods with more detailed measures of performance developed by the middle (tactical) management level. From here tactical plans and activities are cascaded further down the organization and submitted for immediate implementation to the operational management level. Therefore, the strategic management of the company is a complicated and a long-term and resource-seeking process, which in the general case has to guide effective firm behavior in terms of the market and competitors.

The above mentioned steps are typical for "classic" SM in LEs. Of course some deviations exist among different schools of thought. But in the case of SMEs, the situation differs. Generally, as many authors point out, the strategic process in SMEs is much less formal, shorter, with a dominant role for the Entrepreneur-strategist. Logically, more orientation is given to the exploration instead of exploitation of opportunities. Of course, the group of SMEs is not homogeneous. A significant difference exists not only between SMEs and LEs, but within SMEs. If we take on the one hand micro and small businesses, and on the other, medium-sized businesses, we shall see that the needs and opportunities for application of SM in them vary. Why? The answer lies in the three specific advantages of medium-sized companies: successful operation on the market (in most cases); direct and simplified management and adequacy of resources (Napuk, 1996). This, coupled with sufficient flexibility allows them to change strategy on the move if the environment is changing.

In the late 20th century there was a tendency of transferring SM concepts and practices from large companies to SMEs (mostly in a mechanical way). At the same time it is often forgotten that SMEs are not miniature versions of LEs, and have specific needs and specific manifestations of SM. So, there is a necessity for new approaches to SM for SMEs, acting in complicated and challenging business environment.

Strategic Entrepreneurship

In the early 21st century there is a trend towards justifying and enforcing the new concepts in response to changing conditions and challenges in the business environment (especially international one characterized by increasing change and ambiguity). Authors like Hitt, Ireland, Camp & Sexton (2002), Ketchen, Ireland & Snow (2007); Hit, Ireland, Sirmon & Trahms (2011) attempt to combine the two separate areas: entrepreneurship (E) and strategic management (SM) into one, Strategic Entrepreneurship (SE) as more appropriate in new business conditions.

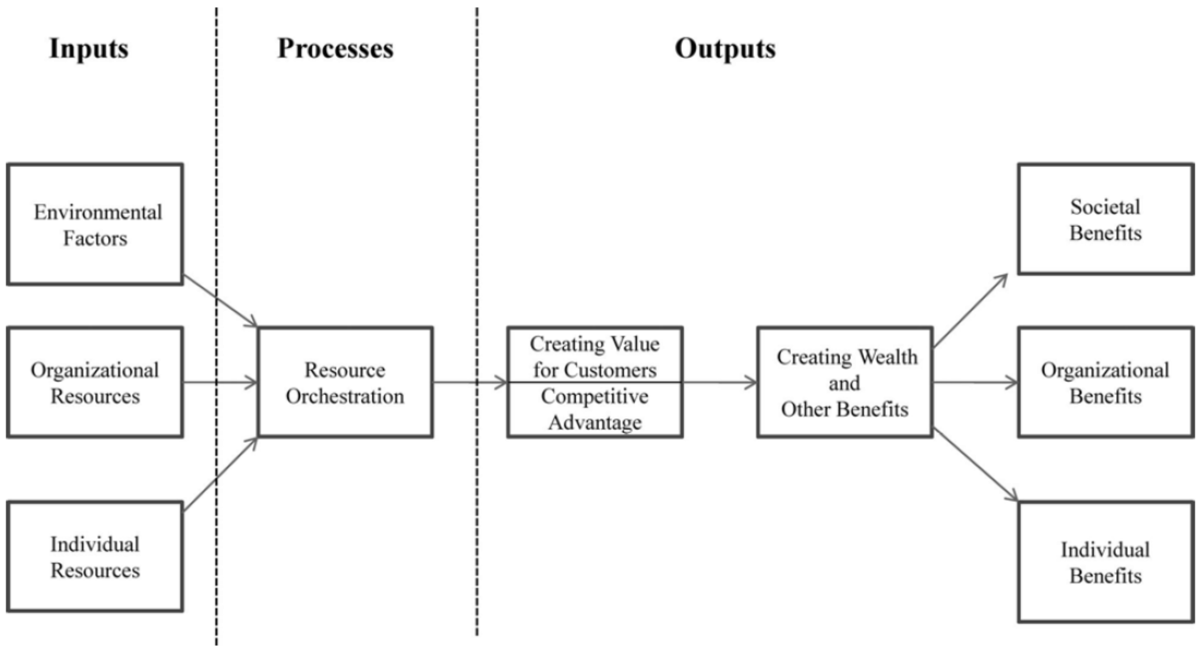
Strategic Entrepreneurship helps firms to "address the dual challenges of exploiting current competitive advantages (for the purview of strategic management) while exploring for opportunities (the purview of entrepreneurship) for which future competitive advantages can be developed and used as the path to value and wealth creation" (Hitt, Ireland, Sirmon & Trahms, 2011).

The authors devise an "Input–Process–Output Model of Strategic Entrepreneurship" (Figure 2).

The SE model incorporates environmental, organizational and individual factors/ resources into the dynamic process of simultaneous opportunity and advantage-seeking behaviors. The model involves three dimensions: resource/ factor inputs, resource orchestration process and outputs. The key moment is creating value for customers and wealth for stakeholders.

The combination of E (exploring opportunities) with SM (exploiting opportunities) contributes to

Figure 2. Input–Process–Output Model of Strategic Entrepreneurship (Source: Hitt, Ireland, Sirmon, & Trahms, 2011, pp. 57–75)



achieving value and wealth. While (E) as a part of SE requires flexibility and novelty, at the same time SM seeks stability and predictability.

The above model is a useful tool for better understanding of the so-called SE and its dimensions. But at the same time it is noticeable that feedbacks between and within elements of the model are lacking – begetting the question of how existing asymmetries might be corrected? At the same time the model seems to be more applicable to bigger (medium-sized) firms. We cannot see the figure of the strategic entrepreneur using often non-standard tools (improvisation) to overcome scarcity of resources or asymmetry between them.

For similar reasons a number of researchers ask different questions concerning SE - for example, how the strategic part of SE will work in dynamic conditions where flexibility and reactivity are most important, or how to take into account the differences within the subgroups of SMEs, etc. (Kraus & Kauranen, 2009). There are also definitely negative opinions about the new SE concept. (Van Rensburg, 2013), giving his own arguments.

Despite the still-underdeveloped concept of SE and its practical application, there is a good base at this moment for better presence and understanding strategic needs and processes of SMEs and entrepreneurs' behavior in a dynamic, complex, and completive environment.

The Entrepreneur as a Strategist and Agent of Change

Undoubtedly, the person of the Entrepreneur and his/ her behavior are of key importance for the strategic orientation of SMEs and a worthwhile subject of research. The role of Entrepreneur as a strategist (nor as a practitioner) is still not well studied as research topic. Indeed, often this role overlaps with the role of Entrepreneurial manager – see Hinterhuber & Pop (1992), Cassia & Meoli (2009). The reasons for this are clear (most of them we mentioned in the introduction to this chapter).

Returning to the model of SE - Hitt, Ireland, Sirmon & Trahms (2011), let's see the entrepreneur's role on all stages and in elements of the model can be seen but with some qualification.

The efforts of the strategist are focused mainly on the input and less on orchestration of resources. Identifying environmental factors is a primary aspect of SE as the Entrepreneur has to identify opportunities, preferable with a sustainable, competitive potential. Based on many studies and analysis of practice, it is well-known that SMEs (have to!) pay more attention to opportunity seeking and relatively less to managerial capability. This is because of the "a priori" possession of flexibility and reactivity of these firms even they are often not predisposed enough to act. In this context is important to stress the readiness and capability of the entrepreneur-strategist to learn from one's own mistakes and from those of others (strategic learning – refer to Figure 1 again) - see also Pop (1993). Many researchers have pointed out that the entrepreneur uses different sources and methods for identifying opportunities and obtaining necessary resources.

Identifying necessary organizational resources to meet the requirements of objectively discovered or cognitively constructed opportunities is of vital importance in their exploration. Resource-based theory makes enough suggestions and recommendations in this context, evaluation of availability, adequacy and access to resources and attracting them from external sources, etc. More often, in practice, there is a scarcity of resources so they have to be used in more effective and efficient ways. All these are challenges for the entrepreneur-strategist.

Individual resources are associated mainly with the figure of the Entrepreneur, who plays as a strategist. His/her capability to explore opportunities and find appropriate resources, as it was stated, is of vital importance. But as we mentioned above, in Inputs of the model (Figure 2) he/ she has to find a solution (very often to improvise) on how to overcome asymmetry between opportunity and resources and between organizational and individual resources. At the same time the entrepreneur-strategist has to be prepared to adapt to necessary changes in opportunities and resources, to be agent of strategic change (Todorov, 2011b). But what capability and tools has the entrepreneur as a strategist/ agent of strategic change?

Let's go to the romantic times of first aviators:

The medium-sized companies seem to be controlled in a similar way as the brave men controlled their flying machines. All these brave men needed in their flying machines except a compass, were a scarf, a tie and glasses. In the way the scarf fluttered, they were able to estimate direction and speed of wind. Depending on movement of tie diagonally showing early rain or fog, the position had to be corrected and they needed to land quickly. Because you really could fly only when the weather is nice, but then it was wonderful (following Küpper, Bronner & Daschmann, 1994).

This excellent example describes in a picturesque manner the simplicity and directness of SM in small and medium-sized enterprises. Indeed, it appears that entrepreneurs and managers in these companies, in most cases apply simpler tools and techniques for planning, organization, control and change than those in larger firms. However, many of these companies – especially the medium-sized, often achieve results (sales, profits, image) equal to or more significant than those of large companies. What is the key? "The sensitivity of the fingertips, intuition and experience, simple and clear structures here replace inflated (most often!) departments for planning, control and coordination in LEs." (Küpper, Bronner & Daschmann, 1994).

So, as mentioned, more or less, the entrepreneur appears in the role of strategic improviser and agent of change. The question is how they could be combined and balanced.

Important also is the industry in which the opportunities are sought and the nature of the resources. A parallel can be made with weather, day or night, the aviator and their interactions.

Exploiting opportunities in a new or changing industry is generally easier than making waves in a mature industry. Enormous creativity, experience and contacts are needed to take business away from competitors in a mature industry, where market forces have long shaken out weak technologies, strategies and organizations…

Strategic choices in a new industry are often very limited; entrepreneurs have to adhere to the emerging standards for product features, components or distribution channels (Bhide, 1994, p. 154).

Orchestrating resources to exploit identified opportunities in a best way also requires a high level of knowledge and skills. The Entrepreneurs need to pay constant attention to the competition that is waiting just behind the corner, but not for account of nothing really happen in the firm.

Securing a dynamic balance between opportunity (exploration and exploitation) and competition is a primary task for Entrepreneur-strategist. At the same time entrepreneurs have to look to the situation/ changes in the market and form a correct judgment in this balancing act. In practice, the strategist has to rationalize the (cost of) analysis, because excessive analysis does not bring the same benefits or, if carried on too long, the opportunities identified can change or disappear (Bhide, 1994, p. 154).

If we summarize, in exploration and exploitation of opportunities, the entrepreneur-strategist can take two broad approaches:

1. To follow the classical model of the strategic process and implement the different phases according to his (and the team's!) capabilities and available resources. That means he/she will prepare and implement a semi-formal, sample strategic plan. This plan could be based on personal knowledge, experience and behavioral characteristics also. If he/ she are looking for entrepreneurial opportunities in a relatively stable environment and the firm is not too small, this approach could work to some extent.
2. In the majority of cases, especially in a dynamic, competitive and uncertain environment, the approach could be different. The Entrepreneurs need to act as "effectuators" using the "explorer" strategy. Cook & Yamamoto (2011), following Sarasvathy's findings, give some interesting examples for these two models (para 1 and para 2) of strategy and behavior, such using the example of general Napoleon. He worked with a fluid plan in mind, ready to modify it according to the practical circumstances facing him (pp. 7-8). The idea is to evaluate the terrain (options) deployment of forces (competition) and to make a plan for action based on current realities and exigencies. This means that, once again, the entrepreneur has to improvise to a certain extent.

Bearing in mind similar arguments, and making a parallel with business (entrepreneurial) situations some authors, following the findings of Saras Sarasvathy (2008), present an alternative model of strategy (versus classical one). Instead of starting with objectives, then obtaining resources to achieve these objectives, they proposed the alternative viz. "the strategic objective could be formed by assessing resources available to the entrepreneur" (Cook & Yamamoto 2011, p. 82). They said: "Casual thinkers behave like "rulers" who are confident that their resources can complete their desired objective". In contrast, so-called "'effectuators' have a mindset more analogous to explorers, who are discovering uncharted lands" (p. 79). Very interesting discussion on planned and "expectation" approaches could be found also in Bridge & O'Neill (2013).

Based on such works and the author's own lengthy involvement with entrepreneurs, such a view of an "explorer" strategy being adopted by the entrepreneur-strategist is acceptable, especially in a dynamic, uncertain environment. This again moves towards seeing the entrepreneur in the role of improviser, supporting with the role of strategist.

THE ENTREPRENEUR AS IMPROVISER

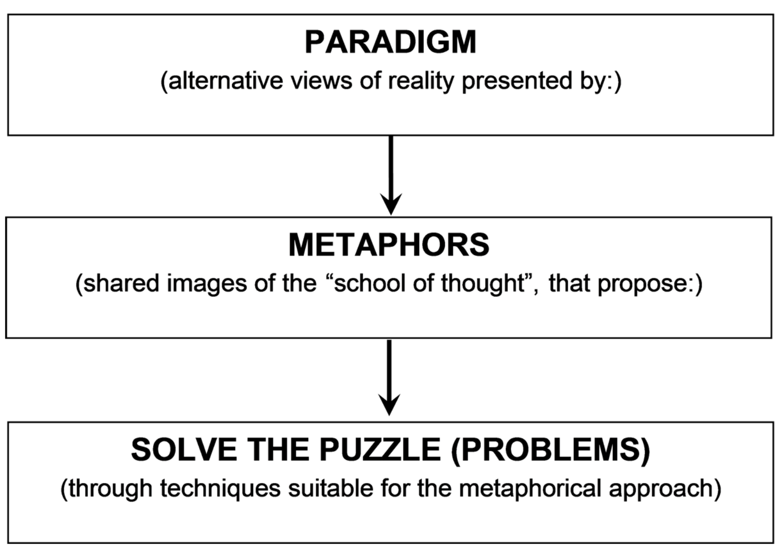
Improvisation in Entrepreneurial Activity

As mentioned in the introduction to this chapter, often the Entrepreneur (alone or with his/ her team) has to deal with heterogenic, random and unpredictable conditions in the external environment in searching for appropriate entrepreneurial opportunities and in their exploitation. That implies the entrepreneur has to improvise in a certain manner.

In the literature, entrepreneurial improvisation mostly relates to myths and metaphors (Morgan, 1996; R. Van Engen, 2008; Leone, 2010; Barrett, 1998). The author's studies (Pivoda, Hoy, Todorov & Voitko, 2011; Todorov, 1993a, 1993b, 1994, 2011b) and many years of practical observations have enabled a broader and richer understanding of entrepreneurial improvisation. This involved the use of additional improvisational forms like: tricks, bluffs and jargon (less analyzed by researchers), and also by utilizing the improvisational approaches and tools in the training and teaching of entrepreneurs and students of entrepreneurship. The examples and summary of results obtained over 20 years as presented at many international events and publications are presented below in this chapter.

The history of research on entrepreneur's improvisation is relatively young. Most of the researchers acknowledge the pioneering contribution of Weick (1993), who observed the jazz band and its improvisation as an example/ prototype for organization learning and innovation, as well as the work of Morgan (Morgan, 1996) who used

Figure 3. The Metaphorical approach (Source: Morgan & Burrell, 1999)



the metaphorical approach to characterize life in organizations.

B. Johanisson (1999), Burrell and Morgan (1999) were among the first researchers to present a systematic view of symbols and metaphors in the life of an organization. In their opinion, there are different "schools of thought" which have their own paradigms and associated approaches and tools for metaphorical representation and expression. (see Figure 3)

The metaphor is a multifaceted literary device that assists in interpreting complexity and assisting clarity and a flexible tool for leaders/ followers in organizations. It adds color to the physical, emotional and spiritual dimensions of existence (Van Engen, 2008). In addition to research metaphors, authors also point to the use of different myths by entrepreneurs, media and even by the wider public. Such mythology can vary from comparisons with ancient heroes to today's "heroes", artists, sportsman and even enemies. Indeed it is necessary to estimate the importance of jargons, tricks and bluffs also as is evidenced in their use by entrepreneurs in their improvisation while also being employed in the teaching/ training process of students and entrepreneurs. In fact the author has found that they help considerably in assisting understanding of complex events and facts in entrepreneurship and the nature of improvisation in entrepreneurial behavior (Todorov, 1993a, 1993b, 2011).

The improvisation process could be illustrated through various key dimensions (Leone, 2010). Typical of some definitions by renowned authors in the field is the following:

Improvisation is a creative process, characterized by spontaneity and extemporaneity … Improvisation is guided by intuition and characterized both by real time and deliberate nature of action. (Leone, 2010, p. 3).

Leone also summarized definitions from different authors in the subfields of entrepreneurship, organization and management, creating an enriched view of improvisation (Leone, p. 5-8).

Some researchers focus on different perspectives and attributes of improvisation in its different forms and expressions (Hmieleski & Corbett, 2006; 2008; Van Engen, 2008).

Bearing in mind the purpose and the content of improvisation tools and tasks employed by the entrepreneur, particular attention will be paid to the Entrepreneur-improviser – presenting, in many cases, the reverse side of the "coin of the entrepreneur" as a strategist.

The Entrepreneur as (Strategic) Improviser

If we apply the improvisation process in a more holistic manner to the person of the Entrepreneur, it could be asserted: the Entrepreneur as improviser is dealing with unfamiliar circumstances, assessing situations in a spontaneous, new way, using available knowledge, experience, intuition and charisma to achieve maximum effect. That means (as most authors emphasize) that improvisation is not a planned activity (Barrett, 1998; Weick, 1993). But in some cases an "experienced improviser" could anticipate (even provoke) situations needing improvisation and be (semi-) prepared in advance. (Todorov, 2011b).

In practice, entrepreneurs use in parallel several forms of improvisation (metaphors, tricks, bluffs, jargon and myths) although one of them can be dominant at any particular time.

Some entrepreneurial improvisations may be illustrated as follows:

The Case with the Auto-Bazaar "Turbo" (Pivoda, Hoy, Todorov & Vojtko, 2011)

In 1994, in the post-communist economy of the Czech Republic, two entrepreneurs rented a large parking space for their intended 120-car auto-bazaar (at that time, they had only 4 cars). Although they visited a few local banks they were unable to obtain any additional financial support to buy more cars. So they had to find a new way to fill in the empty parking spaces which in their opinion was a requirement to make an auto-bazaar more attractive. As the auto-bazaar was located next to a large company, the entrepreneurs decided to offer employees free parking under the condition that, while parked, fictitious price tags would be placed on their cars. Fortunately this offer was accepted and Turbo Auto-bazaar was full from early mornings and in the afternoons most of the cars were gone. If a client demonstrated interest in some of these cars different tricks and bluffs were used to cause distraction (for example, "the car was just sold"). Passers-by probably got the impression that cars were selling there as though they were on a production line. Within half a year, thanks to the strategy of the two entrepreneurs had 20 of their own cars in their auto-bazaar and success followed.

In practice a combination of tricks-bluffs was being employed in this case.

The next case illustrates the use of a metaphor.

The blind men and the elephant – This metaphor is derived from a famous Indian story re-told by many all over the world. It is used when a person is unable to see the whole picture and comes to the wrong conclusion, namely that the part of it that is visible represents the whole picture. It is used in training of entrepreneurs and managers with the TKJ method: individual trainees see a "hose" (proboscis), a "column" (foot), a "palm leaf" (ear), etc. Thus illustrates how individuals (teams) may perceive a situation in their company. Only after bringing together all the perceptions and conclusions of the participants the full picture is being "assembled" and becomes apparent (the elephant) – Todorov (2011b). This encapsulates the Entrepreneur as a strategist (alone or with team). He/ she could have capability (on time) to see the bigger (whole) picture in the market place thus deciding what opportunities to take and which to avoid.

Myth-Metaphor

The Emperor's new clothes – based on the famous story of Hans Christian Andersen for the king, who on external advice dressed in non-existent clothes, believing they were invisible only to stupid or undeserving people (to occupy a position in the firm). In the case of SMEs the "new clothes" could represent a tendency to stick to an idea, action, advice, etc. (provided for example by external consultant), that could be unacceptable or even foolish; but this metaphor could be used in other ways also, for example believing too firmly that competitors behave like the king (entrepreneur).

Sentence metaphor: If you fear bears, do not walk in the forest – in the case of the entrepreneur it can be interpreted in the following way: if you are afraid of a possible failure or of strong competition after launching a business, it is better not to start. It could illustrate a lack of strategic vision and avoidance of risk-taking.

Bluffs

Bluffing is often associated with negotiating from the position of power, especially when the negotiator does not have such a position. A basic requirement for successful bluffing is that the other side does not suspect it and to give the impression that the bluffer has other options. Therefore it is a double edged sword – the bluffer must consider the consequences of bluffing before acting which means one is unlikely to sustain a partnership only based on bluffs. However in many cases bluffing helps entrepreneurs as an additional tool, sometimes even the main tool.

It is natural in using all forms of improvisation to watch for any negative consequences. But a ”soft” negative result might be misunderstanding of the metaphor or slang, while used inappropriately (especially in a strategic aspect) the negative results of tricks and bluffs can be very serious.

Returning to Figures 1 and 2 one can observe the behavior of Entrepreneur as a strategist. Based on the definition of improvisation, in the general case, the Entrepreneur has to improvise in the moment, facing reality. But a very well-prepared entrepreneur could judge the most appropriate opportunity and evaluate the competition in advance.

As a whole the key issues regarding the Entrepreneur as improviser are:

- The initial preparation of the Entrepreneur to meet or react in such an environment/ general culture; specific knowledge and skills; situational (intuitional) evaluation of the whole picture, reading between the lines); see also Pop (1993);
- Strategic learning, which involves focusing on how to play in a complex, ambiguous, dynamic environment, but also to be realistic in the approach to identification/exploitation of the opportunities (see Figure 1);
- Is it possible and to what extent can the entrepreneur be trained, especially as a (strategic) improviser (see next points). Let's remember the sentence of a very successful generalissimos Suvorov, who crossed with his army the Alps successfully during the winter: “The more sweat in the exercise, the less blood in the battle”. He illustrates in an excellent way the appropriate behavior for the Entrepreneur as a strategist/ improviser, generating learning both for himself and his team in the context of the environment (winter Alps and enemy).

NON-TRADITIONAL APPROACHES AND TOOLS IN ENTREPRENEURSHIP EDUCATION/ TRAINING: THE ENTREPRENEUR STRATEGIST AND IMRPOVISER AS OBJECT OF UNDERSTANDING

New realities in terms of the arenas for entrepreneurial activity and the changing characteristics of the audience for entrepreneurship education require new approaches to, forms of and methods applied to research, teaching and learning. Together with equipment, software, interactive learning methods (guided discussions, role plays, case study method, and management games), as already noted, another very effective approach is the use of myths, metaphors, jargon, pictures and other in the entrepreneurship learning process. This applies especially when the student or the student/ entrepreneurs' groups for various reasons are heterogeneous – for example, of different nationalities, at different stages of development in the start-up process or with different background. With the help of non-traditional teaching methods it can be easier to describe and explain to students/ entrepreneurs the nature of both traditional and non-traditional activities and behavior used by improvising entrepreneurs. It can be done in a very interactive and attractive way. These approaches, forms and methods can be particularly effective in a multicultural environment and particularly in countries, characterized by an informal national (business) culture.

Using Metaphors and Images in Entrepreneurship Research and Education

One of the most recent but also most reliable trends in the “arsenal” of researchers and teachers in entrepreneurship – the so-called *metaphorical (symbolic) direction* – has a great potential in defining the nature and behavior of different types of entrepreneurs in the real life. Using symbolism and certain rules, the entrepreneur's personality, motives, roles, and behavior become easier to understand through such "planned" improvisation tools especially by a heterogeneous audience. It is particularly useful for explaining relatively new areas of study in entrepreneurship such as strategizing and improvising.

Symbolic thinking and performance is a unique human characteristic that helps us to understand complex life situations and problems. It is particularly necessary for people who are dealing with science and art, but also business students and young entrepreneurs so that they have a certain minimum capability in abstract and symbolic thinking as an aid to understanding realities and act in them.

Reviewing numbers of authors (primarily Morgan, 1996), Johanisson, 1999) asserted that entrepreneurship research includes two basic approaches: objective and subjective. The *objective* approach is deductive, goes from the general to the specific – from the "world" to the concrete situation. Underlying it are 'hard facts' and the research method common within it is primarily quantitative. The *subjective* approach is inductive, starting with the subjective perception of the researcher and moving towards more general conclusions. In this approach soft, qualitative methods are typically employed.

In this view, B. Johanisson notes that there are paradoxes in searching and understanding the phenomenon of entrepreneurship (entrepreneur). On the one hand, objective methods and indicators such as costs, revenue, and profit are used while on the other hand, a subjective approach tends to be used for identification of the entrepreneur's characteristics (personal and behavioral).

To portray a richer and more colorful illustration of the types of entrepreneurs, he uses metaphorical representations deriving from the subjective approach. According to him, the main types of entrepreneurs and their role (functions) can be represented by entrepreneurial metaphors which answer questions such as: What is being done? Why? How it is done? (see Table 1).

Generally the willingness to, and degree of, learning through metaphors by students/ entrepreneurs depends on their literary and economic preparation, on the breadth of their thought and their national characteristics. For example, for the students from countries with a more formalized culture the use of metaphors should be more limited, and be less ambiguous. For students from countries with a more informal culture (e.g. South European) metaphors consisting of jokes, hints, and ambiguity are more applicable, i.e. "subtler" variables (Todorov, 2011b). Moreover, it is the author's experience over a lengthy period that

Table 1. Entrepreneurial metaphors of B. Johanisson (types of entrepreneurs and their roles)

Metaphor	What?	Why?	How?
John Wayne	Solves local problems	Need for independence	Organizational project
Robber Baron	Uses niches	Need for achievement	Partisan tactics
Anarchist	Opposing business prescriptions	Internal locus of control	Network formation
Coach	Organizes human resources	Needs from status and role modeling	Through education/ training.
Artist	Innovate	Internal locus of assessment	Experiential learning

Source: Johanisson, 1999.

improvisations with metaphors are perceived much better if accompanied with appropriate pictures.

Using (Ancient) Mythology to Explain Important Entrepreneurial Events, Roles and Facts: The Entrepreneur as Strategist and Improviser

The use of ancient (for example Greek, Roman) myths and metaphors in teaching entrepreneurship appears to be very appropriate, as the effective use of these approaches poses a number of requirements:

- To select myths relatively familiar to audience's context – country, students / entrepreneurs;
- To use appropriate forms of expression (painting, drawing or text only) for presentation according to the audience;
- The educator should have the necessary knowledge and experience in the field and strong communication skills (charisma) in order to achieve the desired effect.

Myths are sacred stories containing fundamental truths about the nature of human life and in particular the economic and social activity of the human beings. When trying to understand or explain problems or achievements, a story to encapsulate them is sought. Ancient mythology is a rich source of such stories. Myths are a flight of human imagination - they are often fantastic, full of surreal creatures, circumstances and actions, but connected to the realities of life.

For many years mythology has been used in entrepreneurship education in the University of National and World Economy in Sofia, Bulgaria and some other countries to explain important entrepreneurial characteristics and processes.[1] And it is perceived that students/ entrepreneurs enjoy, understand, and very often, with the appropriately selected myths, learn the basic postulates of entrepreneurship theory and in particular the characteristics and behavior of real entrepreneurs. Two cases are presented to illustrate the theme of the recent chapter.

The Hero Theseus and King Pyrrhus (Entrepreneur-Strategist and Impulsive Entrepreneur)

The business environment over the last 20 years (dynamic, complex and ambiguous), especially in its twists and turns in an international context, offers reminders and similarities of the ancient Greek myth of the labyrinth of King Minos himself. In it, the hero, Theseus, with the help of the king's daughter, Ariadne (love or sympathy?), kills the monster Minotaur (the guardian of the Labyrinth) – see Figure 4. Then he comes out of the labyrinth (to show off his trophy) finding the exit thanks to an untangled ball of thread given to him by Ariadne. The *Labyrinth* reflects today's complex business environment in which bold, but prepared people can make their way successfully. *The Minotaur* is synonymous with fierce competition in the marketplace. The outcome of the meeting with the Minotaur depended on the approach and preparation for entry into the Labyrinth. Killing the Minotaur and making the way back (the exit from the Labyrinth) is equally important! *Theseus* embodies the bold, experienced and *strategically*-oriented entrepreneur. *The ball of Ariadne* symbolizes the existence of a strategy – not just how to enter the market, but how to exit it successfully (or with minor losses) and to go further. Therefore, Ariadne plays the role of external consultant to Theseus in formulating his explorer's strategy. So, we can see a combination of preliminary preparation, strategic orientation, contextual improvisation (the love of Ariadne): as well as search, identification and successful exploitation of entrepreneurial opportunities, using available (own and obtained) resources.

But in mythology, as in business, there are not only positive heroes and a happy ending. There are other participants in the competitive game who

Figure 4. In the labyrinth of the Minotaur (© Kiril Todorov; Painter: Georgi Chalakov; based on the idea of the author)

Table 2. Personal and behavioral characteristics of the entrepreneur – the strategist who learns (Theseus) and the impulsive entrepreneur who does not learn (King Pyrrhus)

Theseus	Pyrrhus
He believes that victory over the Minotaur is just another battle in the war against "the enemy" (competition).	He believes that the victory over the Minotaur is a single decisive battle, by which the war against the enemy will end.
He uses outside help (ball of Ariadne), not only as a strategic tool to win the battle, but also to extract a long-term benefit from the results/ accumulate new experience (as improviser).	He believes that he will solve the problems alone on the spot, relying on his own capabilities and being confident that he is identified by the God to win.
He has a very good professional and psychological preparation (is very well aware of his own power and uses it depending on the situation).	He lacks experience and preparation for 'battles' in a multicultural environment (good for the Greek, but inapplicable for the Roman conditions).
He applies "learning by doing", understands and corrects own mistakes, and learn from the mistakes of other heroes who tried to kill the Minotaur before him.	He does not learn from his mistakes - if he does so, it is done subsequently, with a delay.
He takes significant, but calculated risk (having in mind the existing experience, information, intuition but he has never seen the Minotaur); he evaluates the concrete opportunities but threats also, and improvises.	He takes uncalculated risk (attitude for making impulsive decisions without thinking about the consequences). No appropriate contextual behavior.
He possesses strong motivation, concentration and ability to estimate risk, distribute efforts and coordinate resources and is able to improvise (to be in love with Ariadne and to receive the ball of thread, which she gave to him!)	He possesses healthy motivation, strong enthusiasm, a huge potential to work in tense (unusual) conditions, a huge will to prove himself (to gain prestige), but he is unstable in the longer term (like a cheetah running at high speed in short distances)
Conclusion: There are conditions for winning the "war" and for future (strategic) development. The danger is in getting accustomed to the routine from success and in ignoring to some extent the possibility that the circumstances may turn against him in case of sudden changes in the external environment	Conclusion: He lacks entrepreneurial vision (short-term oriented). Bad distribution and orchestration of resources. It is likely that the Minotaur will "eat him." He may win the battle but will lose the war.

Source: Based on Todorov, 2011b.

seek their way through the Labyrinth and the glorious victory over the Minotaur. So there is, at the same time, also the opposite of Theseus, matching the kind of isolated, impulsive entrepreneur. Such an example is the ancient King Pyrrhus, who in his victorious battle against the Romans lost so many soldiers and elephants that he shouted: "Another victory like this and I will end up with no army!" Students/ entrepreneurs could find in the person of King Pyrrhus a symbol of determination and will to achieve, regardless of "the price of success". Therefore he can be called "impulsive, short-view entrepreneur, uncalculating of the price of success" in advance. In the above case, this type of entrepreneur could beat the Minotaur, but will probably not enjoy his victory for long – eventually losing the war! (indeed he could not find the way out of the Labyrinth). A very important aspect of this case is the way Theseus and Pyrrhus learn from their own mistakes and the mistakes of others in playing in such a competitive environment. Now let's imagine the "whole picture". The Monster (Minotaur) is waiting for Theseus and Pyrrhus somewhere in the Labyrinth. What is the behavior of the two and how does it relate to their personal and behavioral characteristics; how do they learn? See table 2.

Based on their behavior and characteristics we can classify Theseus and Pyrrhus as "the entrepreneur who learns" (strategist) and "entrepreneur who does not learn" (short-term oriented).

The Entrepreneur who Learns

He takes into account the conditions and requirements of the environment and strives to uncover his best features to achieve his goal. He relies on the good knowledge of the enemy on the basis of previous experience of others and his own judgment even on the moment. Before the victory he is thinking about what will happen after it even to the last moment (obtaining the ball from Ariadne). He cannot be a mythological hero who fights with ghosts (unidentified enemy), which change their location and do not engage in a miracle battle like Don Quixote. He is the archetypal strategist, who explores opportunities and realizes his vision in practice. It is important to stress the combination of a strong "strategic" orientation and expert entrepreneurs' (effectuation) approach with the appropriate orchestration of all resources to achieve strategic goal.

The Entrepreneur Who Does Not Learn

He takes situational, impulsive decisions, influenced by prestige and other emotional reasons. It is of greater importance "to have an enemy" rather than "what is the enemy". As to the outcome of the battle, the internal "ego" stands before the rational thought. He may be suitable for action in an unstructured environment but not continuously. He is a man of "spontaneous action", improvising more than the situation requires with no clear view on distribution and coordination (price) of resources. It is useful here to add the case of the "Icarus" type of entrepreneur – see below.

Icarus (Impulsive, Dreaming Entrepreneur)

Exploiting the famous myth of Icarus's flight with wax wings, this case illustrates the unfavorable business environment and its underestimation by the unprepared, impressive entrepreneur (Icarus). More of a dreamer and improviser than a rationalist, he resembles a product with a short life cycle and unclear competitive advantages. In his case he sees the 'desired' as equating with reality. With wings melted by the "sun of competition" the entrepreneur Icarus logically falls into the Charon's boat, carrying the souls of the dead into Hell. In this case Icarus is a "romantic" parallel of Pyrrhus (Todorov, 1993; Todorov, 2011b).

The Golden Fleece (Entrepreneur and Team as Strategists and Improvisers)

A favorite metaphor to illustrate the actions of the charismatic (improvising), but also well-prepared (with a strategic vision) entrepreneur-leader, is the famous myth of Jason and the Argonauts, who went to search for the Golden Fleece in ancient Colchis (today's Georgia) (Todorov, 1994) – figure 5:

In this case, the metaphor is used for illustrating (synonym of) the search for know-how in the field of entrepreneurship and management (Golden Fleece) by Eastern European teachers, consultants, researchers and entrepreneurs in Colchis (European Union), where the Golden Fleece is located (Todorov, 1994). Here the context of transition of these countries to a market economy embraces emotions around the merits of the new economic system. But in contrast to Theseus and Pyrrhus/Icarus, the team work employed in achieving the strategic goal is presented. The letters on the picture (figure 5) stand for:

E: Jason, captain of the ship – the *Entrepreneur* with strategic vision (explorer) making the most important decisions and coordinating resources;

N: *Helmsman* – Operations manager helping entrepreneur in maintaining the right and rhythmic direction for the ship (coordinating business processes);

M: Navigator/*Marketing manager* – checking the depth and shallows (competition) with a rod;

Figure 5. In search of the Golden Fleece (© Kiril Todorov; Painter: Georgi Chalakov; based on the idea of the author)

C: *Consultant* – external advisor observing from the distance the trends and risks in the business environment;

P: Rowers – the *Personnel*, working in line with the oars and other systems of the ship (firm).

This famous, ancient story presents in an excellent way the journey of the Argonauts, led by Jason to achieve the desired (strategic) objective – Golden Fleece:

It highlights:

- The use of existing accumulated experience (stories of eyewitnesses, proposals of philosophers, seaman, etc.);
- Knowledge (to a limited degree) only for cabotage shipping (coastal sailing), combined with guessing (improvisation) – navigation by the water, sun, stars and birds.
- Coordination of the resources and efforts of the team (business processes and motivation of personnel) for achieving synergetic effects from the teamwork.

During the journey Jason, the managers and the rest of the personnel are a constantly learning community, taking into account the changes in environment (weather, water, unexpected barriers, etc.) – an explorer's strategic approach. Most important is how the entrepreneur is learning by doing, correcting in real time what is necessary (strategic learning – see Figure 1). At the same time he has to improvise to a certain extent, taking higher risk.

The stories analyzed present in an metaphoric way how entrepreneurs (alone or with team) (un) act as a strategist and improviser in the context of strategic entrepreneurship concept.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Today's international, dynamic, multicultural business environment raises increasing challenges for SMEs and their entrepreneurs/ managers. Occupying competitive positions in such a business environment, with ever-increasing change and uncertainty, requires searching for strategic tools which are appropriate to the specific characteristics of SMEs and the Entrepreneur in his/ her leadership role. It is suggested that one of the most important answers to these challenges is the generation of the new concept of "Strategic Entrepreneurship" which combines two separate areas: entrepreneurship and strategic management. Although still underdeveloped, it is contended that it is a good basis for understanding how to build sustainable competitive advantages in such a complex environment.

The leading role of the entrepreneur as a strategist, particularly in SMEs, is not in doubt. The problem is how to implement it in practice - alone or with a team. One option is to take the classical (casual) approach to SM, drawing on the theory and practice of large companies, but this is less applicable to the specific conditions of SMEs. They do not have opportunities that large enterprises have for planning of the strategic process, nor do they have the resources to implement it (time, finances, personnel and attraction of external specialists). Therefore, in such cases, it is argued that the so-called "explorer" (effectuation) approach is more suitable for the entrepreneur-strategist. Its main feature is a change in the way of thinking and the basis for action to respond to dynamic environmental conditions and the real time response to them. The search for and exploitation of entrepreneurial opportunities as a component of SE require specific knowledge and skills. They are not "frozen" and should therefore be changed according the dynamic circumstances. A very important aspect in SE is the strategic learning – that is learning from one's own and others' mistakes. Decisions and consequent actions by the entrepreneur-strategist are often based on insufficient information, with little or no external help. He/ she needs to bridge the gap in information by improvising, based on available knowledge, skills, communication/ negotiation skills, experience, and charisma. This is a very "thin" moment in entrepreneurial strategic behavior because of the stretch of the time horizon, the difficulty of assessing facts and events, but also because of the danger of "wrong improvisation" and the relevant losses. Nevertheless, improvisation is a powerful success factor together with appropriately used myths, metaphors, tricks, bluffs, jargon. These tools provide color and dynamism, creativity and reduce uncertainty helping the entrepreneur to get closer to the success sought.

Understanding the phenomenon of "entrepreneurship", the figure of the entrepreneur and his/ her behavior also requires unconventional approaches (improvisation) in the teaching/ training of students in entrepreneurship as well as nascent and established entrepreneurs. In this context, myths, metaphors and other tools serve well if properly selected and applied. Specific, improvised studies may demonstrate almost everything: the entrepreneur as a strategist, as (strategic) improviser (even balancing on a wire) or as an impulsive, romantic (but poorly prepared) entrepreneur. Using known myths and metaphors for events and persons is an excellent tool for drawing comparisons and understanding the entrepreneur in his/her roles as strategist, leader, manager and even improviser in reality – not least when dealing with multicultural audiences.

It is hoped that the research issues posed in the introduction to this chapter have been answered with some added value around certain themes.

Although in recent years there has been an increase in the research in SE and other concepts, including the roles of entrepreneur as a strategist, leader, improviser and their interactions in different contexts, much remains to be done in this field, such as:

- Testing the concept (SE) in practice in different conditions in diverse international, economic, social and cultural contexts;
- Searching for a dynamic balance between behavior based on information and facts and those based on improvisations well as formulating practical recommendations to guide practice;
- Finding out how the entrepreneur-strategist and improviser can better learn from his/her mistakes (strategic learning) and making recommendations in this direction;
- Can the entrepreneur learn (be trained) to apply the explorer's strategy (which include contextual approach and response, strategic change, skills for resource negotiation and improvisation), to be seen as a "complex entrepreneurial player".

REFERENCES

Barrett, F. J. (1998). Creativity and improvisation in jazz and organizations: Implications for organizational learning. *Organization Science*, *9*(5), 605–622. doi:10.1287/orsc.9.5.605

Bhide, A. V. (1994). How entrepreneurs craft strategies that work. *Harvard Business Review*, *72*(2), 150–161.

Bridge, S., & O'Neil, K. (2013). *Understanding enterprise, entrepreneurship and small business* (4th ed.). Basingstoke, UK: Palgrave MacMillan.

Cassia, L., & Meoli, M. (2009). The entrepreneurial process along the corporate life cycle. [Small Business]. *Piccola Impresa*, *2*, 51–74.

Casson, M. (2000). An entrepreneurial theory of the firm. In N. J. Foss & Mahnke (Eds.), Competence, governance, and entrepreneurship: Advances in economic strategy research (pp. 116-145). Oxford, UK: Oxford University Press.

Companys, Y. E. & McMullen, J. S. (2007). Strategic entrepreneurs at work: The nature, discovery, and exploitation of entrepreneurial opportunities. *Small Business Economics, 28*(4), 301-322. Doi: http://dx.doi.org/10.1007/S11187-006-9034-X

Cook, P., & Yamamoto, R. (2011). Inside the mind of the expert entrepreneur: The explorer's view of strategy. *Journal of Management and Strategy*, *2*(3), 77–85. doi:10.5430/jms.v2n3p77

Crossan, M. M., & Hurst, D. K. (2006). Strategic renewal as improvisation: Reconciling the tension between exploration and exploitation. *Advances in Strategic Management*, *23*, 273–298. doi:10.1016/S0742-3322(06)23009-2

Cummings, S. (1994). The first strategists. In B. De Witt, & R. Mayer (Eds.), *Strategy. Process, content, context. An international perspective*. New York: West Publishing Company.

Driessen, M., Lean, R., & Zwart, P. (2010). *Entrepreneur scan identifies potential fast-growers*. Paper presented at the IntEnt 2010 Conference. Arnhem – Nijmegen. The Netherlands.

Drucker, P. (1985). *Innovation and entrepreneurship*. New York: Harper & Row.

Hayek, F. A. (1945). The use of knowledge in society. *The American Economic Review*, *35*(4), 519–530.

Hayek, F. A. (1978). Competition as a discovery procedure. In F. A. Hayek (Ed.), *New studies in philosophy, politics, economics and the history of ideas* (pp. 179–191). Chicago: University of Chicago Press. doi:10.7208/chicago/9780226321288.001.0001

Hinterhuber, H. H., & Popp, W. (1992). *Are you strategist or just a manager? Harvard Business Review*. January-February.

Hitt, M. A., Ireland, D. R., Sirmon, D. G., & Trahms, C. A. (2011). Strategic entrepreneurship: Creating value for individuals, organizations, and society. *The Academy of Management Perspectives*, *25*(2), 57–75. doi:10.5465/AMP.2011.61020802

Hitt, M. A., Ireland, R. D., Camp, S. M., & Sexton, D. L. (2002). Strategic entrepreneurship: Integrating entrepreneurship and strategic management perspective. In M. A. Hitt, R. D. Ireland, S. M. Camp, & D. L. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset*. Oxford, UK: Blackwell Publishers. doi:10.1111/b.9780631234104.2002.00013.x

Hmieleski, K. M. (2009). Entrepreneur improvisational behavior and new venture performance: A social cognitive perspective. *Frontiers of Entrepreneurship Research, 29*(5).

Hmieleski, K. M., & Corbett, A. C. (2006). Proclivity for improvisation as a predictor of entrepreneurial intentions. *Journal of Small Business Management*, *44*(1), 45–63. doi:10.1111/j.1540-627X.2006.00153.x

Johanisson, B. (1999). *The future of entrepreneurship research.* Paper presented at RENT XII Conference, London, UK.

Ketchen, D. J. Jr, Ireland, R. D., & Snow, C. C. (2007). Strategic entrepreneurship, collaborative innovation, and wealth creation. *Strategic Entrepreneurship Journal*, *1*, 371–385. doi:10.1002/sej.20

Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature*, *35*(1), 60–85.

Kraus, S., & Kauranen, I. (2009). Strategic management and entrepreneurship: Friends or foes? *International Business Science and Applied Management*, *4*(1), 37–50.

Küpper, H., Bronner, T., & Daschmann, K. (1994). *Strategisches Analyse und Planungssystem (SAPS)* [Strategic analysis and planning system (SAPS)]. München, Germany: TU München.

Leone, L. (2010). *A critical review of improvisation in organizations: Open issues and future research directions.* Paper presented at the Summer Conference 2010 on Opening up Innovation: Strategy, Organization and Technology at Imperial College London Business School. Retrieved July 2013 from http://www2.druid.dk/conferences/viewabstract.php?id=501578&cf=43

McMullen, J. S., & Shepherd, D. A. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, *31*(1), 132–152. doi:10.5465/AMR.2006.19379628

Miller, D. (1994). The Icarus paradox. In B. De Witt, & R. Mayer (Eds.), *Strategy. Process, content, context. An international perspective* (pp. 454–467). New York: West Publishing Company.

Miner, J. (1997). *The four routes to entrepreneurial success*. San Francisco, CA: Brett Kochler Publishers.

Mintzberg. (1994). The fall and rise of strategic planning. *Harvard Business Review,* January-February, 107-114.

Morgan, G. (1996). *Images in organizations* (2nd ed.). Thousand Oaks, CA: Sage Publications.

Morgan, G., & Burrell, G. (1999). *Sociological paradigms and organizational analysis*. Paper presented at RENT XII Conference, London, UK.

Napuk, K. (1996). *The strategy led business: Strategic planning for small and medium-sized companies*. London: McGraw-Hill Book Company.

Ohmae, K. (1994). *The mind of strategist: The art of Japanese business*. New York: McGrow Hill.

Pivoda, M., Hoy, F., Todorov, K., & Vojtko, V. (2011). Entrepreneurial tricks and ethics surveyed in different countries. *International Journal of E-Entrepreneurship and Innovation*, *2*(3), 64–66. doi:10.4018/jeei.2011070105

Popp, W. (1993). Fostering of strategic leadership competence – Framework of an integrated approach. In H. Klandt, J. Mugler, & Müller-Böling, (Eds.), Internationalizing entrepreneurship education and training (pp. 64-65). Köln-Dortmund, Germany: Förderkreis Gründungs-Forschung.

Quinn, J., Minzberg, H., & James, R. M. (1988). *The strategy process (Concept, context and cases)* (International Eds.). Upper Saddle River, NJ: Prentice Hall.

Rogoff, E. G., & Lee, M. (1996). Does firm origin matter? An empirical examination of types of small business owners and entrepreneurs. Academy of Entrepreneurship Journal, 1(2).

Sarasvathy, S. D. (2008). *Effectuation: Elements of entrepreneurial expertise*. Cheltenham, UK & Northampton, MA: Edward Elgar. doi:10.4337/9781848440197

Schumpeter. (1934). *The theory of economic development*. Cambridge, MA: Harvard University Press.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, *25*(1), 217–226.

Thompson, J. L. (1999). A strategic perspective of entrepreneurship. *International Journal Of Entrepreneurial Behavior & Research*, *5*(6), 279–296. doi:10.1108/13552559910306105

Todorov, K. (1993a). Ikarus' Flug oder Charons Boot. Die Entscheidung des bulgarischen Unternehmers [Icarus' flight or Charon's boat. The decision of the Bulgarian entrepreneur]. *Internationales Gewerbearchiv*, *3*(41), 189–201.

Todorov, K. (1993b). *The effect of pearl: Or establishment of west-east entrepreneurial networks*. Paper presented at the Conference on The Development and the Strategies of SMEs in 1990s, Mikkeli, Finland.

Todorov, K. (1994). In search of golden fleece: Or something more about transforming entrepreneurial know-how in the period of transition. In *Recent research on entrepreneurship*. Hampshire, UK: Avebury Ashgate Publishing Ltd.

Todorov, K. (2011a). *Biznes predpriemachestvo. Chast I. Osnovi. Startirane na nov biznes* [Business entrepreneurship. Part I. Foundations. Starting up a new business]. Sofia, Bulgaria: BAMDE.

Todorov, K. (2011b). *Biznes predpriemachestvo. Chast II. Upravlenie. Rastezh. Biznes praktiki* [Business entrepreneurship. Part II. Management. Growth. Business practices]. Sofia, Bulgaria: BAMDE.

Van Engen, R. B. (2008). Metaphor: A multifaceted literary device used by Morgan and Weick to describe organizations. *Emerging Leadership Journeys*, *1*(1), 39–51.

Van Rensburg, D. J. (2013). Is strategic entrepreneurship a pleonasm? *Journal of Management and Strategy*, *4*(1), 17–27. doi:10.5430/jms.v4n1p15

Weick, K. (1993). Organizational redesign as improvisation. In G. Huber, & W. Glick (Eds.), *Mastering organizational change* (pp. 346–379). New York: Oxford Press.

Weick, K. (2005). Organizing and failures of imagination. *International Public Management Journal*, *8*(3), 425–438. doi:10.1080/10967490500439883

Wilhelm, P. (2001). *The relationship of Holland's vocational typology and personality theory, gender and Miner's four types of entrepreneurs: Implications for education.* Retrieved July 21 2013 from http://www.sbaer.uca.edu/research/asbe/2001/17.pdf

KEY TERMS AND DEFINITIONS

Bluff: Often associated with negotiating from the position of power, especially when the negotiator (bluffer) does not have such position. A basic requirement for successful bluff is that the other side does not know it is happening and to give the impression that the negotiator has other options.

Entrepreneur-Improviser: A person who takes actions in dynamic, ambiguous situations without sufficient formal information and resources by improvising and taking certain risks according to the needs of the situation in a spontaneous, new way, using available knowledge, experience, intuition and charisma to achieve maximum effect.

Entrepreneur-Leader: A person with a vision, communication and negotiation skills, charisma, taking risk and responsibility even for the mistakes of others. The real Entrepreneur – visionary leader can encourage the team to follow him/her even in confusing and unpredictable circumstances.

Entrepreneur-Strategist: A person with strategic vision, using formal, available, often scarce resources, but to a significant degree acts on his/ her personal and behavioral characteristics in the form of knowledge, skills, experience, intuition, charisma, refracted through his/ her own value system to achieve strategic goals.

Exploitation: Taking advantage (commercialization) of entrepreneurial opportunities of a strategic nature and consequences. It can be associated with the (strategic) management approaches and tools.

Exploration: Discovery of entrepreneurial opportunities with strategic nature and consequences. It can be associated with the entrepreneurial activities (behavior).

Jargon: Phrases/ metaphors whose archetypes are taken mostly from the stories of famous writers, popular in various parts of the world, from folklore or business practice.

Metaphor: A multifaceted literary device that assists in interpreting complexity and expressing clarity, a variable tool for leaders/ followers in organizations. It adds color to physical, emotional and spiritual dimensions of existence (Van Engen 2008).

Myths: Sacred stories containing fundamental truths about the nature of human life and in particular the economic and social activity of the human beings.

Strategic Entrepreneurship: A new concept combining two separate areas: entrepreneurship (exploring opportunity) and strategic management (exploiting opportunity) in order to achieve strategic effect.

Trick: A creative technique used by entrepreneurs, which also can represent a form of fraud and might be doubtful from an ethical point of view.

ENDNOTES

1. A number of myths, metaphors and images are included in papers presented by the author at various professional international forums.

Chapter 7
The Entrepreneurial Manager:
Challenges in Forming Key Competencies

Kostadin Kolarov
University of National and World Economy, Sofia, Bulgaria

ABSTRACT

The concept of the entrepreneurial manager is not new, although there are different views about the context, profile, and competencies. In general, there are two distinctive views – the first considers the entrepreneurial manager as an entrepreneur who manages his own business, and the second as a manager who plays the role of internal entrepreneur in large established enterprises. The present chapter focuses on the common ideas coming from the both views and critically reviews both conceptually and empirically outlined key entrepreneurial and managerial competencies in different environments and organizational contexts. The purpose of this chapter is to review the understandings of the distinctive core competencies of the entrepreneurial manager and to outline the challenges to their development as a basis for future research and development projects.

INTRODUCTION

The success of an enterprise today, especially the strategic success, is difficult to plan and achieve due the rapid changes in the business environment. The businesses being successful a decade ago now are too far away from their former positions, and most of today's successful enterprises then were far out of sight, if they existed at all. Very often, the rise and the fall of an enterprise are directly related to its management, but more often with the particular person, leading the company. One of the concepts, contributing to understanding the role of management in the strategic success of an enterprise is that about entrepreneurial management. The expression 'entrepreneurial management' was defined originally by Stevenson (1983) as 'a set of opportunity-based management practices, can help firms remain vital and contribute to firm and societal level value creation'.

The need for entrepreneurial management is mostly driven by the wish to provide long-term competitive advantages as a basis for survival in a dynamic business environment and implementing growth through recognition, creation and use of entrepreneurial opportunities. Such a wish can be characterized as strategic because of its crucial and long-term role. In this sense, some authors

DOI: 10.4018/978-1-4666-5962-9.ch007

seek relationship between strategic reactiveness and entrepreneurial orientation (as defined by Covin & Slevin, 1991). The term 'entrepreneurial orientation' is strongly related to the concept of entrepreneurial management although some authors argue to differentiate them (Kuhn, Sassmannshausen, & Zollin, 2010). One such study is that of Green, Covin, and Slevin (2008) who explored the relationship between strategic reactiveness and entrepreneurial orientation as well as the moderating effect of structure–style fit on this relationship. Their study of 110 manufacturing firms indicated that strategic reactiveness is not significantly related to entrepreneurial orientation, however, the studied firms that exhibit theoretically-congruent alignments between their organization structures and top management decision-making styles tend to have positive strategic reactiveness–entrepreneurial orientation relationships. However, this highlights the assumption that the mode of management cannot be ignored in achieving strategic goals. In this study, the entrepreneurial orientation is associated with Miller (1983) in his description of the entrepreneurial firm – as "one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with "proactive" innovations, beating competitors to the punch," but which was later developed as a definition by Lumpkin and Dess (1996), in which the key features are five: (1) autonomy, (2) innovativeness, (3) risk taking, (4) proactiveness, (5) competitive aggressiveness. Another study of 165 entrepreneurs done by Li, Huang and Tsai (2009) indicates that entrepreneurial orientation is positively related to firm performance, and knowledge creation process plays a mediating role in this relationship.

Second, it can be pointed out that entrepreneurial management is required to ensure a quick and adequate reaction to business environment changes. One interesting aspect supporting the idea of entrepreneurial management is the leadership style that is embodied in an entrepreneurial manager. The findings of the study conducted by Ensley, Pearce, and Hmieleski (2006) suggest that leaders of new ventures need to adapt to the environmental conditions surrounding their firms. Their study shows that both transactional and transformational leaderships were found to be important predictors of new venture performance, their effects are somewhat complex: transactional leadership appears more efficacious in stable environments, whereas transformational leadership appears more efficacious in dynamic environments. Looking at the definition of the so-called transformational leadership by Bass (1985) also reveals some characteristics that can be attributed to transactional leadership, like the correlation between the traditional to entrepreneurial management.

Last but not least, entrepreneurial management is expected to contribute to a more intensive and more effective innovation as a key factor in achieving competitive advantage. But this expectation could not be considered in isolation from the characteristics of the manager materializing the innovation.

The purpose of this chapter is to review the understandings of the distinctive key competencies of entrepreneurial manager and to outline the challenges to their development as a basis for future research and development projects.

This is a review paper which is based on the analysis of the current existing conceptual and empirical research papers and synthesis based on the author's experience. The chapter represents state of the art review of the literature on entrepreneurial management.

THE ENTREPRENEURIAL MANAGEMENT

The delimitation of the entrepreneurial from the traditional management is a necessary starting point for outlining the qualities that distinguish the entrepreneurial manager from the traditional one. The outlining of these qualities is also a contribution of the concept of internal (also called corporate) entrepreneurship presented by Gifford and Elizabeth Pinchot in 1978, which historically preceded the introduction of the concept of entrepreneurial management. Their main idea is that entrepreneurship is not necessary to be associated only with the creation of a new enterprise, but it is possible business ideas to be realized within large, established enterprises. The development of their idea leads to the definition of the term internal entrepreneur (intrapreneur), who in his behavior does not differ from the entrepreneur, creating his own business. Rather, the difference comes from the organizational context in which he realized his entrepreneurial ideas.

One of the first uses of the term entrepreneurial management is done by Stevenson in 1983, claiming that the practice of the entrepreneurial management helps to preserve the viability of the enterprise and contributes to the creation of value for the company and society as a whole. In a later publication with Jarillo (1990) he argues that the entrepreneurial management can be distinguished from the traditional management. This distinction they base on these three basic characteristics associated with entrepreneurship: growth, innovation, and flexibility. Analyzing the existing at that time trends in the research of entrepreneurship, they offer a new definition of entrepreneurship, referring to the large, established corporations as they formulate six logical statements related to the corporate entrepreneurship, and expressing their idea about entrepreneurial management:

- "Proposition 1: An entrepreneurial organization is that which pursues opportunity, regardless of resources currently controlled."
- "Proposition 2: The level of entrepreneurship within the firm (i.e. the pursuit of opportunities) is critically dependent on the attitude of individuals within the firm, below the ranks of top management."
- "Proposition 3: The entrepreneurial behavior exhibited by a firm will be positively correlated with its efforts to put individuals in a position to detect opportunities; to train them to be able to do so and to reward them for doing so."
- "Proposition 4: Firms which make a conscious effort to lessen negative consequences of failure when opportunity is pursued will exhibit a higher degree of entrepreneurial behavior."
- "Proposition 5: Not only the success rate, but the very amount of entrepreneurial behavior will be a function of the employees' (subjective) ability to exploit opportunities."
- "Proposition 6: Organizations which facilitate the emergence of informal internal and external networks, and allow the gradual allocation and sharing of resources, will exhibit a higher degree of entrepreneurial behavior."

These statements laid the ground for further research of corporate entrepreneurship as well as for upgrading them with new ideas and views to be implicated in the practice of management. What is noticeable is that these statements consider organizations as a subject of management while the figure of manager (or the entrepreneurial manager) is considered more as a part of the organization and not as a separate subject of management.

The six dimensions of the entrepreneurial management, which Stevenson used and later amended with other two to distinguish the entrepreneurial management from the traditional (considered in this case as an administrative) are summarized the Table 1.

The proposed conceptual dimensions, as shown in the table, relate primarily to the characteristics of internal organizational environment and reflect the thinking and actions of the top management, and are a starting point in the search for mechanisms of change from an administrative to

Table 1. Dimensions of entrepreneurial management

Entrepreneurial Focus (Promoter)	Conceptual Dimension	Administrative Focus (Trustee)
Driven by perception of opportunity	Strategic Orientation	Driven by controlled resources
Revolutionary with short duration	Commitment to opportunity	Evolutionary with long duration
Many stages with minimal exposure at each stage	Commitment of resources	A single stage with complete commitment out of decision
Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources
Flat, with multiple informal networks	Management Structure	Hierarchy
Based on Value creation	Reward Philosophy	Based on responsibility and seniority
Rapid growth is top priority; risk accepted to achieve growth	Growth Orientation	Safe, slow, steady
Promoting broad search for opportunities	Entrepreneurial Culture	Opportunity search restricted by resources controlled; failure punished

Source: Brown et al. (2001), see Stevenson (1983).

entrepreneurial focus in the management. What remains to be clarified further is the role of managers (especially top) as agents of this change, as well as issues related to the possibility of such a change within an enterprise.

In the modern context, characterized by significant dynamics in the competitive environment the concept of so-called strategic entrepreneurship, an integration of the approaches of the entrepreneurial management (associated with seeking and recognizing opportunities leading to a competitive advantage) and the strategic management (associated with the search for competitive advantage based on the already recognized opportunities) is offered (Hitt, Ireland, Camp, & Sexton, 2002).

Entrepreneurial management is defined by Eliasson and Davidsson (2003) as an outward opportunity-seeking approach to management rather than a more inward-looking approach towards resources and competences currently controlled. The same team in their study analyzes the concept of the entrepreneurial management and based on that define and prove the hypothesis that the entrepreneurial management has a positive impact on corporate venturing activities (H1), sales growth (H2a), and financial profitability (H2b).

Entrepreneurial management also implies the implementation of entrepreneurial actions, defined as "…fundamental behavior of firms by which they move into new markets, seize new customers, and/or combine (existing) resources in new ways" (Smith & Di Gregorio, 2002).

Hisrich, Peters, and Shepherd (2005) describe the difference between the entrepreneurial and the managerial styles by viewing from five key business dimensions – strategic orientation, commitment to opportunity, commitment of resources, control of resources, and management structure. Thus they underline the advantages of the entrepreneurial style over the managerial.

De Jong and Wennekers (2008) summarized that "major activities related to intrapreneurship include opportunity perception, idea generation, designing a new product or another recombination of resources, internal coalition building, persuading the management, resource acquisition, planning and organizing" as well as that "key behavioral aspects of intrapreneurship are personal initiative, active information search, out of the box thinking, voicing, championing, taking charge, finding a way, and some degree of risk taking."

Today, one of the issues of the practical implication of entrepreneurial management concept is how to develop competent persons who would be able to materialize the concept of entrepreneurial management both in newly established growing and large enterprises. To address this issue it is needed to look at the figure of entrepreneurial manager – both in contextual and individual aspects.

THE ENTREPRENEURIAL MANAGER: BETWEEN ENTREPRENEUR AND MANAGER, OR SOMETHING MORE

The entrepreneurial management, although inherently reflecting a comprehensive approach in the management of an enterprise, finds its specifics and most important impersonation in the face of entrepreneurial manager. The questions that will be sought answers at this point are: who might be referred as entrepreneurial manager and how he could be distinguished from an entrepreneur on the one hand and from a traditional manager on the other? The search for answers to the first question requires focus on the organizational context, while the second question requires more attention to the characteristics of the individual and his behavior.

Organizational context can be described in several aspects. The first, and probably, most significant, is the size of the enterprise, and the resulting from this size characteristics of the management. To some extent this aspect is related to the phase of the life cycle of an enterprise, which can be viewed as well as a separate, second, aspect (Churchill, 1983). The third aspect can be connected with the characteristics of the environment in which the enterprise operates, and the fourth aspect can be connected with internal company environment – strategy, structure, and organizational culture.

With respect to the first aspect the understanding that in micro and small enterprises it is more difficult to distinguish the characteristics of the management by personal characteristics of the entrepreneur has been affirmed, which makes the division of the roles of entrepreneur and manager quite conditional. Therefore, it would be difficult to justify the need to highlight the role of entrepreneurial manager. Generally, at small enterprises the entrepreneur is forced to act as a manager, no matter how good or bad he is. The role of entrepreneurial manager stands only with the introduction of professional management – something that can be enjoyed only by a small majority of small businesses, and even not all medium-sized enterprises. Large enterprises can be perceived as a professionally managed, although the existence of conditions for expression of entrepreneurial managers for them is conditional on other aspects of the organizational context.

According to the stage of the life cycle two significant periods can be identified, when the emergence and expression of the entrepreneurial manager is desirable and possible – this is the period of growth (associated with the transition from entrepreneur to manager (Timmons, 1994) and the period between the stage of maturity and the stage of decline (transition from manager to (corporate) entrepreneur, Kanter (1989). In the first case – in order to achieve the full potential of the newly established company, and the second – to avoid decline by realizing new entrepreneurial events.

The characteristics of the external environment are also important, largely determining the objectives, strategies, structure and culture of an enterprise. Here the main determinants are the complexity and stability of the environment (Duncan, 1972). The entrepreneurial manager, as can be assumed, corresponds mostly in the cases of high instability of the environment combined with high complexity. In such a combination of environmental factors, entrepreneurial orientation and behavior of an enterprise become a critical factor for its survival and development.

As regards to the internal environment, expressed primarily through enterprise's strategy, structure and organizational culture, among the earlier studies may be highlighted that by Covin and Slevin (1988), which findings suggest that an entrepreneurial top management style has a positive effect on the performance of organically-structured firms and a negative effect on the performance of mechanistically-structured firms.

Another interesting study that emphasizes the relationship between corporate entrepreneurship intensity and five specific strategic management practices is done by Barringer and Bluedorn (1999) who examined this relationship in a sample of 169 U.S. manufacturing firms. The five strategic management practices include: scanning intensity, planning flexibility, planning horizon, locus of planning, and control attributes. The results of the study indicated a positive relationship between corporate entrepreneurship intensity and scanning intensity, planning flexibility, locus of planning, and strategic controls.

One of the latest conceptual papers is that of Simon (2013) that focuses on the relationship between business strategy, organization structure, and diagnostic control systems. His project analyzes data from 75 field studies to illustrate how managers adjust span of accountability and span of control to motivate different levels of innovation and entrepreneurial behavior.

The research of the organizational culture occupies an important place in the research of the relationship between organizational context and entrepreneurial management (Peters & Austin, 1985; Hampden-Turner, 1990; Denison & Mishra, 1995). Special attention is paid to the so-called entrepreneurial culture, or the type of organizational culture, implying the establishment of entrepreneurial management (Gibb, 1987; Hisrich & Peters, 1989; Timmons, 1994).

Kuratko, Hornsby, and Bishop (2005) conduct an integrated review and analysis of numerous literature sources and bring out five main categories of internal organizational prerequisites for entrepreneurial actions: 1. rewards/reinforcement; 2. top management support; 3. resources/time availability; 4. organizational culture; 5. work discretion (autonomy). These prerequisites may be applied primarily to the cases of large enterprises and relate more to the so-called corporate entrepreneurship but nevertheless they add clarity about the conditions under which the entrepreneurial manager can act when he is a different figure from the entrepreneur.

In summary, the idea can be exposed that the entrepreneurial manager is most relevant in the following organizational context – growing firms or enterprises that are declining, operating in uncertain business environment, and this is the person who, in management positions, resolves most entrepreneurial tasks – the recognition, or creation, of entrepreneurial opportunities and their realization.

Although the position of the entrepreneurial manager in the enterprise is crucial due to the associated responsibilities and powers, the qualities of an entrepreneurial manager registered as both consequences of his behavior and, respectively, as expectations to the results achieved by him, are no less important. It should be noted a comprehensive study of Chakravarthy and Lorange (2008), in which they reach the following conclusions concerning the so-called thereof entrepreneurs-managers:

- *outward-focused, cognizant of changes in their business environment and the new opportunities that these may bring.*
- *willing to experiment with new business models and to explore new capabilities. But also – operating managers interested in scaling up an entrepreneurial idea and in delivering results.*
- *having a few special personality traits that allow entrepreneur-managers to take risks, persist despite failures and learn from their mistakes.*

However, more than special traits, it is experience that grooms entrepreneur-managers in a firm. Entrepreneur-managers are typically not new *comers to the organization. Their long tenure helps with networking inside the firm. They also have an established track record of performing well. That buys them the freedom to operate outside the usual confines of the organization and enjoy the trust that is needed to take risks on behalf of the firm. (Chakravarthy & Lorange, 2008).*

These findings are expected and also provide new foundations for the classification of the key qualities and especially the relation between these qualities and the past experience of entrepreneurs-managers.

The difference between entrepreneurs and managers (in their traditional perception) is now rarely questioned. But when we talk about entrepreneurs and managers within an enterprise (i.e., rather entrepreneurial managers and traditional managers) an open question remains: what exactly express their differences? Certain light in answering this question lies in the study of Busenitz and Barney (1997) who explored differences between entrepreneurs and managers in large organizations asserting that entrepreneurs are more susceptible to the use decision-making biases and heuristics than are managers. Their research indicates that entrepreneurs do behave differently than do managers in large organizations and that these differences are substantial.

In one of his study on the strategic perspective of entrepreneurship John L. Thompson (1999) put forward for debate the view for the success of an enterprise as a function of strategic positioning through a combination of elements "external environment," "organizational values" and "resources." In this context, he offers to us a summarizing model of managerial roles in the context of organizational risks and crises, and in particular the response of managers to them. Whence he displays entrepreneurial manager as person occupying an intermediate position between entrepreneur and manager.

But as far as entrepreneurial managers are subject to long-standing research in the light of internal entrepreneurship, applicable mainly within large enterprises, much less attention is paid to managers in SMEs. Among the most recent studies on the relationship between the characteristics of entrepreneurs in SMEs is worth noting that of Mayer-Haug et al. (2013). They did a meta-analytic investigation of 50,045 firms (K of 183 studies) and 1002 observations of small and medium-sized firms. Analysis of these data yields an unexpectedly weak connection between education and performance. Furthermore, growth, scale (number of employees) and sales outcomes are significantly related to planning skills, while profit and other financial and qualitative measures are strongly connected with the network surrounding the firm founders. The projection, which can be made from these findings, confirms an assumption that formal training is not able to create a quality comparable to those developed by the personal experience of the entrepreneur.

More specific links between different types of skills are covered in the study of Sambasivan, Abdul, and Yusop (2009) which is covering 1275 SMEs. The results indicated that (1) opportunity recognition skills had a ''pure'' mediating effect between qualities-skills and venture performance, (2) personal qualities affect venture performance through entrepreneurial alertness, and (3) management skills affect venture performance through alertness and prior knowledge.

There were also attempts to seek genetic roots in the ability to find opportunities in the choice of a career of entrepreneur. Thus, for example, Nicolaou, Shane, Cherkas, and Spector (2009) found substantial heritability for opportunity recognition (0.45), with no influence of the shared environment. Moreover, they found that 53% of the phenotypic correlation between opportunity recognition and the tendency to be an entrepreneur had a common genetic aetiology. Such finding challenges the old discussion about the answer of the questions 'are entrepreneurs born or taught?'.

In an attempt to answer the question why entrepreneurs are more susceptible to certain cognitive biases than are managers who are not entrepreneurs, Forbes's (2005) study found that individual age, firm decision comprehensiveness and external equity funding affect the degree to which entrepreneurs are overconfident. In addition, founder-managers are shown to be more overconfident than are new venture managers who did not found their firms. The results suggest that entrepreneurs' cognitive biases are a function of both individual and contextual factors.

The three most popular explanations of why entrepreneurs and non-entrepreneurs differ in this ability are personality differences, cognitive differences, and social network differences (Dyer, Gregersen, & Christensen, 2009).

Hortoványi (2012) in her dissertation dedicated to the entrepreneurial management concludes that the difference between entrepreneurial and administrative managers can be traced back to the difference in their role expectations of enabling their organizations to explore and exploit opportunities. The results of her research indicate that entrepreneurial managers tend to consider learning as part of the opportunity identification and exploitation process. The results also reveal that the exploitation of an opportunity is the first and most important drive.

KEY COMPETENCIES OF THE ENTREPRENEURIAL MANAGER

To highlight the key competencies of the entrepreneurial manager is one of the main tasks of this chapter. To solve it, it is necessary to adopt a working definition of competence that corresponds to the current context. If we refer to one of the first researchers on entrepreneurial competencies (Bird, 1995) as such working definition could be used that of the quoted by her Boytazis (1982) who argues that "the characteristics leading to competence can be a person's motive, trait, aspect of the person's self-image or social role, skill, or a body of knowledge which he or she uses." It is also useful to add two more specific working definitions – about managerial and entrepreneurial competencies. For managerial competencies such definition could be used that of Krajcovicova, (2012) – "the ability, which effectively raises the characteristic behavior of the manager, whose results can be achieved above average performance for the manager position." As to the entrepreneurial competencies a more general approach could be used as the often quoted definition that says they are "the key characteristics that should be possessed by successful entrepreneurs in order to perform entrepreneurial functions effectively."

Mitchelmore and Rowley (2010) conclude on the base of extensive literature review that "the core concept of entrepreneurial competencies, its measurement and its relationship to entrepreneurial performance and business success is in need of further rigorous research and development in practice." Such a conclusion is quite a challenging starting point for any attempt to achieve a compelling and systematization of entrepreneurial competencies of a manager, but also gives a certain freedom for incorporating new perspectives and understandings.

There are many attempts to classify and rank the competencies of entrepreneurs and managers, and to identify those who could be called competencies of the entrepreneurial manager. Summaries of these classifications can be seen in some recent theses as that of Kochadai (2011). For example, Kochadai (2011) in his proposed competency model groups entrepreneurial competencies in three dependent areas: attitudinal competency; behavioral competency; and managerial competency. According to him, 'these domains are basically concerned with the nature of attitudinal strength, the nature of behavioral pattern and the nature of managerial capability of the entrepreneurs.'

One of the studies that make quite a comprehensive overview of different views on entrepreneurial competencies is that of Man et al. (2002). There the competences are grouped into six key areas as follows: (1) opportunity, (2) organizing, (3) strategic,

(4) relationship, (5) commitment, and (6) conceptual competencies. By a projection of these competencies on the specific roles of the entrepreneurial and the traditional (administrative) manager as a key distinction can be highlighted especially the first area of competency, namely "competencies related to recognizing and developing market opportunities through various means" (Man et al.). These competencies are marked as key right from McClelland, (1987) and reconfirmed by Chandler and Jansen (1992). The last argue that to function effectively in entrepreneurial role, two competencies are required: one is the ability to recognize and envision taking advantage of opportunity; the other is the drive to see firm creation through to fruition, which requires the willingness and capacity to generate intense effort for long, hard hours. This is not entirely new discovery, as even Kirzner (1973) argued that the discovery of opportunities is the core issue of entrepreneurship.

An interesting study of the relative importance of competencies is made of Izquierido, Deschoolmeester, and Salazar (2005), which compare the views of Ecuadorian entrepreneurs and scholars from different countries. Result is a gap in importance designated by the both groups of respondents – the entrepreneurs pointed out decision-making as an important competence, while scholars favor recognition of business opportunities. Of course, as the next most important competencies the entrepreneurs indicated innovative thinking, identifying and solving problems, and then – the identification of business opportunities. Respectively, by the scholars, the next in importance places are occupied by evaluating business opportunities, decision making, and networking.

Penchev and Salopaju (2011) in his master's thesis, developed under the guidance of Friederike Welter (Jönköping University) make extensive review of the literature on entrepreneurial and managerial competencies upon which codify different views on the competences in the following four statements:

1. Entrepreneurs and managers are similar when it comes to certain competencies;
2. Entrepreneurs and managers are different when it comes to certain competencies;
3. Entrepreneurs have or need more of certain competencies than managers; and
4. Managers have or need more of certain competencies than entrepreneurs.

As to the specific competences, Penchev and Salopaju (2011) outline 13 of them and group them in four directions:

1. Innovation, Risk Taking, Proactiveness and Creativity;
2. Decision Making, Problem Solving, Communication and Leadership;
3. Change and Seeing Opportunities;
4. Networking, Soft and Specialist.

From this starting point they offer two models – concerning managerial and entrepreneurial competencies. In the model of managerial skills, they divided the 13 competencies into two main groups:

1. Core managerial competencies needed for routine tasks (communication, specialist, problem-solving), and
2. Additional managerial competencies needed for non-routine/strategic tasks (proactiveness, change, risk taking, seeing opportunities, soft, networking, leadership, decision-making, creativity, innovativeness)

And in the model of entrepreneurial competencies the groups are:

1. Core entrepreneurial competencies needed all the time from the start-up (proactiveness, change, risk taking, seeing opportunities, soft, networking, decision-making, creativity, innovativeness), and

2. Entrepreneurial competencies more important later on for running the company (leadership, communication, specialist, problem-solving).

The comparison of the both grouped competencies highlights those entrepreneurial competencies needed by managers, or more precisely entrepreneurial managers: pro-activeness, change, risk taking, seeing opportunities, soft, networking, decision-making, creativity, innovativeness.

However, that proposed list of competencies is very long and comprehensive and could be challenged at least because of the different definitions of each group of competencies. For example, it is known that the decision-making could be done by different ways, each way reflecting a particular management style, including such that could be defined as an entrepreneurial or not. A similar criticism could be related also to the ways in which proactiveness, risk-taking and networking are being expressed or realized. Relatively less vulnerable to criticism are the competences related to the opportunity recognition, creativity and innovation.

Tan and Tan (2012) find from a sample of 155 owners and managers of small and medium enterprises in Singapore that Man's (2002) six entrepreneurial competencies and two supporting competencies distinguish entrepreneurs from managers when the competencies are taken as a whole. However, entrepreneurs had significantly higher scores only in the strategic and commitment competencies when the competencies were examined individually, and significantly lower scores in the relationship competency.

In confirmation of the importance of specific competencies for the success of the entrepreneurial manager it can be pointed the researches of Marcati, Guidoa, and Peluso (2008) who studied a sample of SME entrepreneurs and defend the thesis that entrepreneurs' innovativeness and personality play a key role in the adoption of innovations in Small- and Medium-sized Enterprises (SMEs), and that of Koe and Butler (2007) who argue that a solid knowledge base, a well-developed social network, and a strong focus on identifying opportunities are all necessary inputs toward entrepreneurial behavior. Their study of high technology entrepreneurs in Hong Kong indicated that creativity also plays a critical and important role in the entrepreneurial process.

Creativity as a distinctive and desirable personal competence stands out in the study done by Baron and Tang (2011). The findings of their research indicate that positive affect among founding entrepreneurs is significantly related to their creativity and that creativity, in turn, is positively related to firm-level innovation. Both of these relationships are moderated by environmental dynamism, being stronger in highly dynamic than stable environments.

As for the innovation, Drucker (1985) who says "Innovation is the specific instrument of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service." shouldn't be ignored.

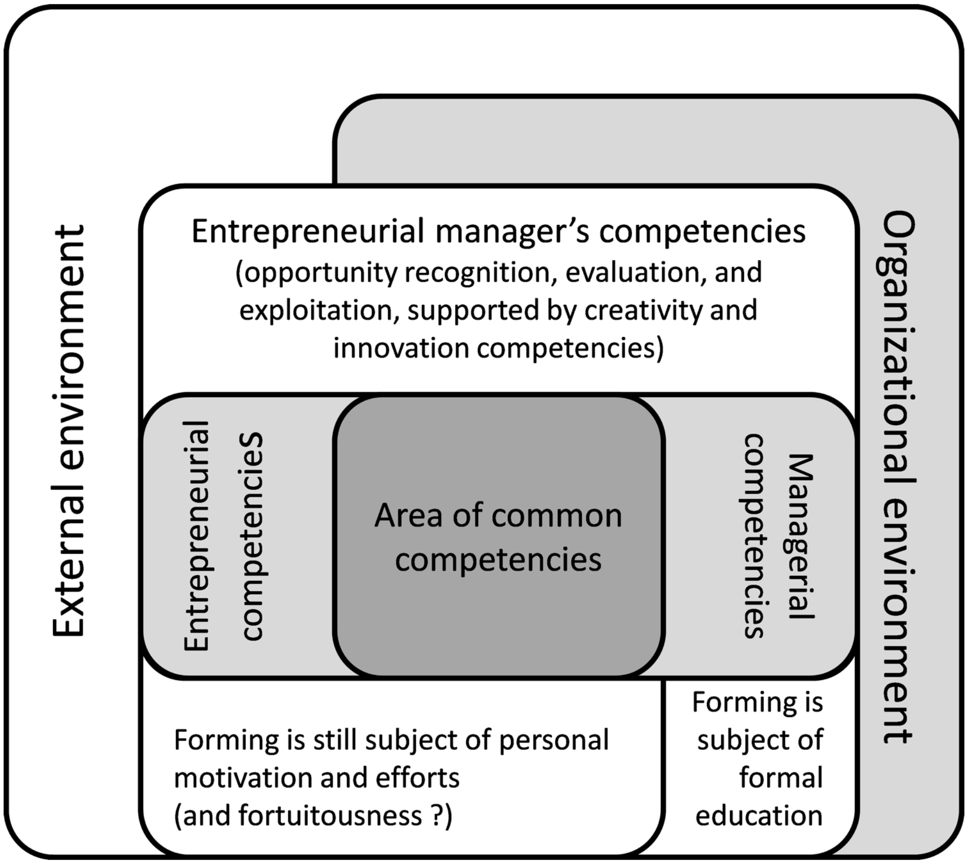
A summarizing picture that can be drawn is presented in Figure 1.

In the present figure specifying the competences to a level commensurate with the approved subjects in the programs for managerial and entrepreneurial education, due to their undeniable necessity and usefulness, is deliberately avoided.

Conclusions that can be drawn from the review of research related to the specific competencies of the entrepreneurial manager are as follows:

- The set of competencies, regardless of their classification is wider compared to the competencies specific to entrepreneurs (in the common understanding of the entrepreneur), or those unique to managers;
- This broader scope suggests greater challenges to entrepreneurs on the path of development as entrepreneurial managers (for successful long-term growth) and to the managers have chosen the role of entrepreneurial managers in large established companies;

Figure 1. The competencies of entrepreneurial manager: An intersectional contextual view



- In terms of content, key competencies of the entrepreneurial manager concentrate on those which are necessary for the recognition, evaluation and use of entrepreneurial opportunities, and related skills for creativity and innovation;
- The key competencies of an entrepreneurial manager are rather the result of specific personal and professional experience, rather than a result of formal technical and managerial education;
- It is not yet formed a clear classification framework supporting a practical classification of competencies, which in turn is necessary for purposeful training entrepreneurial managers.

Of course, along with the need for further clarification of the classification boundaries between competencies, from a practical point of view (but not only), it is essential to be explored opportunities and challenges for forming the core competencies of an entrepreneurial manager.

CHALLENGES TO THE FORMATION OF THE KEY COMPETENCIES OF AN ENTREPRENEURIAL MANAGER

From the examination of the wide range of competencies of an entrepreneurial manager the attention would be given on a core, a key area of competence related to the recognition, evaluation and use of entrepreneurial opportunities, creativity and innovation. As for the rest, they could be attributed not only to the entrepreneurial manager, but also to other managers, as outlined in the preceding part of the chapter.

The main issue and also a challenge of a scientific or practical kind is how to form these key competences.

Herein an attempt will be made to assess the certain knowledge on the formation of key competencies distinguishing entrepreneurial manager from entrepreneur on the one hand, and from manager, on the other.

Previous studies draw attention to several factors shaping entrepreneurial competencies associated with opportunities recognition (Bird, 1995; Chandler and Jansen, 1992):

- Education
- Work and managerial experience
- Industry specific experience

The education is without doubt a proven instrument for developing modern entrepreneurial competencies. For example a literature review done by Raposo and Paço (2011) suggests important links between education, venture creation and entrepreneurial performance, as well as between entrepreneurial education and entrepreneurial activity. Their important conclusion is that 'the education and training should center itself much more in changing personal attitudes than in knowledge, because the effects could be more significant to the process of business creation and to overcome the perceived barriers to entrepreneurship.'

A major challenge to entrepreneurship education is the formation of attitude to an individual expression of entrepreneurial skills or towards a career of internal (corporate) entrepreneur. In the first case, the emphasis would have to be put on some values, and the second on others, although in both cases the knowledge necessary for the success in both of the ways certainly overlap.

Based on an analysis of 291 Swedish entrepreneurs Politis and Gabrielsson (2004) find links between various career experiences and the development of entrepreneurial knowledge. They also find evidence that the entrepreneurs' predominant mode of transforming experience into entrepreneurial knowledge, i.e. their preference for exploring new possibilities vs. exploiting pre-existing knowledge, is important to consider in order to explain this process. Similar links apparently predetermine serious rethinking of approaches in the development of entrepreneurial skills and the challenge that addressed is how training in the skills needed might be isolated from the practice and generally how it would be possible without a practical experience.

Hills and Lumpkin (1997) in their research into the opportunity recognition explored perceptions and behaviors of 218 successful entrepreneurs and identified five implications for entrepreneurship education. These include 1) the opportunity recognition process can be applied to any business or industry, but, 2) it is most fruitful when it has a problem-specific application; 3) teaching creativity skills can enhance opportunity recognition; 4) experimentation and continuous learning are essential to opportunity recognition; and, 5) social networking enhances the opportunity recognition process.

In addition, the research shows the possibility through educational mechanisms to acquire and develop competences related to the recognition of the opportunities, it identifies specific educational methods. Also thereof some subordination of individual competencies associated with opportunities recognition can be highlighted. Significant challenge to the implications made so, is the answer to the question of technology provision of a similar education – whether it may be an orderly process with predictable results, or rather it is a matter of random combinations of learning opportunities and personal intrinsic motivation for learning.

DeTienne and Chandler (2004) consider that, while it is still hardly recognizable as a process and dynamics, opportunities recognition is a cognitive process based on a distinctive set of perceptual and information-processing skills, which they call entrepreneurial alertness. They did a review of the opportunity identification literature that indicates four ways in which opportunities are identified: active search, passive search, fortuitous discovery, and creation of opportunities. They propose that opportunity identification is a competency that can be developed as are other unique competencies and that the entrepreneurship classroom is an appropriate venue for developing the skills necessary to improve the ability to identify opportunities. In their experiment, they refer to Epstein (1996) who identifies four skills that follow directly from generativity theory[1] as means to enhance creativity (1996: 220). These skills include (1) securing—the ability to pay attention to and preserve new ideas; (2) expanding—acquiring new skills and knowledge, thus increasing the number of repertoires available to compete; (3) exposing—opening oneself to multiple controlling stimuli; and (4) challenging—opening oneself to new challenges through failure. On this basis, DeTienne and Chandler offer a range of exercises to be applied in a learning process through which they achieve improve both number of ideas generated and the innovativeness of those ideas. The conclusion that can be drawn is that the object of any education should not focus so much on the actual opportunity recognition as on the acquisition of those practical skills that facilitate search, recognition and evaluation of entrepreneurial opportunities.

Robert A. Baron (2006) considers the opportunity recognition as pattern recognition i.e. the process of using cognitive frameworks acquired through experience to perceive connections between seemingly unrelated events or trends in the external world. He founds three factors 'to play an important role in opportunity recognition: engaging in an active search for opportunities; alertness to them; and prior knowledge of an industry or market.' Baron (2006) refers to Matlin (2002), according to whom 'pattern recognition is the process through which specific persons perceive complex and seemingly unrelated events as constituting identifiable patterns.' According to his explanation only certain people are able to recognize opportunities through their specific experience and knowledge, access to information, and more. However, it argues that people can be trained to recognize entrepreneurial opportunities through various steps: 1. training on the best places and the best ways to search for information; 2. ensuring the most diverse practical experiences; 3. exposure in the learning process of a wide range of examples - successful and unsuccessful, with the reasons for success or failure. This study demonstrates again the need for training to develop skills not only conceptual, but mostly to evoke a practical behavior by which these skills can be applied.

In her dissertation Markowska (2011) offers an integrative model of entrepreneurial competence development. In her model "the most important in terms of changing entrepreneurs' mental maps and perceptions of the world and what is possible are the action control beliefs and the identity beliefs. Their influence can be further fostered or impeded by the setting goals as either learning (fostered) or performance (impeded) goals and by access to positive role models."

An emphasis that Markowska displayed is the depth of the changes in personal perception and self-perception related to the development of entrepreneurial competencies. In other words, in the development of entrepreneurial competencies, attention should be directed toward the development of beliefs that contribute to successful entrepreneurial performance. As the most important conclusion of her study, the author suggests "the idea that entrepreneurs need to become agents of their own development."

The comparison of different concepts about context, place and role of entrepreneurial manager led to the delineation of two roads in the development of entrepreneurial competences following the transition from entrepreneur to manager, and from manager to entrepreneur. The common challenge in both pathways is that of overcoming the deep differences in values by which some authors explain the differences in choosing an entrepreneurial or a managerial career. But along with this, two specific challenges for each pathway are distinguished. In the first case, this is a particular challenge to the personality of the entrepreneur to realize his own limits and to lay himself the directions in which to build competencies, turning him into an entrepreneurial manager. In the second case, the specific challenge is to the management body of an enterprise to provide the necessary environment that encourages the transition from manager to entrepreneur. To meet the second challenge is interesting to look into the lessons drawn by Thornberry (2003) who did a field research of four large organizations that had embarked on formalized "corporate entrepreneurship" management development programs and the results indicate that many managers can indeed be trained to act like entrepreneurs and that these actions can result in significant new value creation. He also argues that several lessons were learned by this research:

- Pockets or islands of entrepreneurial activity can develop and thrive, at least for a while, in cultures that are not in themselves entrepreneurial;
- A lot of ordinary corporate citizens can learn to act as corporate entrepreneurs with the right education, training, and support;
- Catalytic coaching and the business planning process were the two most important educational tools for the development of new business opportunities;
- Entrepreneurs can come from anywhere in the organization;
- Decoupling ideation and opportunity identification from implementation.

These lessons probably are subject to discussion and further research, but they are useful in creating a confidence that the development of entrepreneurial competencies through training is possible, and that there are specific methods for such training.

One noteworthy conceptual model of entrepreneurial learning is that of Franco and Haase (2009) where the key entrepreneurial learning components are identified and included: intuiting and interpreting, external motivation, alertness and creativeness. These key components highlight the determinants of efficiency and effectiveness of entrepreneurial learning and thus the development of entrepreneurial competencies.

In summary it can be confirmed that the practical formation of core competencies for the development of an entrepreneur or manager as an entrepreneurial manager is likely to be planned and organized in ways that provide sufficiently desired results, but also for the realization of this possibility are needed wide-ranging and extensive research to identify both the precise conceptual model containing the key factors for the formation of competencies and to refine the mechanisms of the interactions of these factors.

CONCLUSION

Entrepreneurial manager, like entrepreneur and manager in their traditional definitions, differs from other persons engaged in a business by a specific set of competencies but mostly by the results achieved through the use of these competencies. A successful entrepreneurial manager is not less competent than any successful manager, and moreover – what sets him apart is the specific entrepreneurial competence to recognize, assess and uses entrepreneurial opportunities (sometimes referred to narrowly as business or market opportunities).

This specific competence is still insufficiently studied and understood, and as such is still subject to various speculations and discussions, but in recent decades knowledge is accumulated, so that suggests that its possession and development are a result not only of unique, often unpredictable combinations of personal history, context of the environment and accumulated practical knowledge and skills, but it can also be a system of knowledge to be learnt both through educational programs and through individual efforts by those who wish to develop himself as entrepreneurial managers.

In a research plan it remains to find the answers to important questions such as: how competencies related to the recognition, assessment and use of entrepreneurial opportunities can be developed independently from the rest competencies of an entrepreneurial manager, i.e. to test specific causal relationships between competencies as well as to the conditions under which the relevant competencies are formed and develop.

In practical terms more precise guidelines, methods and techniques can be explored and delineated in which and through which entrepreneurial manager will develop these competencies, which will not only distinguish him more clearly from a traditional manager and from an entrepreneur whose validation as manager is ahead, but will lead to the achievement of desired organizational competitiveness in strategic plan.

REFERENCES

Aouni, Z., & Surlemont, B. (2008). Entrepreneurial competencies within the process of opportunity recognition (Interactive paper). *Frontiers of Entrepreneurship Research, 28*(17).

Baron, R. A. (2006). Opportunity recognition as pattern recognition: How entrepreneurs connect the dots to identify new business opportunities. *The Academy of Management Perspectives*, *20*(1), 104–119. doi:10.5465/AMP.2006.19873412

Baron, R. A., & Tang, J. (2011). The role of entrepreneurs in firm-level innovation: Joint effects of positive affect, creativity, and environmental dynamism. *Journal of Business Venturing*, *26*(1), 49–60. doi:10.1016/j.jbusvent.2009.06.002

Barringer, B. R., & Bluedorn, A. C. (1999). The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal*, *20*, 421–444. doi:10.1002/(SICI)1097-0266(199905)20:5<421::AID-SMJ30>3.0.CO;2-O

Bird, B. (1995). Towards a theory of entrepreneurial competency. In *Advances in entrepreneurship, firm emergence and growth* (Vol. 2, pp. 51–72). Greenwich, UK: JAI Press.

Boyatzis, R. E. (1982). *The competent manager: A model for effective performance*. New York: John Wiley & Sons.

Brown, T., Davidsson, P., & Wiklund, J. (2001). An operationalization of Stevenson's conceptualization of entrepreneurship as opportunity-based firm behavior. *Strategic Management Journal*, *22*(10), 953–968. doi:10.1002/smj.190

Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing*, *12*, 9–30. doi:10.1016/S0883-9026(96)00003-1

Chakravarthy, B., & Lorange, P. (2008). Driving renewal: the entrepreneur-manager. *The Journal of Business Strategy*, *29*(2), 14–21. doi:10.1108/02756660810858116

Chandler, G. N., & Jansen, E. (1992). The founder's self-assessed competence and venture performance. *Journal of Business Venturing*, *7*(3), 223–236. doi:10.1016/0883-9026(92)90028-P

Churchill, N. C. (1983). Entrepreneurs and their enterprises: A stage model. In J. A. Hornaday et al. (Eds.), *Frontiers of Entrepreneurship Research* (pp. 1–22). Wellesley, MA: Babson College, Centre for Entrepreneurial Studies.

Covin, J. G., & Slevin, D. P. (1988). the influence of organization structure on the utility of an entrepreneurial top management style. *Journal of Management Studies*, *25*(3), 217–234. doi:10.1111/j.1467-6486.1988.tb00033.x

De Jong, J., & Wennekers, S. (2008). *Intrapreneurship. Conceptualizing entrepreneurial employee behaviour*. Research Report H200802, Zoetermeer: EIM.

Denison, D. R., & Mishra, A. K. (1995). Toward a theory of organizational culture and Effectiveness. *Organization Science*, *6*(2), 204–223. doi:10.1287/orsc.6.2.204

DeTienne, D. R., & Chandler, G. N. (2004). Opportunity Identification and Its Role in the Entrepreneurial Classroom: A Pedagogical Approach and Empirical Test. *Academy of Management Learning & Education*, *3*(3), 242–257. doi:10.5465/AMLE.2004.14242103

Donald, F. (2005). Managers' corporate entrepreneurial actions and job satisfaction. *The International Entrepreneurship and Management Journal*, *1*, 275–291. doi:10.1007/s11365-005-2589-1

Drucker, P. (1985). *Innovation and entrepreneurship*. New York: Harper & Row.

Duncan, R. B. (1972). Characteristics of perceived environments and perceived environmental uncertainty. *Administrative Science Quarterly*, *17*, 313–327. doi:10.2307/2392145

Dvir, D., Sadeh, A., & Malach-Pines, A. (2010). The fit between entrepreneurs' personalities and the profile of the ventures they manage and business success: An exploratory study. *The Journal of High Technology Management Research*, *21*, 43–51. doi:10.1016/j.hitech.2010.02.006

Dyer, J. H., Gregersen, H. B., & Christensen, C. (2008). Entrepreneur behaviors, opportunity recognition, and the origins of innovative ventures. *Strategic Entrepreneurship Journal*, *2*, 317–338. doi:10.1002/sej.59

Eckhardt, J., & Shane, S. (2003). Opportunities and entrepreneurship. *Journal of Management*, *29*(3), 333–349. doi:10.1016/S0149-2063(02)00225-8

Eliasson, C., & Davidsson, P. (2003). Entrepreneurial management, corporate venturing, and financial performance. *Frontiers of Entrepreneurship Research*, 461-470.

Ensley, M. D., Pearce, C. L., & Hmieleski, K. M. (2006). The moderating effect of environmental dynamism on the relationship between entrepreneur leadership behavior and new venture performance. *Journal of Business Venturing*, *21*, 243–263. doi:10.1016/j.jbusvent.2005.04.006

Filion, L. J. (1994). *Entrepreneurship and management: Differing but complementary processes*. Paper presented at VIII Congreso Latino Americano Sobre Espiritu Empresarial. Cali, Columbia.

Forbes, D. P. (2005). Are some entrepreneurs more overconfident than others? *Journal of Business Venturing*, *20*, 623–640. doi:10.1016/j.jbusvent.2004.05.001

Franco, M., & Haase, H. (2009). Entrepreneurship: An organizational learning approach. *Journal of Small Business and Enterprise Development*, *16*(4), 628–641. doi:10.1108/14626000911000965

Gemmell, R. M. (2011). *Entrepreneurial innovation as a learning system*. Cleveland, OH: Case Western Reserve University. Retrieved December 10, 2013 from http://digitalcase.case.edu:9000/fedora/get/ksl:weaedm396/weaedm396.pdf

Gibb, A. (1987). Enterprise culture – Its meaning and implications for education and training. *Journal of European Industrial Training*, *11*(2), 2–38. doi:10.1108/eb043365

Green, K., Covin, J. G., & Slevin, D. P. (2008). Exploring the relationship between strategic reactiveness and entrepreneurial orientation: The role of structure–style fit. *Journal of Business Venturing*, *23*, 356–383. doi:10.1016/j.jbusvent.2007.01.002

Hampden-Turner, C. (1990). *Corporate culture: From vicious to virtuous circles*. London: Economist Books.

Hills, G. E., & Lumpkin, G. T. (1997, June). *Opportunity recognition research: Implications for entrepreneurship education*. Paper presented at IntEnt 97, The 1997 International Entrepreneurship Conference, Monterey Bay, California.

Hisrich, R., & Peters, M. (1989). *Entrepreneurship: Starting, developing and managing a new enterprise*. Homewood, IL: Richard D. Irwin, Inc.

Hisrich, R. D., Peters, M. P., & Shepherd, D. A. (2005). *Entrepreneurship* (6th ed.). New York: McGraw-Hill Irwin.

Hitt, M. A., Ireland, R., Camp, M., & Sexton, D. (2002). Strategic entrepreneurship: Integrating entrepreneurial and strategic management perspectives. In M. A. Hitt, R. Ireland, M. Camp, & D. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset* (pp. 1–13). Oxford, UK: Blackwell Publishers. doi:10.1111/b.9780631234104.2002.00013.x

Hornsby, J. S., Kuratko, D. F., Shepherd, D. A., & Bott, J. P. (2009). Managers' corporate entrepreneurial actions: Examining perception and position. *Journal of Business Venturing*, *24*, 236–247. doi:10.1016/j.jbusvent.2008.03.002

Hortoványi, L. (2012). *Entrepreneurial management* (Doctoral dissertation). Corvinus University of Budapest, Department of Strategic Management, Budapest, AULA Kiadó Kft. Retrieved December 10, 2013 from http://mek.oszk.hu/11400/11406/11406.pdf

Izquierdo, E., Deschoolmeester, D., & Salazar, D. (2005, July). *The importance of competencies for entrepreneurship: A view from entrepreneurs and scholars' perspective*. Paper presented at 2005 Internationalising Entrepreneurship Education and Training Conference, Surrey, United Kingdom.

Kanter, R. M. (1989). *When giants learn to dance*. New York: Simon & Schuster.

Kirzner, I. M. (1973). *Competition and entrepreneurship*. Chicago, IL: University of Chicago Press.

Koa, S., & Butler, J. E. (2007). Creativity: A key link to entrepreneurial behavior. *Business Horizons*, *50*, 365–372. doi:10.1016/j.bushor.2007.03.002

Kochadai, M. (2012). *Entrepreneurial competency: A study with reference to socially and economically backward communities in Chennai City* (Doctoral dissertation). Pondicherry University.

Krajcovicova, K., Caganova, D., & Cambal, M. (2012). Key managerial competencies and competency models in industrial enterprises. *Annals of DAAAM for 2012 & Proceedings of the 23rd International DAAAM Symposium, 23*(1).

Kraus, S., & Kauranen, I. (2009). Strategic management and entrepreneurship: Friends or foes? *International Journal of Business Science and Applied Management*, *4*(1), 37–50.

Kuhn, B., Sassmannshausen, S. P., & Zollin, R. (2010). Entrepreneurial management as a strategic choice in firm behavior: Linking it with performance. In *Proceedings of the 18th Annual High Technology Small Firms Conference, Doctoral Workshop, University of Twente,* Enschede, The Netherlands

Lee, L., Wong, P. K., Foo, M. D., & Leung, A. (2011). Entrepreneurial intentions: The influence of organizational and individual factors. *Journal of Business Venturing*, *26*, 124–136. doi:10.1016/j.jbusvent.2009.04.003

Li, Y.-H., Huang, J.-W., & Tsai, M.-T. (2009). Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial Marketing Management*, *38*, 440–449. doi:10.1016/j.indmarman.2008.02.004

Man, T. W. Y., Lau, T., & Chan, K. F. (2002). The competitiveness of small and medium enterprises a conceptualization with focus on entrepreneurial competencies. *Journal of Business Venturing*, *17*, 123–142. doi:10.1016/S0883-9026(00)00058-6

Marcati, A., Guidoa, G., & Peluso, A. M. (2008). The role of SME entrepreneurs' innovativeness and personality in the adoption of innovations. *Research Policy*, *37*, 1579–1590. doi:10.1016/j.respol.2008.06.004

Markowska, M. (2011). *Entrepreneurial competence development. Triggers, processes & consequences* (Doctoral dissertation). Jönköping International Business School, Jönköping University, JIBS Dissertation Series No. 071 • 2011.

Mayer-Hauga, K., Read, S., Brinckmann, J., Dew, N., & Grichnike, D. (2013). Entrepreneurial talent and venture performance: A meta-analytic investigation of SMEs. *Research Policy*, *42*, 1251–1273. doi:10.1016/j.respol.2013.03.001

McClelland, D. C. (1987). Characteristics of successful entrepreneurs. *The Journal of Creative Behavior*, *21*(1), 18–21.

Mitchelmore, S., & Rowley, J. (2010). Entrepreneurial competencies: A literature review and development agenda. *International Journal of Entrepreneurial Behaviour & Research*, *16*(2), 92–111. doi:10.1108/13552551011026995

Nicolaou, N., Shane, S., Cherkas, L., & Spector, T. D. (2009). Opportunity recognition and the tendency to be an entrepreneur: A bivariate genetics perspective. *Organizational Behavior and Human Decision Processes*, *110*, 108–117. doi:10.1016/j.obhdp.2009.08.005

Penchev, P., & Salopaju, A. (2011). *Entrepreneurial competencies needed by managers in their work* (Master Thesis). Jönköping International Business School, Sweden. Retrieved December 10, 2013 from http://www.diva-portal.org/smash/get/diva2:419847/FULLTEXT01.pdf

Peters, T., & Austin, N. (1985). *A passion for excellence – The leadership difference*. England: William Collins.

Politis, D., & Gabrielsson, J. (2004). *Exploring the role of experience in the process of entrepreneurial learning*. Paper presented at RENT XVII – Research in Entrepreneurship and Small Business, Copenhagen, Denmark.

Raposo, M., & do Paço, A. (2011). Entrepreneurship education: Relationship between education and entrepreneurial activity. *Psicothema*, *23*(3), 453–457. PMID:21774900

Sambasivan, M., Abdul, M., & Yusop, Y. (2009). Impact of personal qualities and management skills of entrepreneurs on venture performance in Malaysia: Opportunity recognition skills as a mediating factor. *Technovation*, *29*, 798–805. doi:10.1016/j.technovation.2009.04.002

Simon, R. (2013). *The entrepreneurial gap: How managers adjust span of accountability and span of control to implement business strategy* (Working Paper 13-100). Harvard Business School.

Smith, K. G., & Di Gregorio, D. (2002). Bisociation, discovery and the role of entrepreneurial action. In M. A. Hitt, R. Ireland, M. Camp, & D. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset* (pp. 129–150). Oxford, UK: Blackwell Publishers.

Stevenson, H. H., & Jarillo, J. C. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, *11*, 17–27.

Tan, W.-L., & Tan, S. T. (2012). *Entrepreneurs, managers and the competency approach: Do entrepreneurial competencies differentiate entrepreneurs from managers?* Paper presented at CCSBE 2012.

Thornberry, N. E. (2003). Corporate entrepreneurship: Teaching managers to be entrepreneurs. *Journal of Management Development*, *22*(4), 329–344. doi:10.1108/02621710310467613

Timmons, J. A. (1994). *New venture creation. Entrepreneurship for 21st century* (4th ed.). Burr Ridge, IL: Irwin.

Tseng, C.-C. (2013). Connecting self-directed learning with entrepreneurial learning to entrepreneurial performance. *International Journal of Entrepreneurial Behaviour & Research*, *19*(4), 425–446. doi:10.1108/IJEBR-08-2011-0086

Ucbasaran, D., Westhead, P., & Wright, M. (2009). The extent and nature of opportunity identification by experienced entrepreneurs. *Journal of Business Venturing*, *24*, 99–115. doi:10.1016/j.jbusvent.2008.01.008

KEY TERMS AND DEFINITIONS

Competencies: "A person's motive, trait, aspect of the person's self-image or social role, skill, or a body of knowledge which he or she uses" (Boytazis, 1982).

Corporate Entrepreneurship: Also referred as corporate venturing or intrapreneurship, is the act of initiating new ventures or creating value with an already established organization.

Entrepreneurial Competencies: The key characteristics that should be possessed by successful entrepreneurs in order to perform entrepreneurial functions effectively.

Entrepreneurial Management: 'Mode of management' different from traditional management and which helps firms remain vital and contribute to firm and societal level value creation (Stevenson & Jarillo, 1990).

Entrepreneurial Manager: Person who acts with ambition beyond that supportable by the resources currently under his or her control, in relentless pursuit of an opportunity (Stevenson 1983, 2006; Timmons, 1994).

Entrepreneurial Opportunity: "Situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships" (Eckhardt, J., & Shane, S., 2003).

Managerial Competencies: "The ability, which effectively raises the characteristic behavior of the manager, whose results can be achieved above average performance for the manager position" (Krajcovicova, 2012).

Opportunity Competencies: Competencies related to recognizing, assessing, and developing entrepreneurial opportunities.

ENDNOTES

1 Generativity theory focuses on understanding the emergence of novel or creative behavior continuously in time. The theory states that competing behaviors produce new behaviors; the process is orderly and probabilistic; and that by influencing the type and number of competing behaviors, we can accelerate and direct creativity. (DeTienne, Gaylen, & Chandler,2004).

Chapter 8
SMEs' Leaders:
Building Collective Cognition and Competences to Trigger Positive Strategic Outcomes

Renaud Redien-Collot
Novancia Business School, France

Miruna Radu Lefebvre
Audencia School of Management, France

ABSTRACT

This chapter explores leadership processes within SMEs emphasized as a unique opportunity to observe the genesis of collective cognition and its transformation into collective competence. The authors argue that a close examination of SMEs' interactions between leaders and employees reveals that these interactions strongly contribute to building collective cognition and competences that further impact strategic business outcomes (Kozlowski, 1998). Collective competences significantly contribute to strategic management in SMEs contexts. SME leaders build a strategy coordination system on the basis of collective cognition and competences that articulates three different phases: the communication of the leader's vision and its evolution/transformation, the assessment of the structure, processes, business model and functioning of the enterprise, and the development of internal and external interpersonal and business interactions. The authors examine bricolage leaders, experimental leaders and entrepreneurial leaders in the context of this strategy coordination system.

INTRODUCTION

In business contexts, both internal and external observers tend to do a recurrent attribution error which consists in explaining success and failure as a function of individual leadership (Carland & Carland, 2012). A branch of studies in leadership has been focused on member-leader exchange theory (LMX) since 1970 (Graen & Uhl-Bien, 1995). However, leadership literature in management and social sciences has indirectly contributed to the strengthening of the view of leaders and enterprises emphasized as two autonomous

DOI: 10.4018/978-1-4666-5962-9.ch008

entities with specific pathways and distinct impacts (Cogliser & Brigham, 2004). Yet, recent entrepreneurship and group dynamics literature indicates that the two live and evolve through continuous interactions triggering *together* joint effects on SMEs' performance (Kamm & Shuman, 1990; Yukl, 1999). One of the key missions of SMEs leaders is to systematically encourage and monitor the building of collective knowledge and memory, learning and shared practices to facilitate the emergence of collective cognition (Zaccaro, Rittman, & Marks, 2001). Without collective cognition, SMEs may not be able to build "collective competence(s)," described as "the ability of a group to work together to achieve common goals" (Ruuska & Teigland, 2009, p. 324). Still, we know little about the group dynamics that SMEs leaders initiate and coordinate from the very beginning of their business activity (Cooney, 2005; Kyrgidou & Hughes, 2010).

Our approach of SMEs' leadership challenges the theory of transformational leadership (Bass, 1985; Riggio & Lee, 2007). The relationships between leaders and employees in large corporations illustrate the paradigm of transformational leadership that encompasses four dimensions: idealized influence (charisma), inspirational motivation, intellectual stimulation, and individualized consideration. Many scholars argued that transformational leadership is not fully relevant to SMEs because these enterprises do not have formalized or standardized procedures designed to organize the dialog between leaders and employees, as it is the case in many corporations (Kotey & Slade, 2005). However, research dedicated to SMEs mainly focused on one of the four dimensions of transformational leadership, which is inspirational motivation, with the aim of exploring the development of organizational commitment in smaller enterprises (Eddleston, 2008; Pearson & Marler, 2010). These studies demonstrate that those SME leaders who are able to enhance their employees' organizational commitment will positively increase work effectiveness and reduce the level of absenteeism. The present chapter argues that it is the SME leaders' capacity to coordinating the genesis of collective cognition and competence that may help enhance organizational cohesiveness and involvement of all employees. This internal cohesion and commitment will consequently sustain the progressive emergence of one or several collective competence(s) that will help the enterprise to maintain its competitive advantage, while also being able to adapt to changes and chocks in the external environment. In SMEs settings, the employees' group dynamics leading to the progressive development of collective cognition and competences may be a source of sometimes intense interpersonal negotiation and tension. But this is also a major trigger of competitive advantage and positive strategic outcomes at the SME's level. We think SMEs' leadership is about moderating employees' collective cognition and action to help them manage resources strategically in pursuit of entrepreneurial opportunities (Ireland et al., 2003).

CONVEYING AND SHARING ENTREPRENEURIAL VISION IN SMEs: A CHALLENGE FOR LEADERSHIP

Most SME business owners rely on proximal leadership, which consists in idealized influence (charisma) and inspirational motivation in the context of a small organization (Riggio & Lee, 2007). Proximal leadership may be effective in facilitating the sharing of the leader's entrepreneurial vision as well as in increasing employees' commitment to concretely implement strategic decisions. In SMEs contexts, employees are thus encouraged to cooperate and combine their knowledge and skills to achieve the leader's vision. Eddleston (2008), Pearson and Maller (2010) demonstrated that proximal leadership in SMEs enhances the employees' feeling of belonging to "the same business family," which consecutively contributes to reducing absenteeism and to stimulating organizational cohesiveness. However, SMEs leaders face a difficult communicational challenge, that of conveying a consistent and relevant strategic vision to all employees. As employees' tasks and responsibilities are frequently diverse, and sometimes not explicitly formalized (Kotey & Slade, 2005), the daily functioning of SMEs may favor internal rivalries and misunderstandings between co-workers (Pearson & Maller, 2010) or internal tensions within the staff (Eddleston, 2008) as regards to whom is the most appropriate and legitimate person to accomplish a specific task related to the leader's strategic vision.

In their analysis of the role of leadership in the sharing of entrepreneurial vision, Soriano and Martinez (2007) stressed the idea that the employees' understanding of their leaders' messages may be ambiguous even when leaders actively try to convey consistent strategic messages. To illustrate this issue, we will shortly present here the case of a high-growth French SME specialized in B to B services. At the time when we studied the case, the SME's turnover used to double every year, the number of employees used to double every three years, and the enterprise had attracted several public and private investments. In ten years of existence, the enterprise had become a successful SME in a very dynamic market sector. After several years of intense development, and in order to increase profits and reassure investors, the SME leader emphasized two main priorities: cost reduction and increased productivity through mass production in order to appropriately satisfy an increasing international demand. Employees in charge of supervising the production processes were highly sensitive to preserving the quality of their offer because the previous strategic objective was that of penetrating the market and attracting competitors' clients. With the change of strategic focus (mass production and cost reduction), they felt somewhat betrayed by their leader and did not know how to manage to produce more while keeping quality intact. Some of them quit their jobs, whereas some others asked for the leader's help and involvement in the production process. The leader was thus obliged to engage with internal analysis and he finally simplified several production processes so as to reach the new strategic goals. Yet, when these production processes changed, the employees' absenteeism grew immediately. In the two following years, half of the staff had to be renewed in order to pursue the firm's activity. The taskforce renewal resulted in new expenses and the loss of very precious skills that previously supported the SME's competitiveness. During the five following years, the SME was less profitable than before these strategic changes were decided and implemented, as a consequence, several investors retired their financial support to the enterprise.

This case indicates that SME leaders cannot limit their key activity to the formulation of strategic visions. They also need to share these visions with their employees, and help them understand the necessity of strategic change, if needed. When our leader shared his new vision, he believed that the enterprise was ready for a general standardization of the employees' tasks and responsibilities, and their alignment with those practices and processes that characterize large companies. This is why he never managed to convey the message that his objective was that of developing the enterprise in terms of market share, and that this required a change of the organizational structure and product processes all together. He only insisted on the necessity to satisfy new markets and investors. This may explain why some of the employees decided to leave the enterprise. They did not see the possibility of substituting a cognitive representation of their enterprise with another. Therefore, they were unable to critically revise their practices so as to adjust them to the new strategic goals. We think in this situation the leader did not play his role of moderator in terms of collective cognition development through dialogue and interaction. The SME leader did not succeed in helping his employees to adapt themselves to the business' strategic change in terms of collective thinking and behavior. Discussing with employees about the genesis of the initial business model and the reasons of changing it to pursue a fast growing rhythm would have been thus necessary in order to convince employees to commit themselves to the new strategic goals.

THE EMERGENCE OF COLLECTIVE COMPETENCES IN SMEs

In the context of SMEs' strategic evolution and transformation, we emphasize the production of collective representations within the enterprise as a necessary prerequisite to the emergence of collective competences that will further allow the enterprise to both promote and secure a competitive advantage and to effectively adapt to environment changes. Furthermore, we think SMEs' leaders and their teams also need to coordinate their individual representations of the enterprise in order to ensure that they are coherent and compatible with the pursuit of common business objectives. In other words, SME leaders moderate the genesis of collective knowledge and competence, and, as a consequence, they increase the business capacity to deal with internal and external strategic challenges.

SME leaders need to shape a strong and sound business representation relative to the enterprise's goals, environment and identity, shared by both staff and managers. In order to transform this common representation into a vision, they have to reduce the *perceptual distance* that may exist between them and their teams concerning the definition of collective goals and means, and the evaluation of business outcomes. In SMEs characterized by a high perceptual distance between leaders and followers there is a risk that collective cognition operates ineffectively. In the case that we examined earlier, the leader actually reinforced the perceptual distance between he and the staff members by imposing different production process modifications without previously taking the time needed to help employees adjust their representations to the business' new strategic goals. The leader could diminish this perceptual distance by simply organizing internal meetings with the aim to co-construct with the staff the concrete production process solutions that would allowed the enterprise to achieve the new strategic goals without losing reputation, clients and/or investors. In other words, the ability of a working group in effectively collecting, storing, and combining useful external and internal information is negatively impacted when leaders and employees do not share the same image of the reality, and perceive things in a radically different way. In the case of the French SME that we mentioned earlier, the leader shifted from an attitude of business developer to that of a business owner who decides alone the destiny of his business. However, in order to maintain and stimulate employees' commitment, the SME leader should have probably co-constructed with the staff members a new representation of their business and, consequently, they should have defined together the new employees' roles in the new production process. Instead, the SME leader only focused on the technical aspects of the production processes' transformation, and thus he somehow denied the need for cognitive and interpersonal transformations at the employees' level.

To sum up, our premise here is that one of the major roles of SME leaders is to continuously reduce perceptual distances between him/her and the team so as to shape the information circulation and sharing within the enterprise, and in order to ensure a good coordination, integration and articulation of the employees' cognitions, competences and behaviors (Radu Lefebvre, 2011).

Leaders at the Crossroads: Identifying and Regulating Perceptual Distances

Individuals perceive the world in a different way from each other, because of the complexity of social stimuli and because of the limited human capacity to simultaneously process all the available information in the environment (Wyer & Srull, 1986). This inevitably leads to differences among individuals in terms of perceiving social stimuli, such as business collective goals, resources, skills and roles (Salam, Cox, & Sims, 1997). According to Gibson, Cooper and Conger (2009), individual differences in life experience, personality, values or interests may enhance or diminish perceptual differences between a leader and his/her followers. Still, the leader's ability to coordinate people with different backgrounds and profile is one of the main sources of business competitive advantage, as we know that collective creativity and adaptability is fostered when the team displays high levels of individual diversity in terms of skills and profiles. Perceptual differences between group members have a negative impact on business performance, but when perceptual differences exist between the leader and his/her followers this impact may be radical. Concretely, when perceptual differences are important within an enterprise, employees are at risk to invest much time and energy to regulate the conflicts arising from differences in understanding and interpreting work-related social stimuli rather than focusing together on task performance. For instance, if employees and their leader do not perceive similarly work objectives, this will negatively impact the priorities identification and the resources allocation, leading to adverse emotional reactions such as disappointment, frustration, and aggression (Atwater, Waldman, & Brett, 2002). Moreover, doubt concerning the allocation and sharing of responsibilities within the enterprise may potentially lead to a feeling of disempowerment of employees, to limited autonomy and poor collective performance (Kirkman & Rosen, 1999). The role of SME leaders is therefore crucial in reducing perceptual differences within the staff through effective communication consisting in the clear formulation and evaluation of work objectives, the unambiguous definition of employees' roles and responsibilities, as well as the lucid recognition and management of interpersonal conflicts. The notion of perceptual distance put forward the moderating role of leaders in the regulation of collective cognition and behavior (Zaccaro et al., 2001). When perceptual differences are appropriately managed, SMEs may be able to elaborate collective cognition, which is to act collectively to accomplish their vision and strategic objectives (Gibson, 2001).

Leaders as Cognitive Pilots: Strengthening and Guiding SMEs' Collective Cognition

Daily communications and interactions within an enterprise progressively generate collective cognition, which is the result of employees sharing and confronting individual representations, beliefs, values and interests. According to Johnson (2009), *collective cognition* includes four basic types of group processes:

- Information identification and gathering,
- Interpersonal and group interaction,
- Information evaluation,
- Common decision-making and the formulation of action plans.

In the information collection phase, the group gathers, selects and stores the information deemed necessary to future decisions and actions; in the interaction phase, the group brings together the available information, that is collectively organized and prioritized; in the examination phase, the group interprets, evaluates and negotiates the meaning of information; in the final phase, the group decides and makes collective action plans based on the selected information. The speed and accuracy with which an enterprise is able to cross the four phases is a good indicator of the overall group performance (Earley & Gibson, 2007). Strong internal perceptual differences are likely to slow down or to distort collective cognition processes, thus exerting a negative effect on business performance (Gibson, Cooper, & Conger, 2009).

SME leaders directly or indirectly participate to staff interactions and his/her intervention may help or hinder the deployment of an effective collective cognition. When detecting differences of views he/she can contribute to mutual adjustments and understanding within the enterprise. The concept of mutual understanding refers to the metacognitive ability of individuals to represent the mental models of others and to actively adapt to the coexistence of different mental models (Huber & Lewis, 2010). A good mutual understanding within the enterprise, as well as with the leader, allows employees to anticipate others' decisions and actions, and to accordingly adjust personal behavior and communication. This leads to a better knowledge circulation between individuals and promotes cooperative conduct instead of internal competition within the enterprise (Huber & Lewis, 2010). SME leaders play an important moderating role in shaping and strengthening collective efforts. Their ability to encourage, guide and support interaction between employees is likely to increase the consistency of shared mental models. The articulation of individual perspectives and the progressive development of collective cognition are essential for the emergence of collective competence, characterized as "the ability of a group to work together to achieve a common goal" (Ruuska & Teigland, 2009, p. 324).

Leaders as Co-Workers: Building SMEs' Collective Competence

According to Loufrani-Fedida and Angué (2006), there are a number of socio-cognitive processes leading to the emergence of a *collective competence* within an enterprise:

- The sharing of personal meanings and representations,
- The promotion of cooperative behaviors,
- Collective learning,
- Interdisciplinary expertise focused on achieving business objectives.

In that context, SME leaders moderate the emergence and the development of collective competence within their enterprise. Collective competence is an optimal articulation of individual skills allowing enterprises to deliver qualitative standardized responses in terms of products and services.

Additionally, collective competence is also emphasized as a key trigger of business improvisation as they allow employees to adjust to unexpected changes in the environment. According to Garel (2003), leaders can facilitate the emergence of collective competence through developing collaborative tools and encouraging collective decision-making (Garel, 2003). Mutual trust, solidarity and an accurate understanding of each others' perspectives within the enterprise are key components of the ability to "improvise together" (Loufrani-Fedida & Angué, 2006). Cooren (2004) stressed that the emergence of collective competence leads to a strong competitive advantage consisting in a distinctive capacity to mix routine and improvisation. It is the SME leaders' mission to manage the fragile equilibrium between routine and improvisation in their employees' collective action (Melkonian & Picq, 2010).

Through building a business identity on the basis of shared values and aspirations, SME leaders may contribute to the development of collective competence. Their role is fundamental because they have the responsibility to strengthen the expertise of each employee, to select and recruit additional expertise, and to prepare the emergence of a business collective competence. The SME leaders' mission is that of working together with their employees to articulate collective knowledge and identity so as to strengthen the ability of the enterprise to elaborate new strategic solutions in turbulent environments.

THE STRATEGIC OUTCOMES OF COLLECTIVE COMPETENCE IN SMEs

We think collective competences may significantly contribute to strategic management in SME contexts. SME leaders build a *strategy coordination system* that articulates three different phases:

1. The communication of the leader's vision and its evolution/transformation,
2. The assessment of the structure, processes, business model and functioning of the enterprise,
3. The development of internal and external interpersonal and business interactions.

Our premise is that SME leaders able to appropriately manage the overall strategy coordination system are what we may call "entrepreneurial leaders," whereas those who are not yet able to appropriately deal with the three phases of the strategy coordination system may be characterized as "bricolage leaders" (Archer, Baker, & Mauer, 2009).

The Main Outcome of SMEs' Collective Competence: The Strategy Coordination System

In the context of SMEs, strategic change is a major challenge. Ireland, Hitt and Sirmon (2003) stressed that SMEs experience more utterly local and global economic and social changes than larger companies. According to Kirzner (1979), the entrepreneur is an alert person that moves an economic environment from disequilibrium to equilibrium. Inspired by the heroic dimension of this definition, many scholars described entrepreneurs as decision makers able to initiate a new world order. In contrast, another scholarly tradition characterized entrepreneurs as individuals willing to establish a new dialog with the world through their business activity. As Rindova and her colleagues (2009) pointed it out, these two academic traditions looked at two different phases of the same phenomenon, that is, the search for autonomy within SMEs strategic management. The authors make a distinction between two processes in the search for autonomy: *breaking free* and *breaking up*. When SME leaders want to break free, they are looking for freedom for themselves, whereas when they break up, they are exploring the conditions of possibility of freedom for the social collectivity. Relying on Rindova's et al.' (2009) distinction, we identify two leadership postures in SMEs: in the first case, SMEs leaders prefer to choose and to decide alone in order to change the rules of the game and challenge their market's rules; in the second case, they prefer to coordinate information, data, perspectives, employees' opinions in order to establish a dialog between the enterprise and its environment. These two postures overlap most of the time. However, strategic analysis generally tends to describe the second leadership posture as an attempt to integrate the enterprise within its environment. We challenge this approach as an ex-post interpretation claiming that there is a transcendental order that matches in fine an enterprise and its environment and, moreover, dismisses the permanent interaction(s) and negotiation(s) that even very mature firms have to nurture in order to develop their activities. In other words, we think that the relationship between an enterprise and its environment is temporary and socially constructed. Our intention is to focus here on those three factors helping SME leaders to build and maintain a continuous dialog between the enterprise and its environment. These three factors participate to what we call a strategy coordination system.

According to Gartner (2004), strategic change in SMEs consists in three major consecutive processes:

- Change emergence,
- Newness evaluation,
- Business transformation.

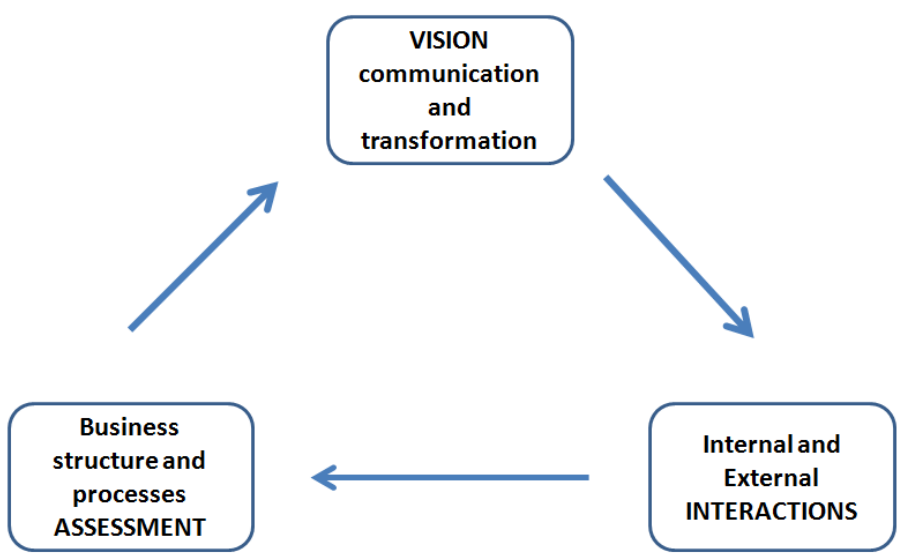
In order to identify changes in the business environment that may affect the strategy of the enterprise, SME leaders have to develop a specific capacity to scan and analyze their market's competitors and clients; as a consequence, they become able to adjust their representation of their enterprise to the evolving environment and to modify their strategy so as to capture new market opportunities and enhance the competitiveness of their business. Then, SME leaders have to evaluate newness, that is, to assess the impact of environment change on the internal business organization and functioning so as to be able to transform it accordingly. Finally, SME leaders have to enact the business transformation, that is, to effectively communicate about strategy change both inside and outside the enterprise, so as to help employees, clients, investors and competitors to modify their representations about the enterprise. To us, these three strategic change processes ask for three major coordination processes lead by SME leaders: vision communication and transformation, business' structure and processes assessment, internal and external business interactions. (see Figure 1)

In the next sections, we will examine, first, the case of SME leaders who do not manage to appropriately pilot the three coordination processes, which results in a bricolage leadership posture. Then, we will discuss the case of SME leaders that deal with all the three coordination processes in a non systematic way, which results in an experimental leadership posture. Finally, we will stress the case of SME leaders who succeed in effectively managing the overall strategy coordination system. For each case, we will shortly highlight some strategic outcomes for SMEs development.

Bricolage Leaders in SMEs: A Limited Strategy Coordination Approach

In some SMEs, leaders may have successfully contributed to the emergence of a collective competence. However, they may have difficulties in articulating collective competences and strategic management when faced with turbulent environments. In this situation, leaders will confront themselves to the difficulty of identifying emerg-

Figure 1. SMEs strategy coordination system



ing trends and evolutions in the political, economic or social environment, with consequences on the leaders' ability to appropriately transform internal business processes. Some other SME leaders may be able and prepared to identify environment changes, but they may be too attached to the initial business model and organizational design of their enterprise, which may become detrimental to the business further development and transformation (Carr, 2002; Higgs, 2009). The fear of losing one's competitive advantage and clients may also explain why some others SME leaders would not engage in coordination processes directed towards strategic change management. These leaders and their employees may need individual and/or collective coaching and mentoring to overcome these cognitive obstacles.

In other cases, SME leaders and employees may spend a large amount of energy and attention in adjusting their representation(s) of the environment and their enterprise, while also trying to assess the structure, processes, business model and functioning of their enterprise. The risk is then to not properly maintain and develop the internal and external business interactions with business partners, investors, clients, etc. (Anderson & Ackerman, 2001). When confronted to this type of situation, SME leaders may engage in the coordination of internal and external business interactions by using classical communication tools (newsletters, website, press meetings, personnel meetings, etc.) and with the help of a dedicated staff in charge of communication activities. We think SME leaders overcome these two pitfalls through engaging into a bricolage leadership role. In other words, rather than trying to optimize the entire strategy coordination system, leaders and employees adopt a case by case non-systematic approach to adapt to environment changes (Duymedjian & Rüling, 2010). The SMEs who do not want or cannot see that external changes will affect the internal business organization and functioning will tend to choose a step by step adaptation process, without explicitly reformulating strategic goals. For instance, this may take the form of trying to limit transformation to certain sectors or business departments, or that of changing some business partners (suppliers, distributors). However, bricolage leadership may sooner or later determine the enterprise to abandon its initial business model, which can be a reason of business failure for some SMEs, whereas others, more solid, may find the motivation and capacity to elaborate a new strategy and thus ensure the survival of the enterprise. The cognitive difficulty of taking into account environment changes and therefore adapting the enterprise to preserve competitive advantage is frequent after a war, a challenging historical event, or an important political change. Bonin (2006) stressed that in the 1950's, French business-owners from Cholet, after a first attempt to modernize their traditional footwear industry, saw the opportunity of developing a completely different business activity, based on electrical engineering. After a long hesitation (ten years for some enterprises) SME leaders decided either to entirely change the activities of their enterprise or to sell it and launch a new enterprise in the electric engineering sector.

As Rindova et al. (2009) pointed it out, these bricolage leaders tend to break free from their own perceptual gap, that is an environment change that they refuse or cannot take into account, and by doing this they are progressively obliged to deal with an organizational puzzle by initiating limited transformations that will ultimately determine them to break up and elaborate a new strategy and design a new business structure.

Experimental Leaders in SMEs: An Erratic Approach of the Strategy Coordination System

Other SME leaders may voluntarily manage the three aforementioned coordination processes. However, they may face some problems in selecting a specific order among the three.

Anderson and Ackermann (2001) stressed that SME leaders adopt an intuitive approach of strategic change through grappling fragments of what is happening in the external environment. We may interpret this intuitive approach as a form of resistance towards business and strategic change.

When SME leaders and their staff overlap the different phases of the strategy coordination system, it is important to emphasize that they are frequently tempted either to quickly identify a major external cause to explain the need for strategic change (Anderson & Ackerman, 2001) or to avoid any hasty assumption concerning the nature and structure of the future business transformation. For example, some SME leaders may be tempted to give priority to the preservation of interactions within and outside the enterprise even though they do not know what has exactly changed in their business structure and processes, and their discourse may thus sound somewhat odd to their stakeholders who will expect them to bring some evidence concerning the concrete strategic and business transformations as well as to indicate their external triggers.

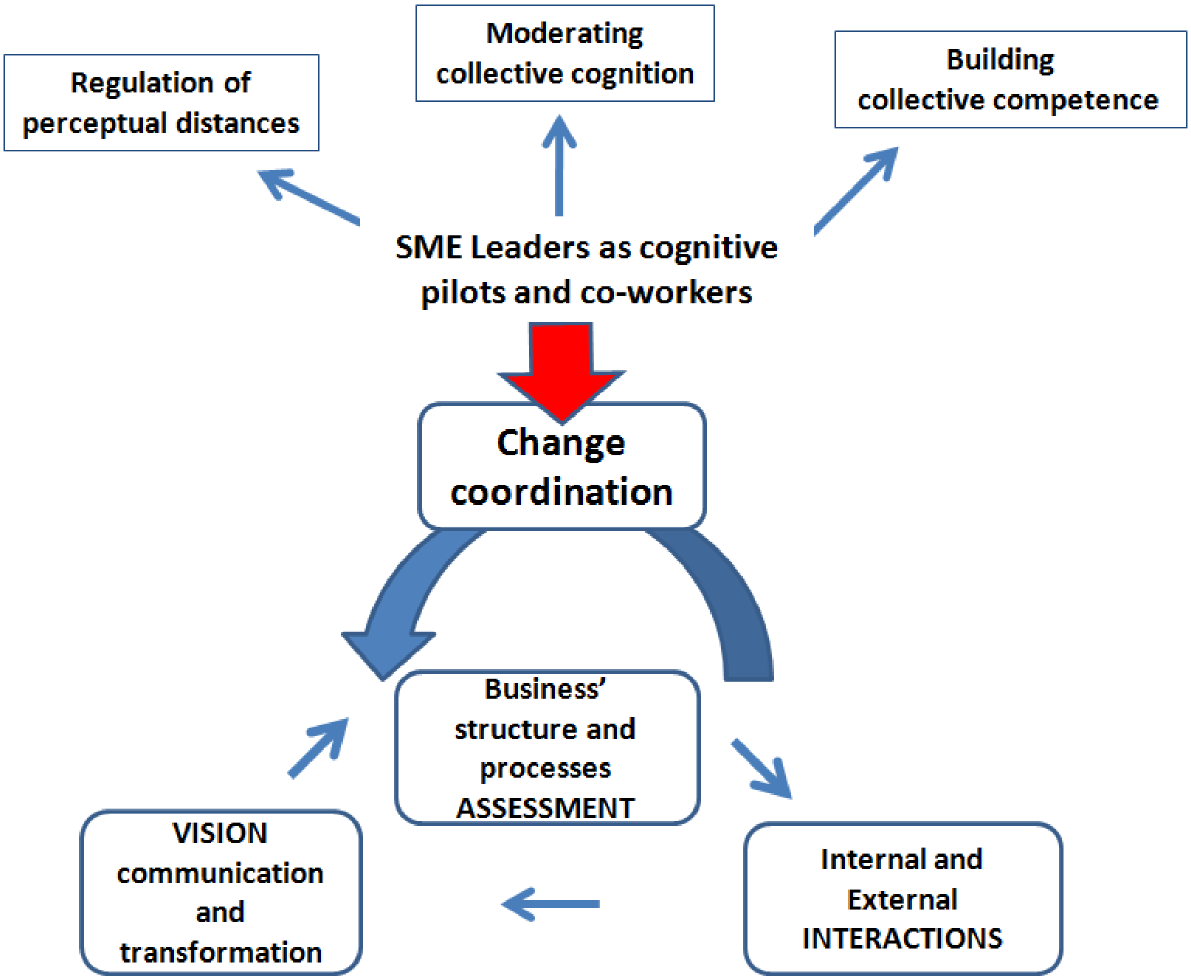
This experimental approach offers the possibility of reconsidering the existing approaches of business model generation and development, as well as the strategic transformation of existing enterprises (Radu & Redien-Collot, 2013). Of course, erratic and disorganized strategy coordination processes may negatively impact the work organization, as well as the employees' motivation and commitment, and induce confusion about the strategy of the enterprise in the eye of consumers, investors and business partners. At the same time, many SMEs adopt this approach as it provides them with a feeling of autonomy and flexibility, whereas the strategy coordination system may ask for a much more rigorous and systematic thinking and behavior from both leaders and employees.

Entrepreneurial Leaders in SMEs: A Systematic Articulation of Collective Competences and Strategy Coordination System

The strategy coordination system may be piloted by SME leaders in a rigorous order: first, they mobilize their employees to scan the external environment and identify significant changes, second, they assess their business' configuration and functioning, and finally, they decide together with their employees what strategic and organizational changes to initiate so as to maintain competitive advantage. To effectively manage the strategy coordination system, SME leaders need collective cognition and collective competence as a pre requisite of strategy coordination. The ability of the leader to communicate his/her vision and to engage employees into strategic thinking and decision-making is a source of business legitimacy and reputation (Rindova et al., 2009), and a trigger of business survival and regeneration potential (Bonin, 2006).

We think SMEs' collective competences impact the three strategy coordination processes. Concretely, there are two types of impacts (see Figure 2). First, collective competences shape the SMEs' collective capacity to initiate and manage the three strategy coordination processes. Second, SMEs and, mainly, their leaders may prioritize one coordination process or another in order to transform the employees' collective cognition and collective competences. In this interdependent perspective, the regulation of perceptual distances within the enterprise may influence the development of internal and external interactions. Additionally, collective cognition influences the employees' capacity to adjust their business representation to new strategic goals. Collective cognition may help, for instance, SMEs to identify why an offer is not adapted to a market that the enterprise successfully targeted in the past (Ruuska &

Figure 2. From collective competences to strategy coordination in SMEs



Teigland, 2009). In this case, as the SME's employees developed mutual trust (Cooren, 2004), they are able to co-construct different kinds of strategic solutions that may allow the enterprise either to adopt an offensive marketing approach of its sector or to address new markets (ibid.). Conversely, when engaged in bricolage attempts aiming to change some aspects of the organizational strategy or configuration, SMEs will also transform collective cognition so as to adapt to internal organizational transformations.

FURTHER RESEARCH DIRECTIONS

Qualitative research with case studies, semi-directed interviews and participant observation could be conducted to explore the role of individual and cultural variables, such as gender norms, in facilitating of impeding internal and external organizational coordination and interaction in SMEs contexts. Discourse analysis could provide interesting insights concerning the role of communication between leaders and employees, as well as between leaders and external stakeholders in coordinating strategy change processes. The contingency framework developed by Lumpkin and Dess (1996) could help designing future research dedicated to the study of the impact of leaders' capacity to manage the strategy coordination system and business performance.

This chapter put emphasis on the notion of "coordination" as a key leadership dimension with strategic outcomes at the enterprise level. We presented the interpersonal and cognitive processes involved in the genesis of collective cognition and competence in SMEs, and we stressed the moderator role of the leader in coordinating these processes. We noticed that in SMEs, there are two spheres of internal interactions: the interactions between the leader and the employees as a group, and the interactions between employees as group members. In reality, these two spheres of interactions frequently overlap but they may also be distinct in some circumstances. As SME leaders are involved in reducing perceptual distances inside the enterprise, they may attempt to reduce the overlapping of the strategic sphere (consisting in leader to employee interactions) with the managerial sphere (consisting in employee to employee interactions). But SME leaders may also decide to remain ambivalent in distinguishing among the two spheres. This choice may contribute to the development of two kinds of organizational reflexivity that could be extremely useful in building an entrepreneurial ecosystem both inside and around the enterprise (Graen & Uhl-Bien, 1995). In the strategic sphere, as we have seen in the previous sections, organizational reflexivity highly relies on the regulation of perceptual distances between the leader and the employees. In the managerial sphere, reflexivity is more focused on understanding and formalizing the collective competence that is emerging at the interpersonal and enterprise level. The two spheres shelters two different phases of organizational reflexivity, leaders should thus pay special attention to respecting their complementarities and to avoiding a hierarchical approach.

We need additional research to study the interaction of SME leaders and their employees from a communicational and relationship perspective. Rindova and her colleagues (2009) pointed out the importance of language in the emergence of entrepreneurial identity and reputation. SME leaders and their employees adopt various communication styles and tactics that influence both team cognition in terms of collective knowledge and skills and team performance in terms of collective competences. While dealing with communicational issues, SME leaders may help their teams to appropriately adjust to environmental challenges by articulating routine- and improvisation-based behaviors. At the same time, when examining the discourse of SME leaders, researchers may analyze the interplay of public and private discourses in the genesis of enterprise culture, that is, in the emergence of collective cognition, skills and identity (Redien-Collot, 2006).

This chapter highlights the importance of SME leaders--employees as well as employees' team interactions as major means for anticipating and dealing with environmental changes. To us, SME leaders do not have to necessarily follow a pre-existent roles portfolio to effectively deal with strategic and managerial issues. Rather, their specific contribution would be to moderate existing cognitions and interactions to enhance the collective ability to respond and anticipate market changes. In this perspective, solid collective routines are an indicator of an enterprise where perceptual differences were reduced to the benefit of shared representations and identity, whereas the capacity of collective improvisation may be an indicator of an enterprise where the two interactional spheres, the strategic and the managerial ones, were preserved and helped to develop together.

CONCLUSION

This chapter highlights the main dimensions of strategy coordination in SMEs and their interactions with the SME leaders' ability to build collective cognition and competence. In SMEs, we think leaders need simultaneously to landmark routine and to ritualize improvisation. To do so, they may rely on collective learning processes that can allow employees to articulate routine and improvisation behaviors. From a process perspective, leaders need to nurture the collective empowerment of employees to help them coordinate their representations and actions to face organizational and market challenges. Shared new representations engage employees to regulate their perceptual distances and identify common values in order to better cooperate and coordinate with each other inside the enterprise.

At the same time, SME leaders play a moderator function in managing collective interactions and communication so as to ensure that common values and identity remain flexible and evolve over time according to both internal and external changes. Otherwise, the enterprise would not be able to effectively respond unexpected challenges. Rather than diffusing or sharing their own alertness, SME leaders create a collective alertness towards risks and opportunities (Roberts, 2001). This collective alertness may be involved in the articulation of individual and collective improvisation in SMEs contexts. More research is needed to explore the cognitive and interactional aspects of SME leadership and its impact on the business' ability to deal with environmental changes, to foster collective performance and to build sustainable competitive advantage.

REFERENCES

Anderson, D., & Ackerman, L. (2001). *Beyond change management: Advanced strategies for today's' transformational leaders*. San Francisco, CA: Jossey-Bass/Pfeiffer.

Archer, G., Baker, T. & Mauer, R. (2009). Towards an alternative theory of entrepreneurial success: Integrating bricolage, effectuation, and improvisation. *Frontiers of Entrepreneurship, 29*(6).

Atwater, L. A., Waldman, D., & Brett, J.-F. (2002). Understanding and optimizing multisource feedback. *Human Resource Management Journal*, *41*, 193–208. doi:10.1002/hrm.10031

Bass, B. M. (1985). *Leadership and performance*. New York: Free Press.

Bonin, H. (2006). A short history of entrepreneurship in France (from 1780 up to today). In Y. Cassis, & I. Pepelasis-Minoglou (Eds.), *Country studies in entrepreneurship* (pp. 65–98). New York, NY: Palgrave Macmillan.

Carland, J. C., & Carland, J. W. (2012). A model of shared entrepreneurial leadership. *Academy of Entrepreneurship Journal*, *18*(2), 71–81.

Carr, A. (2002). Jung, archetypes and mirroring in organizational change management: Lessons from a longitudinal case study. *Journal of Organizational Change Management*, *15*(5), 477–489. doi:10.1108/09534810210440388

Cogliser, C., & Brigham, K. (2004). The intersection of leadership and entrepreneurship: Mutual lessons to be learned. *The Leadership Quarterly*, *15*, 771–799. doi:10.1016/j.leaqua.2004.09.004

Cooney, T. M. (2005). What is an entrepreneurial team? *International Small Business Journal*, *23*(3), 226–235. doi:10.1177/0266242605052131

Cooren, F. (2004). The communicative achievement of collective minding: In-depth analysis of a board meeting excerpt. *Management Communication Quarterly*, *17*(4), 517–551. doi:10.1177/0893318903262242

Duymedjian, R., & Rüling, C. (2010). Towards a foundation of bricolage in organizational and management theory. *Organization Studies*, *31*(2), 133–151. doi:10.1177/0170840609347051

Earley, P. C., & Gibson, C. B. (2007). Collective cognition in action: Accumulation, interaction, examination and accommodation in the development and operation of group efficacy beliefs in the workplace. *Academy of Management Review*, *32*(2), 438–458. doi:10.5465/AMR.2007.24351397

Eddleston, K. A. (2008). Commentary: The prequel of family firm culture and stewardship: The leader perspective of the founder. *Entrepreneurship Theory and Practice*, *32*(6), 1055–1061. doi:10.1111/j.1540-6520.2008.00272.x

Fernald, L. W. Jr, Solomon, G. T., & Tarabishy, A. (2005). A new paradigm: Entrepreneurial leadership. *Southern Business Review*, *30*(2), 1–10.

Garel, G. (2003). Pour une histoire de la gestion de projet. *Gérer et Comprendre*, *74*, 77–89.

Gartner, W. B. (2004). Achieving critical mass in entrepreneurship scholarship. In J. A. Katz, & D. Sheperd (Eds.), *Advances in entrepreneurship, firm emergence, and growth* (pp. 199–216). Greenwich, CT: Elsevier.

Gibson, C., Cooper, C., & Conger, J. (2009). Do you see what we see? The complex effects of perceptual distance between leaders and teams. *The Journal of Applied Psychology*, *94*(1), 62–76. doi:10.1037/a0013073 PMID:19186896

Gibson, C. B. (2001). Me and us: Differential relationships among goal setting training, efficacy, and effectiveness at the individual and team level. *Journal of Organizational Behavior*, *22*(7), 789–808. doi:10.1002/job.114

Graen, G., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level-domain perspective. *The Leadership Quarterly*, *6*(2), 219–247. doi:10.1016/1048-9843(95)90036-5

Higgs, M. (2009). The good, the bad, and the ugly: Leadership and narcissism. *Journal of Change Management*, *9*(2), 165–178. doi:10.1080/14697010902879111

Hitt, M. A., Ireland, R. D., Sirmon, D. G., & Trahms, C. A. (2011). Strategic entrepreneurship: Creating value for individuals, organizations, and society. *The Academy of Management Perspectives*, *25*(5), 57–75. doi:10.5465/AMP.2011.61020802

Huber, G., & Lewis, K. (2010). Cross understanding: Implications for group cognition and performance. *Academy of Management Review*, *35*(1), 6–26. doi:10.5465/AMR.2010.45577787

Ireland, R. D., Hitt, M. A., & Sirmon, D. G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management*, *29*(6), 963–989.

Jensen, S. M., & Luthans, F. (2006). Relationship between entrepreneurs' psychological capital and their authentic leadership. *Journal of Managerial Issues*, *18*(2), 254–273.

Johnson, J. D. (2009). An impressionistic mapping of information behavior with special attention to contexts, rationality, and ignorance. *Information Processing & Management*, *45*, 593–604. doi:10.1016/j.ipm.2009.04.005

Kamm, J. B., & Shuman, J. C. (1990). Entrepreneurial teams in new venture creation. *Entrepreneurship Theory and Practice*, *14*, 7–17.

Kirkman, B. L., & Rosen, B. (1999). Beyond self-management: Antecedents and consequences of team empowerment. *Academy of Management Journal*, *42*, 58–74. doi:10.2307/256874

Kirzner, I. M. (1979). *Perception, opportunity and profit*. Chicago, IL: Chicago UP.

Kotey, B., & Slade, P. (2005). Formal human resource management practices in growing small firms. *Journal of Small Business Management*, *43*(1), 16–40. doi:10.1111/j.1540-627X.2004.00123.x

Kozlowski, S. W. J. (1998). Training and developing adaptive teams: Theory, principles, and research. In *Decision making under stress: Implications for training and simulation* (pp. 115–153). New York, NY: APA Books. doi:10.1037/10278-005

Kyrgidou, L. P., & Hughes, M. (2010). Strategic entrepreneurship: Origins, core elements and research directions. *European Business Review*, *22*(1), 43–63. doi:10.1108/09555341011009007

Loufrani-Fedida, S., & Angué, K. (2006). Pour une approche transversale et globale des compétences dans les organisations par projets. In *Gestion des compétences: Nouvelles relations, Nouvelles dimensions* (pp. 123–148). Paris: Vuibert.

Lumpkin, G., & Dess, G. (1996). Clarifying the entrepreneurial orientation contract and linking it to performance. *Academy of Management Review*, *21*(1), 135–172.

Melkonian, T., & Picq, T. (2010). Opening the black box of collective competence in extreme projects: Lessons from the French Special Forces. *Project Management Journal*, *41*(3), 79–90. doi:10.1002/pmj.20181

Orlikowski, W. (1996). Improvising organizational transformation overtime: A situated change perspective. *Information Systems Research*, *7*(1), 63–92. doi:10.1287/isre.7.1.63

Pearson, A. P., & Marler, L. E. (2010). A leadership perspective of reciprocal stewardship in family firms. *Entrepreneurship Theory and Practice*, *34*(6), 1117–1124. doi:10.1111/j.1540-6520.2010.00416.x

Radu Lefebvre, M. (2011). Le rôle modérateur du leader dans l'émergence et la mise en oeuvre de compétences collectives: impacts sur la performance des équipes. In M. Radu Lefebvre, D. Cristol, & C. Laizé (Eds.), *Leadership et management. Etre leader, ça s'apprend!* (pp. 37–44). Bruxelles, Belgium: De Boeck.

Radu Lefebvre, M., & Redien-Collot, R. (2013). How to do things with words: The discursive dimension of experiential learning in entrepreneurial mentoring dyads. *Journal of Small Business Management*, *51*(3), 370–393. doi:10.1111/jsbm.12022

Redien-Collot, R. (2006). L'entrepreneur post-moderne et ses strategies d'accomplissement. *Management and Sciences Sociales*, *3*, 115–131.

Riggio, R., & Lee, J. (2007). Emotional and interpersonal competencies and leader development. *Human Resource Management Review*, *17*(4), 418–426. doi:10.1016/j.hrmr.2007.08.008

Rindova, V., Barry, D., & Ketchen, D. (2009). Introduction to a special topic forum on entrepreneuring as emancipation. *Academy of Management Review*, *34*(3), 477–491. doi:10.5465/AMR.2009.40632647

Roberts, P. (2001). Innovation and firm-level persistent profitability: A Schumpeterian framework. *Managerial and Decision Economics*, *22*(4-5), 239–250. doi:10.1002/mde.1018

Ruuska, I., & Teigland, R. (2009). Ensuring project success through collective competence and creative conflict in public-private partnerships: A case study of Bygga Villa, a Swedish triple helix e-government initiative. *International Journal of Project Management*, *27*, 323–334. doi:10.1016/j.ijproman.2008.02.007

Salam, S., Cox, J. F., & Sims, H. P. Jr. (1997). In the eye of the beholder: How leadership relates to 360-degree performance ratings. *Group & Organization Management*, *2*, 185–209. doi:10.1177/1059601197222004

Soriano, D., & Martinez, M. (2007). Transmitting the entrepreneurial spirit to the work team in SMEs: The importance of leadership. *Management Decision*, *45*(7), 1102–1122. doi:10.1108/00251740710773934

Spicer, C., & Jones, A. (2005). The sublime object of entrepreneurship. *Organization*, *12*(2), 223–246. doi:10.1177/1350508405051189

Wong, S., & Sitkin, S. B. (2000). Shaping collective cognition and behavior through collective learning. *Academy of Management Best Paper Proceedings*, MOC-BI.

Wyer, R. S. Jr, & Srull, T. K. (1986). Human cognition in its social context. *Psychological Review*, *93*, 322–359. doi:10.1037/0033-295X.93.3.322 PMID:3749400

Yukl, G. A. (1999). An evaluative essay on current conceptions of effective leadership. *European Journal of Work and Organizational Psychology*, *8*(1), 33–48. doi:10.1080/135943299398429

Zaccaro, S. J., Rittman, A. L., & Marks, M. A. (2001). Team leadership. *The Leadership Quarterly*, *12*, 451–483. doi:10.1016/S1048-9843(01)00093-5

KEY TERMS AND DEFINITIONS

Alertness: Cognitive individual and organizational ability to detect and interpret changes and opportunities.

Bricolage Leaders: They break free from their own perceptual gap, that is an environment change that they refuse or cannot take into account, and by doing this they are progressively obliged to deal with an organizational puzzle by initiating limited transformations that will ultimately determine them to break up and elaborate a new strategy and design a new business structure.

Collective Competences: The ability of a group to work together to achieve common goals.

Coordination: The ability to moderate team members' perceptual distances in order to create collective cognition and competences.

Mutual Understanding: Individual ability to represent the mental models of others and to actively adapt to the coexistence of different mental models.

Organizational Reflexivity: Organizational ability to reflect upon its own practices and develop the appropriate approaches to deploy this reflective ability.

Perceptual Distance: Discrepancies in team members' perceptions.

Section 3

Strategic Management in SMEs by Stage of Development

In this section the key aspects of strategic management in SMEs in different stages of their development (start, growth, internationalization) are presented, analyzed and discussed. The section starts with investigation into how even at the start SMEs and entrepreneurs could prepare for strategic development in the future. The section contributes theoretically (through advancing knowledge on the field of strategic factors for small business growth and practically) when designing support policies strategically oriented towards small firms). It also highlights the contemporary issues of internationalization of SMEs, launching a new model, avoiding shortages of preliminary models of internationalization.

Chapter 9
Becoming Strategic in Small Businesses

Colleen E. Mills
University of Canterbury, New Zealand

ABSTRACT

While strategy has been described as a plan or pattern of actions aligned to a conscious intent, it can also be conceptualised as the deliberate activities those in business engage in to realise a strategic intent. It is this activity oriented conception of strategy that is fuelling the turn towards practice in strategy scholarship. This chapter draws on this perspective and the 'communication as constitutive of organisations' (CCO) perspective to explore what is involved in becoming strategic in an active and experiential sense in a small business. To do this, it uses illustrations from a series of studies of business startup or restart from the creative, ICT, and construction industries in New Zealand. The empirically-based synthesis presents strategic management in small businesses as a relational process producing a narrative infrastructure that weaves together episodes of strategy praxis to produce a coherent thread that 'tells the firm forward' (See Deuten & Rip, 2000). The chapter finishes by briefly exploring the implications of this view for those seeking to become more strategic in small businesses.

INTRODUCTION

Strategy is not merely a plan that "relates the strategic advantages of the firm to the challenges of the environment" (Jauch & Glueck, 1988, p. 11) or a "pattern in a stream of actions" aligned with a conscious intent (Mintzberg & Quinn, 1988, p. 11). It can also be conceived of as the daily practices people engage in as they respond to environmental opportunities and challenges and propel their business forward towards the achievement of its goals. It is this focus on people 'doing' strategy that is fuelling the emerging practice orientation in strategy scholarship (See Jarzabkowski, 2005; Jarzabkowski, Balogun & Seidl, 2007; Whittington, 1996, 2001, 2006, 2007). This orientation is directing researchers' attention away from the firm's plans and patterned actions towards the interrelated dimensions of praxis, strategy practitioners, and practices (Whittington, 2007; Jarzabkowski & Whittington, 2008); in other words, toward people and what they actually do (i.e., their praxis) in practice and how this is shaped by and contributes to strategy

DOI: 10.4018/978-1-4666-5962-9.ch009

practices – "the routines and norms of strategy work" (Whittington, 2007, p. 1579).

This chapter shows how such an activity-based notion of strategy coupled with considerations of the relational and narrative dimensions of business activity can provide a useful frame for understanding strategic management in micro and small businesses[1] (henceforth called small businesses). To do this, it draws on the findings from a range of New Zealand studies of business startup and restart. These small businesses include a new pregnancy clothing franchisee (Mills & Pawson, 2006), 44 emerging designer fashion businesses (Mills, 2011a, 2011b), eight nascent entrepreneurs in the ICT sector (Mills & Pawson, 2012), 10 businesses in the devastated High Street fashion precinct (Ho, 2012) forced to restart after the 2010–2011 Canterbury earthquakes in New Zealand (Mills, 2012), and eight trades people who chose to 'go out on their own' in the construction industry (Stewart, 2008).

While the chapter is informed by studies from one country, it is written with a broad international readership in mind. The active and experiential practice-based perspective of strategic management it offers will be relevant to nascent entrepreneurs, entrepreneurship scholars and educators, enterprise support agencies, and policy makers; in fact, anyone who has an interest in understanding how strategy occurs in practice from the nascent business developer's perspective and how strategic management can be encouraged.

The chapter is organised around the following questions:

1. What do we mean by 'strategy' in small businesses and how can we realistically study it?
2. How does strategy emerge in practice in small businesses?
3. What conditions support the emergence of a strategic orientation towards practice in small businesses?
4. How can small business owners use the perspective presented here to become more strategic?

WHAT DO WE MEAN BY 'STRATEGY' IN SMALL BUSINESSES AND HOW CAN WE REALISTICALLY STUDY IT?

The word 'strategy' and its derivatives are widely used yet remain ambiguous terms with many conflicting definitions (French, 2009; Giles, 1991; Hussey, 1994; Ruocco & Proctor, 1994). In 1988, Mintzberg and Quinn (1988) observed that the term strategy had been defined in four interrelated ways: as a plan, perspective, pattern, and position, yet seven years later he and his colleagues observed that first and foremost people still consider strategy to be a plan (Mintzberg, Quinn, & Voyer, 1995). It seems that regardless of whether people adhere to classical or more contemporary processual, evolutionary, or systemic perspectives of strategy (Whittington, 2001), the term 'strategy' can still conjure up images of planning meetings and documents that identify opportunities and articulate grand plans and associated tactics for taking advantage of these opportunities. These images also align with the dominant view of the startup process in the entrepreneurship literature, which centres on a linear design-then-execution framework (Shane & Venkataraman, 2000; Stevenson & Jarillo, 1990) or what Baker, Miner, and Eesley (2003, p. 3) refer to as "design-precedes-execution."

Such images can be far removed from the deliberate day-to-day praxis of nascent entrepreneurs and new small business owners as they steer their businesses into the future. Their written strategic plan, if they have one, may well be gathering dust on a shelf and only integrated into future actions in so far as it provides a benchmark against which to measure company activity when financial reports are needed or applications to funding agencies like banks and enterprise development funds are prepared. It seems that in many small businesses the strategic plan, if it exists, is unlikely to become a living document that gets woven into daily strategic action yet these businesses, it can be argued, are still operating strategically – in a deliberate calculated fashion with a long-term vision in mind.

Strategic action in small businesses can be a matter of cycles of improvisation and adjustment in response to changing environmental circumstances and market feedback but with an overall vision in mind. Nascent entrepreneurs and small business operators typically have a clear idea of what they want to achieve and why they are in business but their strategic management is often emergent (e.g., 'born' global small businesses (Rennie, 1993)), formed in response to external forces (Mintzberg, 1987), rather than premeditated and tightly defined. The details of such strategic management emerge in this interaction between environment, intentions, and the praxis that creates the reality of daily business (See Mintzberg, 1987). This observation is synchronised with the strategy practice (SP) perspective (i.e., strategy as practice) and its focus on doing strategy and the practitioners who do it. As part of the wider field of practice studies, SP requires us to see strategy and strategic management "in terms of phenomena that are actually done, as they become evident in the here-and-now" (Miettinen, Samra-Fredericks, & Yanow, 2009, p. 1309). By (re) presenting strategy as a verb, as something the entrepreneur or business owner does rather than has (Jarzabkowski, 2004, p. 529), this perspective resonates with the experience of many nascent entrepreneurs as they establish their small businesses, particularly those in the creative industries (e.g., Mills, 2011a, 2011b).

Designers in the designer fashion industry who start their own businesses, for example, usually have a strategic intent but are much less likely to have a well-developed strategic plan that can guide them towards realising this intent. This can be because they do not have access to "the paraphernalia of what has been called the strategy industry" (Mintzberg, 1987, p. 66) and the time to distinguish and develop strategy at different levels (i.e., corporate, business, and functional). They are more likely to be engaged in the all-consuming detail of everyday operations, particularly if they are sole-charge owner-operators (Mills, 2011a, 2011b), which is often the case in the creative industries. Instead of a defined strategy, they tend to move their businesses forward in an iterative, experiential manner consistent with their strategic intentions. They become strategic through experience, through doing business. They create and develop business intentions, refining the way they achieve these intentions reflexively as they act upon them. Birdthistle (2006) suggests this is the only way to learn to run a small or medium size enterprise. The following excerpt, elicited by asking a nascent entrepreneur in the designer fashion sector the question "did you start off your business with a business plan?" captures this emergent, practice-based, and somewhat subconscious approach to strategy:

No not really. It just did [it in] my head. I did a five year plan at [design school] as one assignment we did, which was partially based on what I would really like, so it was in the back of my head, and I looked back at it about four years after I'd done it, 'cos [sic] I'd thought I'd forgotten all of it, and I saw it and I've actually followed through on everything. I was about, half a year, or a year late, with everything. But yeah, I couldn't believe it. It must have been in my subconscious and I actually followed through on it, but no, um, I haven't actually done an official business plan 'cos [sic] I've always meant to but never done it.

Similarly, a participant in a study of emerging ICT businesses (Mills & Pawson, 2012) revealed in her enterprise development narrative that she had a clear vision of what she wanted to do but that her strategic practice emerged, not through a pre-emptive plan but rather at the interface between her capabilities and the possibilities afforded by digital media.

I guess I just kept going in that direction [digital media] and it's been really easy for me, you know it's what I wanted to do. I was always a frustrated artist, because I always wanted to draw and make pictures but I can't do that to make it look how it's meant to be. Yeah, well with 3D you can, it's easy.

Personal capabilities are one of many circumstances that the study of nascent entrepreneurs in the designer fashion sector in New Zealand suggests shape how strategic intent and praxis combine. The author had the opportunity to study another much rarer circumstance – the impact of an extreme and unpredicted event on strategic intent and business praxis – when the Canterbury region of New Zealand experienced a series of devastating earthquakes between September 2010 and December 2011. The following excerpt is from an interview with an established small business owner whose business premises in the High Street fashion precinct were damaged in the most devastating of the earthquakes, which struck Christchurch on 22 February 2011. He was denied access to these premises for several months as the central business district in which his business was located was cordoned off due to the potential for buildings to collapse and cause further loss of life. The excerpt provides a very compelling illustration of how a firm can be conceived as an open system (Fayolle & Todorov, 2011) with its strategy created in the junction between circumstances, strategic intent, and praxis.

I think we have kind of [sic], in some ways it feels like I am starting again, having another opportunity. Obviously having to set up new stores… um…We can set the stores up, we can so they will work a little bit better in the environment of what we are doing now rather than when we started the business previously. […] There's a lot of things I'd never thought about before that I have incorporated in the business. Safety aspects …um…and…with the differences in population, a percentage of our customers have left. We are gaining a lot of new people as well being in different locations, but it is, it is [sic], I am kind of trying to use it as an opportunity to start again and do things better.

This excerpt suggests that, in the face of new circumstances (i.e., new premises, new location, and new customers), this small business owner was framing his experiences as an opportunity to change his practice. His way of talking was a form of praxis, discursively constructing a strategy that coupled possible actions to his original strategic intent in the face of the disaster's aftermath.

Strategic intent is a notion widely used in relation to large business, referring to the planned direction (Hamel & Prahalad, 2005) or purposes the organisation strives to fulfil (Døving & Gooderham, 2008). The small business startup studies informing this paper suggest we need to be careful not to assume such notions can be applied to small businesses in the same way as they are applied in large businesses. The findings suggest the strategic intent in small businesses, particularly at startup, is less robust than that in a large business. Firstly, at startup the nascent entrepreneur is not likely to know all the possibilities available or how a particular strategic intent will play out in practice. Secondly, New Zealand studies (Mills, 2011a, 2011b; Mills & Pawson, 2006) suggest that sometimes small business startup is not so much about realising business intentions as it is about achieving a certain lifestyle that the nascent entrepreneur assumes will accompany self-employment in a particular sector. This was evident in some designers' and builders' accounts of their startup motivation and subsequent business practice. Instances of business decisions that did not reflect a business orientation were encountered in both studies as well as in Mills and Pawson's (2006) case study of a franchisee startup. In this franchisee startup, the new small business owner's intention to maintain a particular style of family life informed a number of important business decisions including the choice of premises and the hours of operation of the new business. The premises chosen were close to the family home and the retail business only opened during school hours or in the evening when the franchisee's spouse could look after their two young children.

Even among small business owners with clearly articulated and strongly business-oriented strategic plans, the studies showed that some decisions were based on satisfying personal preference or attraction (e.g., to a business sector) and showed little correspondence to any declared strategic intent or regard for the possible consequences of the decisions on business viability. In the excerpt below, a designer reveals the way attraction rather than her business plan led her to start making coats rather than simple garments that are easier to make and sell:

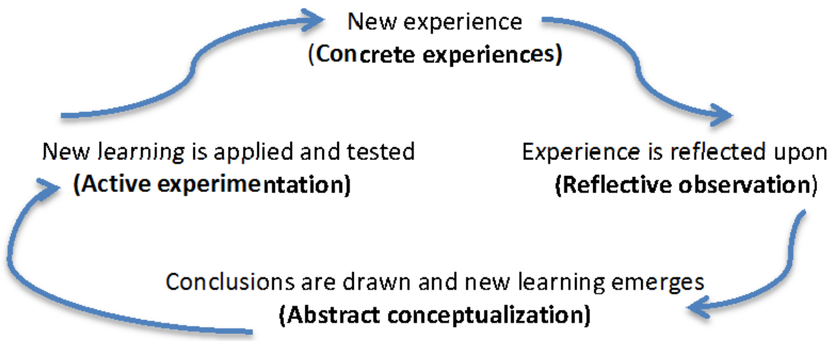
Um, again it was just an attraction to them [i.e., coats], um, and I think, um, maybe it was an attraction to doing the most difficult first and then, um, what's, [unclear]. Have the satisfaction in being able to conquer something that's difficult; allows you to glide through other work at a, at a more, with, [sic] with a bit more ease and knowing that you know, your, your [sic] ground work is in something really complex and difficult.

This excerpt suggests the designer's praxis was referenced to personal preference rather than business wisdom yet other decisions suggested she exercised considerable business acumen and took pride in coupling her actions to her plan. At the same time, her plan and associated behaviour were always open to refinement and redevelopment. For instance, in telling her enterprise development story to the media, she explained how her ethical principles were woven through her practice. These principles were given prominence in the media report and subsequently adjustments were made to give them greater prominence in her marketing strategy, helping to give her business a distinctive direction and greater market edge.

Examples like this suggest strategic intent in small businesses can be very fluid, modified to incorporate texts created by and with others (e.g., the media). This is not to say such externally informed strategic adjustment does not happen in large businesses but it can be easier for owner-operated small businesses to achieve because the size of their operation allows levels of flexibility and responsiveness not necessarily available to large complex firms. On the other hand, the size of small businesses can constrain strategy development compared with large businesses. For instance, lack of staff and limited financial resources can mean small businesses' strategic decision making may have few similarities with how this occurs in practice in large firms. A variety of in-house resources (e.g., strategic analysts, shared electronic tools, and training opportunities) are available for large firms to use to support the development of strategic behaviour, whereas in the small startups the available resources are likely to be distributed across personal and, as time passes, increasingly external organisational networks (Larson & Starr, 1993). This can make strategic management more challenging and less self-sufficient in small firms, with available resources spread across well-meaning friends and family who may not be well informed or possess appropriate business skills, or across professional networks that are costly to participate in. Not surprisingly, small business owners often report improvising or 'making do'.

The term 'bricolage' (Lévis-Strauss, 1967), which Baker and Nelson (2005, p. 333) define as "making do by applying combinations of the resources at hand to new problems and opportunities," has been used to describe how small business owners are able to develop sufficient strategic perspective to ensure their praxis propels their businesses towards their business goals even when operating in seriously resource-constrained environments that do not allow them the luxury of professional assistance.

Figure 1. Kolb's experiential learning cycle (Kolb, 1976)



Even with prior industry experience, the small business owner, particularly in their first startup, is likely to learn to be strategic through hindsight as they act and then reflect on their actions, identify what is worth doing again, and then incorporate this into their routines. It seems that strategy practice, like the sensemaking that fuels it (Weick, 1995), is often realised in a small businesses in an iterative manner (i.e., in the dialectic relationship between action and reflection). The small business studies informing this chapter suggest this highly iterative and experiential approach to strategy practice is, at least in part, a consequence of not having the resources needed to engage in proactive formal training or possessing a repertoire of tested strategy practices to call upon when faced with a business decision. As a result, decision-making can occur in an organic, reflexive, and experimental way that mirrors the learning process captured in Kolb's (1976) experiential learning cycle. Figure 1 graphically presents this widely recognised cycle. It proposes that new experiences occur (Concrete experience), are reflected upon (Reflective observation), conclusions are drawn and new learning emerges (Abstract conceptualisation), and then this new learning is applied and tested (Active experimentation). Each stage leads into the other, giving rise to a cyclic process of experience, reflection, conceptualising, and testing that requires feeling, watching, thinking, and doing. This model's cyclic portrayal of learning behaviour captures the way business life, particularly at startup, continually presents new challenges and opportunities that test routines and can require new learning that leads to revised strategy practice.

The simple elegance of this model obscures the fact that any form of human feeling, watching, thinking, and doing can only be fully appreciated when the economic, material, and social dimensions that contribute to these processes are appreciated. All human actors are 'relation beings' (Gergen, 1999, 2009), shaped by those they engage with and the discursive, material, and economic environments in which this social engagement occurs. Thus, when we try to appreciate strategic practice and what it means to engage in managing this practice we are inevitably confronted with a multi-faceted relational system. The way nascent entrepreneurs and small business operators enact and assess their business activities and the environments in which they are operating, the resources they have at their disposal, and the goals they are trying to achieve are all permeated by ideas, information, and experiences that are acquired by virtue of being relational beings (Gergen, 2009). To comprehensively understand this relational dimension – the relationships in and around a business and how they shape and are shaped by business practice – requires gathering rich data that reveals the composition and dynamic expression of the web of relationships, both past and present, that is woven through a business venture.

Revealing Strategy in Practice

Several research approaches allow the emergent and relational nature of strategy practice in small businesses to be appreciated. One of these is ethnography, which requires researchers to immerse themselves in the daily life of a business, observing and participating in business praxis and its consequences. Unfortunately, this is not always a practical option because of the time required to fully experience how a business operates and also because past experiences and the meaning of these in relation to current activity are not always evident in the observable moment.

Narrative research approaches allow both past and present business experiences and their consequences to be collected in a manner that reveals the sense the narrator made of them (Søderberg, 2006). At the same time a narrative can allow the relational nature of these experiences to be appreciated across time and space because the voices of people who are not physically or temporally present can be accessed. In other words, the multi-vocal nature of experience can be appreciated (Søderberg, 2006) because of the intertextual nature of narratives. For instance, the contribution of a deceased parent can be injected into the narration of a business experience when a narrator recalls the parent's advice or instructions. So, too, can the narrator's perspective on the economic context that prevailed at the time their preferences or strategic intentions became clear. Thus, a narrative approach allows the creation of a rich account of the experience of doing business that incorporates actions, settings, actors, and their relationships (i.e., the fabula) across time and space in a relatively economical fashion. What is more, narration is a familiar and practiced way of experiencing the past, present, and emerging strategy of a business (Søderberg, 2006) because, life is essentially understood through the stories we tell (Fisher, 1987).

Narrative research, however, is a relatively new approach in the fields most concerned with strategic management in small businesses (Johansson, 2004). This is a little surprising given the ability of narrative analyses to efficiently elucidate the practices that constitute strategy in action (Fenton & Langley, 2011). However, there are a few notable examples of narrative research in small business strategy research, including O'Connor's (2002) study of how narratives were used during an ICT startup. This study provides an excellent example of an ethnographic study with a narrative focus.

The particular narrative approach employed in the studies informing this chapter looked beyond the literary analysis afforded by narrative data to explore the way characters, contexts, and actions constitute the sense made of enterprise development experiences. The approach is essentially interpretive with the analysis focusing on how the narratives reveal the entrepreneurs' sensemaking about their enterprising practice. Small business owners and nascent entrepreneurs were asked to narrate their startup or restart stories and account for the decisions they made and the activities they engaged in.

Each study produced insights and, in three cases (Mills, 2011a; Mills & Pawson, 2006, 2012), conceptual frameworks that are contributing to our understanding of enterprise development and thus strategy practice. They are suggesting enterprise development involves personal transformative action situated within, and shaped by, social networks and the resources these provide. This way of conceptualising enterprise development situates the emergence of strategy practice in small businesses within the dialectics that exists between self-identity and enterprise (Mills & Pawson, 2006) and self-identity and collaborative action (Mills, 2011b). The following section uses findings from the author's narrative-based research programme on small business startup to illustrate how this research is confirming that becoming strategic is intimately associated with social practice.

HOW DOES STRATEGY EMERGE IN PRACTICE IN SMALL BUSINESSES?

Until fairly recently, entrepreneurship studies have typically taken a functionalist perspective, giving primacy to individual agency. The result is a plethora of studies addressing entrepreneurs' decision-making (e.g., Amit, MacCrimmon, Zietsma, & Oesch, 2001; Burmeister-Lamp, Lévesque, & Schade, 2012) and their personal attributes (Locke & Baum, 2004; Mehrabi & Kolabi, 2012), including their need for achievement (e.g., McClelland, 1961) and their orientation to risk (e.g., Forlani & Mullins, 2000; McCarthy, 2000; Petrakis, 2005; Pinfold, 2001). The scant attention paid to the lived-in experience of enterprise development has meant the entrepreneur's practices and how they make sense of these have been largely ignored. Only fairly recently has attention has been paid to enterprise development stories and what they can reveal about how nascent entrepreneurs make sense of the actions they take to establish new businesses. O'Connor's (2002) study of an IT entrepreneur's storytelling is one example of a study that shows what enterprise development narratives can reveal about the entrepreneur's experience. In this case, O'Connor was able to show how the entrepreneur created a typology of foundational stories to support his startup process. The studies underpinning this chapter similarly show how such stories, termed enterprise development narratives, can reveal the intricacies of the entrepreneur's experience (See Mills, 2008, 2011a, 2011b, 2012) and how these can vary between entrepreneurs in the same industry (Mills & Pawson, 2006, 2012).

These studies reveal that startup, particularly in the creative industries, can be a somewhat unstructured process that occurs without a detailed strategic intent. It can be an incremental step in a life story rather than a highly strategic act (Mills, 2011a). The following excerpt from an enterprise development narrative provides an example of how the entrepreneurial practice that forms a small business can unfold in an almost serendipitous way, framed by an unelaborated intent:

I've always designed and made my own clothes, so that was something that started it. When I met my partner, he wanted to create a business. I always wanted to create a business as well so we put those two things together and then all at the same time we registered a name and started developing it. We were doing both men's and women's clothing then but then we soon realised that we just wanted to narrow it down and do a really good job, so we got into men's clothing …

Even when a designer has a very clear intent and is taking steps to realise this, circumstances can intervene and strategy can play out in an unanticipated way. The following excerpt from the enterprise development narrative of a designer's business partner reveals how an unfortunate event – the designer breaking his hip – shaped their firm's emerging strategic praxis. Their business activity intensified and, because of resource constraints, practices emerged that eventually cemented a unique business strategy in place – one that saw them give made-to-measure garments primacy over a pre-sized stock line.

[Designer] had started making his own tee shirts, um, he was thinking about hoodies, he was thinking about launching jeans and it was just really like a, you got to be kidding, you know, we can't, we can't afford to launch those products, um, unless one of us, or the other, you know, or both of us give up our day jobs and really commit to this. And then, I guess, the hip was what made it happen. We just basically both said, 'right, you know, if [designer] can't work anymore he has to be here, and the store really needs me, 'cos [sic] I'm like the salesperson and so here we go', like full time into, into running [name of business], and um, yeah, next thing you knew, we were launching jeans, hoodies, a tee shirt dress in summer time, um, we went on holiday after one Christmas to

Sydney and [designer] came back and immediately launched the tee shirt corset … yeah we just had one in the window all summer, and women would just come in and buy it and buy it and buy it, order one for their daughter. It was like great, so, um, but it's always been sort of grass rootsy [sic] in that we've decided we'd never launch a line, we would never waste all that investment up front and wait for sales. We couldn't, we weren't doing it that way because we were designing, manufacturing, retailing. We had, we had this um, old sort of fashioned idea of what clothing was about, making beautiful clothes, and it was all about tailoring it to the customers, and giving customers the opportunity to put their individual touch on it too, like ordering their own prints and stuff, um, that was all sort of growing and becoming the ethic of our business because that's what the customers were sort of, um, loving about us and our style. It sort of grew very organically, um, yeah, until all of a sudden, you know, we're five years down the track and we have, like, you know … we have a, a mission statement and we have a corporate profile that explains it, and, um, a list of sustainable business practices that we can tell you about and a timeline and, um, productivity process maps.

Another designer told a similar story of a business startup that realised a long established expectation but was precipitated by the stresses of parenting; her business was created to provide a creative outlet to balance her demanding life as a mother.

I guess the fashion part of my life probably starts when I was, um, a child and um, I don't, I think in retrospect I probably saw the sort of logic and the thread then, but um, at the time I just loved, … I'd always wanted to have my own design label so it was always gonna [sic] happen. It's just really a timing element. … I just needed an outlet, something just for myself and I decided to use 10 hours of my time each week to create something, and I created my first collection in that manner in 2001 out of my own home studio. I just told people who I knew, no one else. I only told people who I personally knew, like what I was doing. They came over and purchased the entire rack [laughs]. So, and they told other people and, um, so many people were knocking at the door, requesting either to see the rack and buy from it or have something made especially for them, and in 2003 we decided to separate the business from my private life and um, launch our first retail shop. This was April 2003 so that's how this all started, Yeah, so we started business in earnest as we are doing now in 2003 but the business was really born out of a necessity to escape my, my daughter [laugh] and what became 10 hours, what was 10 hours became 80 hours very quickly.

These two examples are not unique. In all the enterprise development narratives in the fashion startup study (Mills, 2008, 2009, 2011a, 2011b), evidence was found of strategy practice being shaped by unanticipated events and personal circumstances. However, the orientation towards business practice that emerged could be explained in terms of a combination of the designers' motivation, aspirations, and self-identity (Mills, 2011a, 2011b). These three dimensions defined three primary 'enterprise orientations' (Mills, 2008), which are described in Table 1.

These orientations do not constitute a simple typology. Rather, they define the poles of a triangular 'enterprise orientation space' (Mills, 2008) in which the business owners' orientations towards their business practice can be located. What is relevant to this discussion of how small business operators become strategic is that the position a particular designer occupied within this orientation space was not fixed. As they engaged in business activity their experiences could cause them to modify their orientation. The most obvious modification revealed by the enterprise development narratives involved moving from the 'creative enterprise orientation'

Table 1. Enterprise orientations (Revised from Mills, 2011)

Orientation	Creative Enterprise (CEO)	Creative Business (CBO)	Fashion Industry (FIO)
Motivation	To realise one's creative potential	To work for oneself	To participate in the fashion industry
Aspirations	To become known as a fashion designer	To make a living by creating a successful label	To be successful business person in the fashion industry
Self-identify	Creative person	Creative business person	Creative and/or style focused business person

(CEO) towards the creative business orientation' (CBO). As relationships with suppliers, manufacturers, distributors, and customers developed, many designers' orientations evolved and took on a more strategic flavour. Business decisions were given more deliberate consideration with the result the designers' sense of themselves and their orientation towards enterprise changed. In other words, by engaging in business practice a designer's motivations, aspirations, and sense of who they were (i.e., their self-identity) evolved from what could be considered to be essentially a 'creative person identity' towards one that accommodated being strategic. Business decisions came to be experienced as less burdensome and more integral to the overall creative endeavour. This move from CEO to CBO was typically coupled to expanding social networks. Personal networks were augmented by professional networks, which enriched the designers' social capital[2] and facilitated access to more sophisticated business advice and resources.

Similar observations were made in a study of builders who 'went out on their own' (Stewart, 2008). As they 'came off the tools' to engage more in the management of their business rather than the construction process, their orientation towards enterprising also shifted. They moved from focusing on construction and staff management to operating a construction business. In so doing, their needs changed, requiring them to seek out suppliers, contractors, and professional services. Being in business expanded their industry related and professional networks, enhancing the social capital they could exercise and their discursive practices in much the same way as it did for the fashion designers.

In both the fashion and construction sectors, work flows, industry cycles, deadlines, and achieving adequate cash flow from month-to-month can be challenging, forcing a new business operator to employ a progressively more structured approach to enterprise as their business becomes more complex and costs rise. Those businesses that survive are likely to be led by owners who can look beyond the garment or building construction operation and develop ways to anticipate and adjust their practice to accommodate wider management issues. In taking cognisance of the wider issues they are forced to develop a more strategic business orientation to their enterprising practices. This evolution from operational to strategic practice is consistent with Stanworth and Curran's (1976) observation that many small and entrepreneurial businesses are established around a particular skill or trade-based knowledge by individuals who are acting out the 'artisan identity' (Stanworth & Curran, 1976, p. 104). This identity is about 'intrinsic satisfactions', such as the desire to be autonomous, choose whom you work with, have status in the workplace, and the satisfaction of creating quality products (Stanworth & Curran, 1976, p. 104). By surviving the formative period to become profitable, social conditions are generated that are conducive to the nascent artisan entrepreneur assuming a 'classical entrepreneur identity' (Stanworth & Curran, 1976, p. 105) with its more strategic orientation towards practice. This orientation supports practices that encourage growth, which over time may require the entrepreneur to assume the 'manager identity' (Stanworth & Curran, 1976, p. 104) as staff, systems, and bureaucracy are introduced into the business to cope with increased production. This identity challenges the entrepreneurial spirit and, according to Stanworth and Curran (1976), may account for why some small business owners adopt a no-growth stance. By limiting growth they can retain a more entrepreneurial or artisan identity.

WHAT CONDITIONS SUPPORT THE EMERGENCE OF A STRATEGIC ORIENTATION IN SMALL BUSINESSES?

As noted earlier, human action does not occur in a vacuum; it is inevitably a relational process. Using the case of *Coffee Republic,* Fletcher (2006) argues that opportunity formation, which is a key part of being strategic, is rationally and communally constructed. Even the sole operator must engage with others to develop opportunities to sustain their business. This and other activity that comprise strategic management are situated and shaped by a web of relationships that run through a business. These relationships, which extend beyond the relationships business owners have with their staff to include both personal and professional networks within the wider community and customers, are the contexts in which the negotiations that make business 'happen' occur. Rae (2005) explains this concept of the negotiated enterprise in the following way:

The concept of the negotiated enterprise is that the business venture is not enacted by one person alone, but through negotiated relationships with others. The ideas and aspirations of individuals are realised through interactive processes of exchange with others within and around the enterprise, including customers, investors and co-actors such as partners or employees (p. 329).

Even when practices are described as in-house, exchanges with parties outside the business contribute to business practice. This is evident in the following fashion designer's (FD1) account of how she promoted her designs in the early years of establishing her business:

FD1: … and we did very good look books [promotional books] right from the beginning so we did really professionally, professionally done look books.

I[3]: And, and how did you go about finding someone to do that?

FD1: To do the look books? We were recommended a photographer, and then we went from there so we just did all that ourselves.

I: So who did the recommending?

FD1: Um, people that we'd been in business with before, or, you know, used before, contacts through, [sic] in the industry.

This exchange with contacts in the industry illustrates social capital in action; how small business operators can profit from exchanges with members of their social networks. The designer's past engagement with people in the industry enabled her to identify a source for the resources she needed (i.e., photographic services). Her social capital was not spent in this exchange with her industry contacts in the way that financial capital would be. Rather, it provided the social conditions that made asking for advice possible. This is consistent with Anderson, Park and Jack's (2007, p. 249) conceptualisation of social capital as a relational artefact that acts as a key, enabling resources to be tapped into, rather than as a resource itself (For the counterview of social capital as a resource, see Kim & Aldrich, 2005; Nahapiet & Ghoshal, 1998).

Adler and Kwon (2002, p. 17) capture this enabling role of social capital when they describe social capital as "the goodwill that is engendered by the social fabric of social relations and that can be mobilized to facilitate action." Seen in this way, social capital provides a mechanism for appreciating how business strategy is communally located. So too does the notion of the 'negotiated enterprise' (Rae, 2005).

Engagement with individuals and networks external to the business not only facilitate or directly provide access to goods and services that serve to develop the business, but also are dialectically related to the business owner's sense of who they are – their self-identity – which also shapes business strategy. A good example of this is the case of the young mother in Mills and Pawson's (2006) startup case study of a franchisee selling maternity fashion garments. Her motivation and the strategic practices this spawned were aligned with her self-identity as a mother of young children. For example, she chose premises that were close to her home and children's school and set her operating hours so she could engage in their school activities and be home when school finished, thus ensuring she could fulfil her dual roles of businesswoman and mother. This "self-enterprise fit" (Mills & Pawson, 2006) reflected, in part, her wider web of relationships with family and the obligations she felt she needed to meet in regard to these relationships. It also served to align her to her customers, who were frequently operating within a similar set of family constraints, and appreciated being able to shop at family-friendly times. This customer alignment was an unanticipated positive outcome of strategic practices designed to maintain her positive self-identity as a young mother while extending this identity to include being a businesswoman. When she subsequently established another retail operation in another city she used the same practice, but this time with the deliberate intention of accommodating time-constrained mothers. Her actions provide an excellent example of emergent business strategy negotiated in the exchanges between firm, family, and customers.

HOW CAN SMALL BUSINESS OWNERS USE THE PERSPECTIVE PRESENTED HERE TO BECOME MORE STRATEGIC?

The studies informing this chapter are suggesting that, for many new business owners, strategic behaviour emerges in an iterative manner in the process of doing business. This emergence of strategic practice does not happen in a vacuum (Hindle, 2004; Klyver & Hindle, 2007). The findings from these studies are suggesting social networks are an integral part of developing vision and strategic intent, taking action in line with this vision and intent, and confirming the sense of strategic agency that this action fosters. We can conceive of strategic practice – the doing of strategy – as simultaneously a product of and giving rise to a distributed relational web that is as much a part of the business as the individual owner. This is revealed in the way a range of characters feature in enterprise development narratives and the widespread instances of intertexuality[4] that can be identified in these narratives. The following excerpt from a fashion designer's (FD2) enterprise development story illustrates how startup practice can be relationally distributed. The designer describes how an established designer she worked for and business incubator staff participated in the emergence and enactment of her startup strategy:

FD2: I did some work experience for [well-known designer] who is actually just over in [location] and she's sort of said just ring up the [fashion incubator] here and just let them know what you are doing and they might be able to help you set up, so once I joined the outreach programme here they sort of realised that this [designer's plan] had good potential so from there it's just snowballed into getting the company name registered and stuff like that. I mean I would have done it in my own time if I hadn't been here but because I've been in the [incubator] it sort of helped me move along quite fast which is scary but it needed to happen because, yeah …

The same designer, when asked what keeps her going, provided another illustration of how her praxis is embedded in the relationships that surround her business.

I: So you told me you've been quite busy. What keeps you going?

FD2: It's quite funny actually having people to sort of impress, well not to be cocky or anything like that, but having other people's faith and sort of expectations of you keeps me going as well. Wanting to let them know that I'm not just fucking around, I'm actually really wanting to get out and do this. So other people's motivation is my drive as well.

This relational conception of the drive powering a business venture and the praxis that it supports have implications for the way strategic management can be fostered in small enterprises. Instead of seeing strategic management as rooted solely in the strategic practices of the business owner or operator, it suggests there is considerable value in encouraging their practice to be seen as part of a wider collaborative and negotiated environment (Rae, 2005) that can be enhanced by nurturing and refining the web of relationships threaded through a business. This is a proposition that will resonate with those managing business incubators, who no doubt regularly see benefits, in terms of improved strategic management, from introducing nascent entrepreneurs in their incubators to accomplished business owners with well-honed strategic management skills. Such introductions allow nascent entrepreneurs to hear good stories of strategic practice recounted. The contribution of such stories to entrepreneurial learning should not be underrated. Stories of successful (and unsuccessful) business venturing can be both inspirational and cautionary but also provide a backdrop against which the emerging entrepreneur can craft their own stories and, in so doing, give coherence to their own episodes of praxis and emergent practice.

A narrative provides a vehicle for articulating the entrepreneur's strategic intentions and beginning to talk new strategic behaviour into being. This is because, according to Weick (1995), we don't know what we think until we hear what we say. Talk is generative, discursively allowing us to create our sense of the world, which in turn provides the basis for action. As Fenton and Langley (2011) observe: "… stories shape the organizational landscape as individuals and organizations become actors in their own stories" (p. 1186).

Not only does this talk create the small business operator's sense of the world, however, it is also inextricably tied to the development and maintenance of their identity as a strategic operator because, according to Weick (1995, p. 20), our identities "are constituted in the process of interaction." This means that by talking about their business plans and practices an individual is enacting their identity as a businessperson and creating an opportunity to have this reinforced by the responses of those they are engaging with. They socially construct a strategic identity that will support their strategic management practices. For example, a builder may be talking to a potential customer about the way he or she ensures subcontractors complete their work in a timely manner, telling stories of how this has saved particular customers money. This sort of talk could become a deliberate and routine form of business promotion – a marketing strategy in practice. If the conversation includes discussing future business opportunities and the way the builder plans to take advantage of these, then a prospective narrative is produced that has the potential to direct the builder's praxis and contribute to what Fenton and Langley (2011, p. 1186) call the "narrative infrastructure" of the firm. This infrastructure is the web of stories in which a business is embedded that, over time, produces the taken-for-granted "thrust or direction" (Langley & Fenton, 2011, p. 1186) that gets woven through the interactions that occur in the process of doing business.

The recognition that narratives have power, constituting both the small businessperson's identity and their business activity, is consistent with the 'communication as constitutive of organisations' perspective (CCO) (Chaput, Brummans, & Cooren, 2011; Cooren, Kuhn, Cornelissen, & Clark, 2011; Putnam & Cooren, 2004; Putnam & Nicotera, 2008), which proposes organisations are "ongoing and precarious accomplishments realized, experienced, and identified primarily – if not exclusively – *in* communication processes" (Cooren et al., 2011, p. 1150).

If we accept that narrativity is an example of CCO in action and strategic management is essentially a relational game then we can identify some practical implications for small business operators. One implication is that the process of becoming strategic can be hastened when nascent entrepreneurs and small business owners take the time to engage in interaction, both inside and around the business, that affords them opportunities to tell business stories. This could mean that, instead of dismissing active membership of business associations like the local Chamber of Commerce and industry groups as distractions or drains on valuable time, the nascent entrepreneur or new business owner should seriously consider taking an active interest in these groups. Interaction with fellow members will provide opportunities to swap business stories and create a resilient narrative infrastructure for 'talking their business into the future'. However, risk accompanies such opportunities. Narratives need to be seen as a form of strategy practice that warrants careful management as they have the potential to work against the achievement of business goals.

The small business operator needs to consider carefully how their narratives are constructed, which ones get told, to whom they get told, and what other narratives are interwoven with these narratives. O'Connor's (2002) study of a high tech startup illustrates this well. She found the nascent entrepreneur needed different narratives in different situations and sometimes these narratives were in conflict with each other. Consistent with O'Connor's (2002) findings, I am proposing that, in order to become strategic, the nascent entrepreneur must develop narrative competence; the ability to craft and deliver business narratives that are tailored for specific situations and yet do not compromise the emerging brand by conflicting with other narratives that also comprise the emerging business' narrative infrastructure. To appreciate how to do this requires taking the time to listen to other business people's enterprise development narratives and considering the strategic lessons they contain and the impact they have when told. By being a critical consumer of others' stories the nascent entrepreneur and new small business owner then has a laboratory for refining their own narrative practices and learning how to use narratives to drive their strategy practice.

CONCLUSION

This chapter has sought to contribute to the literature on strategic management in small firms by showing how enterprise startup is, for many nascent entrepreneurs and small business owners, a process of becoming strategic rather than acting out some innate strategic ability using a preemptive strategic plan. This process of becoming strategic is intimately tied to the entrepreneur or small business owner's emerging self-identity as a strategy practitioner (Whittington, 2006), which is embedded in the social networks in which they live and operate (Gergen, 1999, 2009). This means strategy practice in a general sense and the strategic management that is required to weave episodes of praxis together in specific situations can be conceptualised as relational and negotiated (Rae, 2005) rather than an individual form of agency. This is because all enterprise development practice inevitably incorporates the activities of others (Larsen & Starr, 1993; Rae, 2005). Strategy practice is distributed across all the social interactions that are necessary to take a concept, transform it into a marketable service or product, and do this in an ongoing and profitable manner. Many of these interactions will be a consequence of the social capital available to the nascent entrepreneur or small business operator through existing personal and professional networks or those they create around their business. The narrative infrastructure they create both facilitates and is a consequence of engaging with these networks.

This socially distributed and 'storied' view of strategy in practice, which is the main contribution of this chapter, has implications for how strategic management in small businesses is achieved and assessed and how support is provided to assist small business operators in their quest to become more strategic. It will also resonate with those scholars who propose that social capital is a vital ingredient in successful business venturing and entrepreneurship (See Kim & Aldrich, 2005). But probably more importantly, by highlighting the significance of the socially and discursively embedded nature of strategic management, the chapter reinforces Davidsson's (2008) view that there is no single prescription for planning and developing a small business. The practices involved in establishing a small business are contingent upon the physical, economic, and most significantly, social circumstances in which the emerging venture is embedded.

This chapter has proposed that nascent entrepreneurs and small business operators interpret their changing business circumstances reflexively, through cycles of experiential learning (Kolb, 1976), as they steer their ventures towards their business goals. Associated with this, they produce a narrative infrastructure that weaves together episodes of strategy praxis – their own and others – to produce a coherent thread that 'tells the firm forward' (See Deuten & Rip, 2000). This perspective is both consistent with, and builds on, the practice turn in strategy scholarship with its dual focus on individual actors and "the workings of the social" (Whittington, 2006, p. 614). It also builds on the CCO perspective with its focus on the generative nature of communication. In doing so, it advances a new social constructionist and distributed perspective of how nascent entrepreneurs and new business owners become strategic that has narrativity at its heart. This view takes into account that entrepreneurial praxis can only be fully appreciated when the activities of the entrepreneur are understood as intimately associated with the wider social context (Watson, 2009; Fayolle & Todorov, 2011).

REFERENCES

Adler, P. S., & Kwon, S.-W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, *27*(1), 17–40.

Amit, R., MacCrimmon, K. R., Zietsma, C., & Oesch, J. M. (2001). Does money matter? Wealth attainment as the motive for initiating growth-oriented ventures. *Journal of Business Venturing*, *16*(2), 119–143. doi:10.1016/S0883-9026(99)00044-0

Anderson, A., Park, J., & Jack, S. (2007). Entrepreneurial social capital: Conceptualizing social capital in new high-tech firms. *International Small Business Journal*, *25*(3), 245–272. doi:10.1177/0266242607076526

Baker, T., Miner, A. S., & Eesley, D. T. (2003). Improvising firms: Bricolage, account giving, and improvisational competencies in the founding process. *Research Policy*, *32*(2), 255–276. doi:10.1016/S0048-7333(02)00099-9

Baker, T., & Nelson, R. E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, *50*(3), 329–366. doi:10.2189/asqu.2005.50.3.329

Birdthistle, N. (2006). Training and learning strategies of family businesses: An Irish case. *Journal of European Industrial Training*, *30*(7), 550–568. doi:10.1108/03090590610704402

Burmeister-Lamp, K., Lévesque, M., & Schade, C. (2012). Are entrepreneurs influenced by risk attitude, regulatory focus or both? An experiment on entrepreneurs' time allocation. *Journal of Business Venturing*, *27*(4), 456–475. doi:10.1016/j.jbusvent.2011.12.001

Chaput, M., Brummans, B. H. J. M., & Cooren, F. (2011). The role of organizational identification in the communicative constitution of an organization: A study of consubstantialization in a young political party. *Management Communication Quarterly*, *25*(2), 252–282. doi:10.1177/0893318910386719

Cooren, F., Kuhn, T., Cornelissen, J. P., & Clark, T. (2011). Communication, organizing, and organization: An overview and introduction to the special issue. *Organization Studies*, *32*(9), 1149–1170. doi:10.1177/0170840611410836

Davidsson, P. (2008). *The entrepreneurship research challenge*. Cheltenham, UK: Edward Elgar. doi:10.4337/9781848442764

Deuten, J. J., & Rip, A. (2000). Narrative infrastructure in product creation processes. *Organization*, *7*(1), 69–93. doi:10.1177/135050840071005

Døving, E., & Gooderham, P. N. (2008). Dynamic capabilities as antecedents of the scope of related diversification: The case of small firm accountancy practices. *Strategic Management Journal*, *29*(8), 841–857. doi:10.1002/smj.683

European Union. (2005). *SME definition: User guide and model declaration.* Downloaded from http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

Fayolle, A., & Todorov, K. (2011). European entrepreneurship in the globalizing economy: An introduction. In A. Fayolle, & K. Todorov (Eds.), *European entrepreneurship in the globalizing economy* (pp. 1–7). Cheltenham, UK: Edward Elgar. doi:10.4337/9781849808224.00005

Fenton, C., & Langley, A. (2011). Strategy as practice and the narrative turn. *Organization Studies*, *32*(9), 1171–1196. doi:10.1177/0170840611410838

Fisher, W. R. (1987). *Human communication as narration: Towards a philosophy of reason, value, and action*. Columbia, SC: University of South Carolina Press.

Fletcher, D. (2006). Entrepreneurial processes and the social construction of opportunity. *Entrepreneurship and Regional Development*, *18*(5), 421–440. doi:10.1080/08985620600861105

Forlani, D., & Mullins, J. (2000). Perceived risks and choices in entrepreneurs' new venture decisions. *Journal of Business Venturing*, *15*(4), 305–322. doi:10.1016/S0883-9026(98)00017-2

French, S. (2009). Critiquing the language of strategic management. *Journal of Management Development*, *28*(1), 6–7. doi:10.1108/02621710910923836

Gergen, K. K. (1999). *An invitation to social construction*. London: Sage.

Gergen, K. K. (2009). *Relational being: Beyond self and community*. New York: Oxford University Press.

Giles, W. D. (1991). Making strategy work. *Long Range Planning*, *24*(5), 75–91. doi:10.1016/0024-6301(91)90254-L

Hamel, G., & Prahalad, C. K. (2005). Strategic intent. *Harvard Business Review*, *83*(7/8), 148–161. PMID:10303477

Hindle, K. (2004). Choosing qualitative methods for entrepreneurial cognitive research: a canonical development approach. *Entrepreneurship Theory and Practice*, *28*(6), 575–607. doi:10.1111/j.1540-6520.2004.00065.x

Ho, K. W. (2012). *Business survival in the face of natural disaster: The case of the High Street fashion precinct* (Unpublished Bachelor of Commerce Honours dissertation). University of Canterbury, Christchurch, UK.

Hussey, D. E. (1994). *Strategic management: Theory and practice*. New York, NY: Pergamon.

Ikeba, S. (2008). The meaning of 'social capital' as it relates to the market process. *The Review of Austrian Economics*, *21*, 167–182. doi:10.1007/s11138-007-0037-x

Jarzabkowski, P. (2004). Strategy as practice: Recursiveness, adaptation, and practice-in-use. *Organization Studies*, *25*(4), 529–560. doi:10.1177/0170840604040675

Jarzabkowski, P. (2005). *Strategy as practice: An activity-based approach*. London: Sage.

Jarzabkowski, P., Balogun, J., & Seidl, D. (2007). Strategizing: The challenges of a practice perspective. *Human Relations*, *60*(1), 5–27. doi:10.1177/0018726707075703

Jarzabkowski, P., & Whittington, R. (2008). A strategy-as-practice approach to strategy research and education. *Journal of Management Inquiry*, *17*(4), 282–286. doi:10.1177/1056492608318150

Jauch, L. R., & Glueck, W. (1988). *Business policy and strategic management*. New York: McGraw-Hill.

Johansson, A. W. (2004). Narrating the entrepreneur. *International Small Business Journal*, *22*(3), 273–293. doi:10.1177/0266242604042379

Kim, P. H., & Aldrich, H. E. (2005). Social capital and entrepreneurship. *Foundations and Trends in Entrepreneurship*, *1*(2), 1–64.

Klyver, K., & Hindle, K. (2007). The role of social networks at different stages of business formation. *Small Enterprise Research*, *15*(1), 22–38. doi:10.5172/ser.15.1.22

Kolb, D. A. (1976). Management and the learning process. *California Management Review*, *18*(3), 21–31. doi:10.2307/41164649

Larson, A., & Starr, J. A. (1993). A network model of organization formation. *Entrepreneurship Theory & Practice*, *17*(2), 5–15.

Lévi-Strauss, C. (1967). *The savage mind*. Chicago, IL: University of Chicago Press.

Locke, E., & Baum, R. (2004). The relationship of entrepreneurial traits, skill and motivation to subsequent venture growth. *The Journal of Applied Psychology*, *89*(4), 587–598. doi:10.1037/0021-9010.89.4.587 PMID:15327346

McCarthy, B. (2000). Researching the dynamics of risk-taking and social learning: An exploratory study of Irish entrepreneurs. *Irish Marketing Review*, *13*(1), 46–60.

McClelland, D. C. (1961). *The achieving society*. Princeton, NJ: Van Nostrand. doi:10.1037/14359-000

Mehrabi, R., & Kolabi, A. M. (2012). Investigating effect of entrepreneur's personal attributes and cognitive heuristics on the quality of entrepreneurial strategic decision making. *Global Business and Management Research: An International Journal*, *4*(2), 178–192.

Miettinen, R., Samra-Fredericks, D., & Yanow, D. (2009). Re-turn to practice: An introductory essay. *Organization Studies*, *30*(12), 1309–1327. doi:10.1177/0170840609349860

Mills, C. E. (2008). Telling tales: Confronting creative tensions in fashion sector start-up. In *Proceedings of the 31st Annual Conference of the Institute for Small Business and Entrepreneurship*. Belfast, Northern Ireland.

Mills, C. E. (2009). Coping with the cutting edge: Social capital, identity and the creative challenges of start-up in the fashion design sector. In *Proceedings of 32nd Annual Conference of the Institute for Small Business and Entrepreneurship.* Liverpool, England.

Mills, C. E. (2011a). Enterprise orientations: A framework for making sense of fashion sector startup. *International Journal of Entrepreneurial Behaviour and Research*, *17*(3), 245–271. doi:10.1108/13552551111130709

Mills, C. E. (2011b). Coping with the cutting edge: Enterprise orientations and the creative challenges of start-up in the fashion design sector. In C. Henry, & A. de Bruin (Eds.), *Entrepreneurship and the creative economy: Process, policy and practice* (pp. 169–200). Cheltenham, UK: Edward Elgar. doi:10.4337/9780857933058.00017

Mills, C. E. (2012). Navigating rocky times: Creative restart in Christchurch. In *Proceedings of 35th Institute for Small Business and Entrepreneurship Conference*. Dublin, Ireland.

Mills, C. E., & Pawson, K. (2006). Enterprising talk: A case of self construction. *International Journal of Entrepreneurial Behaviour and Research*, *12*(6), 328–344. doi:10.1108/13552550610710135

Mills, C. E., & Pawson, K. (2012). Integrating motivation, risk-taking and self-identity: A typology of ICT enterprise development narratives. *International Small Business Journal*, *30*(5), 584–606. doi:10.1177/0266242610390594

Ministry of Economic Development (July, 2010). *SMEs in New Zealand: Structure and dynamics 2010.* Wellington, NZ: Ministry of Economic Development.

Mintzberg, H. (1987). Crafting strategy. *Harvard Business Review*, *65*(4), 66–75.

Mintzberg, H., & Quinn, J. B. (1988). *Reading in the strategy process* (3rd ed.). New Jersey: Prentice-Hall.

Mintzberg, H., Quinn, J. B., & Voyer, J. (1995). *The strategy process*. Englewood Cliffs, NJ: Prentice-Hall.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, *23*(2), 242–266.

O'Connor, E. (2002). Storied business: Typology, intertextuality, and traffic in entrepreneurial narrative. *Journal of Business Communication*, *39*(1), 36–54. doi:10.1177/002194360203900103

Petrakis, P. (2005). Risk perception, risk propensity, and entrepreneurial behaviour: The Greek case. *Journal of American Academy of Business*, *7*(1), 233–242.

Pinfold, J. F. (2001). The expectations of new business founders: The New Zealand case. *Journal of Small Business Management*, *39*(3), 279–285. doi:10.1111/0447-2778.00025

Putnam, L. L., & Cooren, F. (2004). Alternative perspectives on the role of text and agency in constituting organizations. *Organization*, *11*(3), 323–333. doi:10.1177/1350508404041995

Putnam, L. L., & Nicotera, A. M. (Eds.). (2008). *Building theories of organizing: The constitutive role of communication*. New York: Routledge.

Rae, D. (2005). Entrepreneurial learning: A narrative-based conceptual model. *Journal of Small Business and Enterprise Development*, *12*(3), 323–335. doi:10.1108/14626000510612259

Rennie, M. W. (1993). Born global. *The McKinsey Quarterly*, *4*, 45–52.

Ruocco, P., & Proctor, T. (1994). Strategic planning in practice: A creative approach. *Marketing Intelligence & Planning*, *12*(9), 24–29. doi:10.1108/02634509410069056

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, *25*(1), 217–226.

Søderberg, A.-M. (2006). Narrative interviewing and narrative analysis in a study of cross-border merger. *Management International Review*, *46*(4), 397–416. doi:10.1007/s11575-006-0098-2

Stanworth, M. K. J., & Curran, J. (1976). Growth and the small firm – An alternative view. *Journal of Management Studies*, *13*(2), 95–110. doi:10.1111/j.1467-6486.1976.tb00527.x

Stevenson, H. H., & Jarillos, J. C. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, *11*(4), 17–27.

Stewart, S. J. (2008). *Stories of entrepreneurial activity in the construction industry. What narratives tell us about motivations and explanations for business start-ups* (Unpublished Bachelor of Commerce Honours dissertation). University of Canterbury, Christchurch, UK.

Watson, T. J. (2009). Entrepreneurial action, identity work, and the use of multiple discursive resources. *International Small Business Journal*, *27*(3), 251–274. doi:10.1177/0266242609102274

Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks, CA: Sage.

Whittington, R. (1996). Strategy as practice. *Long Range Planning*, *29*(3), 731–735. doi:10.1016/0024-6301(96)00068-4

Whittington, R. (2001). *What is strategy and does it matter?* (2nd ed.). London: Routledge.

Whittington, R. (2006). Completing the practice turn in strategy research. *Organization Studies*, *27*(5), 613–634. doi:10.1177/0170840606064101

Whittington, R. (2007). Strategy practice and strategy process: Family differences and the sociological eye. *Organization Studies*, *28*(10), 1575–1586. doi:10.1177/0170840607081557

KEY TERMS AND DEFINITIONS

Enterprise Orientation: A concept introduced by Mills (2008) to embrace the combination of motivation, aspiration, and self-identity that capture nascent entrepreneurs orientation towards business. The concept emerged from the analysis of business startup in the New Zealand designer fashion sector.

Narrative Infrastructure: "The evolving aggregation of actors/narratives in their material and social settings that enables and constrains the possible stories, actions and interactions by actors. It can be seen as the 'rails' along which multi-actor and multi-level processes gain thrust and direction" (Deuten & Rip, 2000, p. 72). In other words, it is the web of stories in which a business is embedded that, over time, produces the taken-for-granted "thrust or direction" (Langley & Fenton, 2011, p. 1186) that gets woven through the interactions that occur in the process of doing business.

Relational Practice: The practices that occur when people interact with each other. Starting a business involves creating a system of relational practices that ensure interactions between stakeholders like suppliers, distributors, contractors, employees, owners, and customers contribute constructively to business success.

Small Business: Used as a generic term in this chapter to refer to businesses of 19 or less employees. This is the New Zealand Ministry of Economic Development's (2010, p. 11) definition of an SME but is consistent with the European Union definition of a micro business.

Social Capital: "The goodwill that is engendered by the social fabric of social relations and that can be mobilized to facilitate action" (Adler & Kwon, 2002, p. 17).

Socially Distributed Strategic Management: The way strategic behaviour is not vested in just one person in a small business. Rather it is spread across the social networks that form in and around a business.

Startup: The process of establishing a business.

Strategy Practice: The day-to-day strategic practices managers engage in - "the routines and norms of strategy work" (Whittington, 2007, p. 1579). It is a term that embraces the meetings, discussion, administration, and number crunching that contribute to the formulation and execution of strategy (Whittington, 1996).

ENDNOTES

[1] The European Union (2005, p. 14) defines micro businesses as having fewer than 10 employees and small businesses as having fewer than 50. In small economies these numbers are likely to be lower. In New Zealand, for example, a SME is considered to be a firm with 19 or fewer employees (Ministry of Economic Development, 2010, p. 11). This means all the studies referred to in this chapter were micro businesses in terms of the European Union definitions.

[2] Social capital has been defined as the norms and generalised reciprocity and networks of trust that emerge unplanned over time, that operate in public space among members of an open-ended community, and that help promote entrepreneurial discovery" (Ikeba, 2008, p. 181).

[3] 'I' indicates utterances made by the interviewer.

[4] Intertextuality refers to the way narratives are not bounded wholes but rather have other narratives woven through them. They contain references to and excerpts from other narratives and are performed by narrators who have had their attitudes and understandings shaped by the narratives they have previously encountered and told.

Chapter 10
Strategic Entrepreneurial Orientation and Small Business Growth

João J. Ferreira
University of Beira Interior (UBI), Portugal
& NECE - Research Unit in Business Sciences, Portugal

Mário L. Raposo
University of Beira Interior (UBI), Portugal
& NECE - Research Unit in Business Sciences, Portugal

Cristina I. Fernandes
NECE - Research Unit in Business Sciences, UBI, Portugal

ABSTRACT

This chapter aims to define a coherent theoretical framework enabling a broader understanding of the strategic entrepreneurial orientation (SEO) and to evaluate their effects on small firm growth. A sample made up of 211 small Portuguese firms from various different sectors of activity was surveyed by questionnaire. The results demonstrate how the life-cycle of companies, their resources, capacities, motivations and surrounding environment all influence the SEO of small companies. The empirical evidence shows how SEO, and across four specific dimensions – proactiveness, innovativeness, risk taking and competitive aggressiveness, clearly impacts on the growth of these small firms. The study contributes both theoretically (through advancing knowledge on the field of strategic factors for small business growth) and practically (when designing support policies strategically orientated towards small firms).

INTRODUCTION

The business reality demonstrates how strategic entrepreneurial orientation (SEO) generates a significant contribution to a firm's success (Stevenson, 1984). The importance of strategic management to the growth of businesses in general and small firms in particular has become a very important and generally accepted topic (Davidsson, 1989; Covin & Slevin, 1991; Smallbone. et al., 1995; Delmar, 1996; Davidsson& Wiklund,

DOI: 10.4018/978-1-4666-5962-9.ch010

1999; Fayolle, 1999; Davidsson & Wiklund, 2001; Davidsson et al., 2002; Moreno & Casillas, 2008). Moreno and Casillas (2008) focus on the strategic orientation-growth relationship in order to identify several simultaneously ongoing relationships between strategy, environment, resources and growth.

Given the great variety of factors presented as growth stimulators, it is not possible to trace the development of a single theory concerning growth at small firms. Several approaches have been proposed in attempts to appropriately study this growth process. Theory and previous research suggest that, for firms to grow and obtain a good performance, they need to have an SEO (Covin & Slevin, 1991; Zahra, 1993; Wiklund, 1998; Ferreira, 2010). According to Wales et al. (2013), entrepreneurial orientation encapsulates a firm-level strategic posture toward the pursuit of new opportunities for organizational growth and renewal. Core to the notion underlying SEO is how firms most probably seek to embrace creation and pursue new markets and opportunities (Lumpking & Dess, 1996; Miller, 2011; Wales et al., 2013). Moreover, firm-level SEO motivates and supports efforts to leverage absorbed knowledge into value-creating resource bundles (Wiklund & Shepherd, 2003; Wales et al., 2013). Wales et al. (2013) conclude that SEO enhances the financial performance and firms with higher levels of SEO achieve higher levels of absorptive capacity (the company's ability to acquire, assimilate, transform, and exploit new knowledge).

However, when examining the relationship between SEO and growth, recognition of the multidimensional nature of the growth construct becomes essential (Davidsson, 1989; Zahra, 1991). The extent to which growth throughout one particular dimension reflects on another is an empirical question that requires testing (Zahra, 1991; Wales et al., 2013). It is hard to imagine small firms capitalizing on opportunities and making a considerable impact on the market without actually growing. Thus, growth seems to stand out as an important actual representation of the entrepreneurial behavior of small firms (Davidsson, 1989; Kozan et al., 2006; Tang et al., 2008). Despite the complexity and controversy that revolves around this theme, further research is claimed.

In this context, the present research strives, within the framework of a strategic approach, to empirically examine the relationship between strategic entrepreneurial orientation (SEO) factors and growth in the small business context. The study contributes both theoretically (through advancing knowledge on the field of strategic factors for small business growth) and practically (when designing support policies strategically orientated towards small firms).

SEO AND SMALL FIRMS GROWTH

Essential to the context of the current research is the identification of the strategic variables reflecting the practice, the process, the organizational methods and the style of decision–making that small firms implement and that most probably shape their growth patterns. Nevertheless, the literature review reveals how this strategy represents a broad and deep concept with not only many different definitions of strategy but also typologies to the possible strategic choices available to small firms (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Ferreira, 2010). As a starting point to identifying the most important strategic dimensions to small firms, we may consider the firm strategy typologies put forward by authors taking a theoretical approach to organizations (e.g. Porter, 1980; Miles & Snow, 1978; Davidsson, 1989; Lumpkin & Dess, 1996). Each of these models relates a group of variables which do not depend on organizational growth. In addition, the Miles and Snow (Hambrick, 1983; Zahra & Pearce, 1994; Gimenez, 1999) and Porter models (Miller, 1983) were empirically tested to validate that relationship.

Previous researches do consider the dimensions to SEO as of great importance (Mintzberg, 1973;

Miller & Friesen, 1984; Miller, 1987; Lumpkin, 1996; Lumpkin & Dess, 1996; Wiklund, 1998; Bhaskaran, 2006; Kozan et al., 2006; Hmieleski & Corbett, 2006; Wang, 2008; Rauch et al., 2009; Ferreira, 2010) and, additionally, some also consider that entrepreneurial strategy bears a great impact on growth (Moreno & Casillas, 2008; Ferreira, 2010). Miller and Friesen (1982) maintain entrepreneurial firms both innovate courageously and regularly while also taking considerable risks in their product/market strategies.

Although many factors are pointed out in explaining this growth process, in this research we focus on SEO as the theoretical framework of study. According to Miller (1983), an entrepreneurial firm is one that commits itself to product/market innovation, undertakes actions which are slightly risky and is the first to proactively deploy innovations able to beat the competitors. This SEO incorporating definition focuses more on the process than on the actor behind it (Wiklund, 1998; Davidsson & Delmar, 1999), thus, this places greater emphasis on the entrepreneurial process than on the entrepreneur.

When studying small business strategies and in particular those strategic options influencing growth, it would seem pertinent to discuss the dimensions and means of measuring SEO. Although different interpretations of such measuring instruments have been put forward, that does not inherently preclude feasible instruments for measuring key aspects to SEO. Covin and Slevin (1991) support Miller's (1983) point of view by referring to how organizations, and not only individuals, behave entrepreneurially. They also defend the adoption of risk taking, innovativeness and proactiveness as the most relevant dimensions. However, Lumpkin and Dess (1996) identify competitive aggressiveness as a crucial strategic dimension. Nevertheless, they refer to this as a behavior type labeled as SEO.

In this context, and according to Miller (1983), an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is the first to come up with 'proactive' innovations, beating competitors to the punch. SEO is one of the central concepts of this study and defined through four variables: *1. innovativeness; 2. risk taking; 3. proactiveness;* and *4. competitive aggressiveness.*

1. **Innovativeness:** Schumpeter (1934) emphasizes the role of innovation to business processes and placing it at the heart of entrepreneurship. Most authors agree that all types of entrepreneurship are based on innovation (Stopford & Banden-Fuller, 1994; Lumpkin et al., 1996; Macmilan & McGrath, 2000; Aloulou & Fayolle, 2005) demanding changes in the pattern of resource usage and the creation of new capabilities opening up new opportunities for positioning in new markets (Stopford et al., 1994). Innovation is, according to Bird (1988), more than invention and involves the marketing of ideas, implementation and the modification of existing products, systems and resources. Furthermore, Freeman and Soete (1997) associate entrepreneurship with innovation as the first commercial application or production or a new process or product, and the crucial contribution of the entrepreneur to inputting new ideas into the market. Innovation refers to a willingness to support creativity and experimentation in introducing new products/services (Lumpkin & Dess, 1996).
2. **Risk Taking:** According to Schumpeter (1934), being an entrepreneur involves trying to enter new markets and incurring errors through taking on a certain degree of risk. These risks stem from a tendency to commit to actions and invest a great deal of resources in projects with uncertain outcomes (Lumpkin & Dess, 1997). The first distinction to risk incorporates this sense of uncertainty and may thus be applied to any type of risk usually discussed in the study

of entrepreneurship, i.e. personal, social or psychological risks. Both the concept of high indebtedness and resource usage falls within the scope of this risk taking definition (Miller & Friesen, 1982).

3. **Proactiveness:** This approaches the way firms discuss opportunities in the market on their own initiative (Lumpkin, 1996; Lumpkin & Dess, 1996). Proactiveness is generated by seeking out new products or services and the introduction of new products or new technological resources ahead of the competition. Proactiveness enables the firm to shape the nature and direction of competition to its own advantage (Lumpkin & Dess, 1996, 1997). Proactiveness thus serves as a driver of competitive advantage due to the initiative and the implementation of new products and new markets (Moreno & Casillas, 2008). For Venkatraman (1989), proactiveness is a process based on anticipating future needs and performance by identifying opportunities that may or may not be related to the initial business, products, services, and strategically eliminating operations that are in a mature and declining stage.
4. **Competitive Aggressiveness:** Competitive aggressiveness is a fundamental feature of successful entrepreneurial activity (Covin et al., 1990; Lumpkin & Dess, 1996; Venkatraman, 1989). The competitive aggressiveness factor refers to how firms respond to competition and trends and requirements that already exist in the marketplace (Lumpkin, 1996). A strong offensive posture aimed at overcoming competitors, aggressively defending its market position or entering a market where it has pre-identified specific rivals, characterize competitive aggressiveness.

DIMENSIONS IMPACTING ON SEO

Various models aim to explain entrepreneurship and SEO. For example, Covin et al. (1990) discuss their model of entrepreneurship through the relationship between SEO and strategy, structure, and the environment. Within the set of factors described in the literature as impacting on SEO, we here include the following: 1. entrepreneurial motivations, 2. company life-cycle, 3. resources, and 4. environmental characteristics:

1. **Motivation:** The literature clearly portrays the influence that motivation has on SEO (Miner, 1990; Kets de Vries, 1999). Individuals who are motivated to develop and expand the firm have a greater tendency to introduce innovative solutions.
2. **Company Life Cycle:** Different stages in company life cycles represent different characteristics of structure and environment complexity. Several studies (Greiner, 1972; Mintzberg, 1973; Kazanjian, 1988; Dodge et al., 1994; Ferreira, 2010) argue that the company life cycle influences the respective strategy and SEO in effect at the firm. The literature on life cycles presents a variety of models. Each model emphasizes different factors proposed to explain the changes that occur in firms (Greiner, 1972, 1972; Adizes, 1979, Hanks et al., 1993). The competitive environment increases in heterogeneity and hostility as firms expand their range of products or services in response to greater maturity and market saturation (Quinn & Cameron, 1983; Adizes, 1979). For instance, Mintzberg (1973) shows that entrepreneurial processes in the start-up stage of companies are superior to subsequent stages in the life cycle.
3. **Resources and Capacities:** To design and implement entrepreneurial strategies, people need to deploy *resources* (Wiklund & Shepherd, 2003). Resources are the basic

inputs into the production process just as capabilities refer to the power of a coordinated set of resources to carry out certain tasks or activities (Barney, 1991). These capabilities increase the prevailing productivity and efficiency of a firm so that competition between firms may be perceived as a power rivalry. Thus, while resources are the source of the company's capabilities, they also represent the main sources of their competitive advantage (Grant, 1991).

According to the resource-based view, a firm with abundant resources and with easy access to resources will in all likelihood display a greater entrepreneurial orientation (Covin et al., 1991; Greene 1997).

4. **Environment:** The environment is considered by many authors as a key determinant of SEO activities (Covin et al., 1990; Miller, 1983, Lumpkin & Dess, 1996) and the dimensions of dynamism, hostility and heterogeneity are often deployed to characterize the environment perceptions of firms (Miller, 1983; Miller & Friesen, 1982; Covin et al., 1990; Merz et al., 1994).

Martins et al. (2012) also make it clear that the entrepreneurial orientation and financial performance are positively related, despite hostility in the environment playing an important moderating role in this relationship. According Kreiser and Davis (2010), a firm operating in a munificent environment should emphasize high levels of innovativeness and proactiveness, moderate levels of risk-taking within the framework of an organic structure.

SEO AND GROWTH

It would be hard to conceive of small firms taking advantage of opportunities and generating considerable impacts on the market without actually growing. On accepting the perspective that entrepreneurship is a question of extent and not a dichotomized variable (Davidsson, 1989; Green & Brown, 1997), growth would then seem to emerge as an important demonstration of the entrepreneurial behavior of small firms (Davidsson, 1989; Kozan et al., 2006).

The growth of firms has become a very important topic in the field of entrepreneurship research (Davidsson, 1989; Covin & Slevin, 1991; Delmar, 1996; Davidsson & Wiklund, 1999; Fayolle, 1999; Davidsson & Wiklund, 2001; Davidsson et al., 2002; Moreno & Casillas, 2008). Davidsson et al. (2002) discuss under what conditions the study of growth effectively contributes to our understanding of entrepreneurship processes. According to these authors, to identify 'entrepreneurship' as the same as 'launching a new firm' is to reduce the field of entrepreneurship as this does not fully reflect its contemporaneous definitions before then suggesting that researchers in this field should approach company growth as part of and complementary to the entrepreneurship process.

The majority of firms never actually grow to any major extent. According to *Observatoire des PME Européennes* (2003), approximately 95% of all U.S. (United States) firms have less than 5 employees. In Portugal, the Small and Medium-sized Enterprises (SME) segment (small and medium sized enterprises) represents 99,5% of firms and responsible for over 73% of employment and 56% of total business volume. Even very small firms – fewer than 20 employees - represent more than 85% of total partnerships and around 24% of employment. The Portuguese entrepreneurial structure has been showing an increase in the relative weighting of firms very small in scale to the detriment of other firm sizes. Therefore, the importance of SMEs to economic life in Portugal is unquestionable.

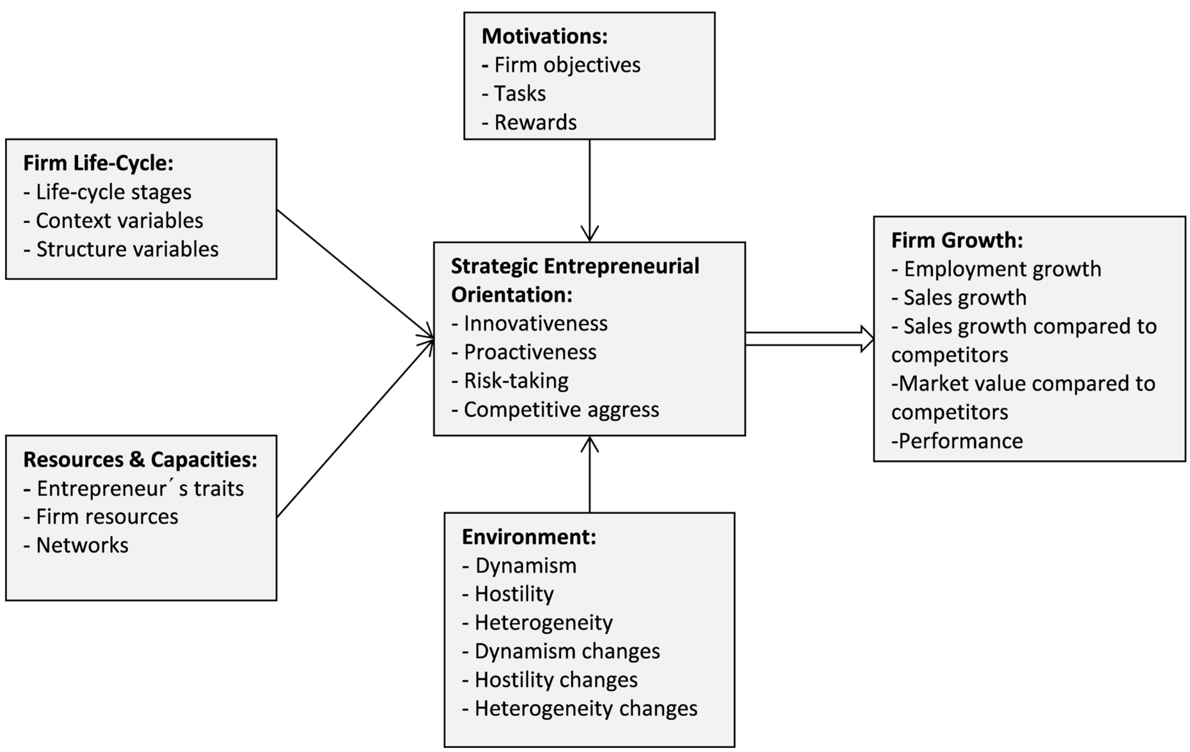
In the process of reviewing the literature published on the growth of small companies, Storey (1994) concludes that their growth process results from a combination of three basic components: (1) the characteristics of the entrepreneur/manager; (2) the characteristics of the small firm; (3) its development strategies. These three components are not mutually exclusive and they mutually and collectively influence the growth of small firms.

The entrepreneurship model proposed by Covin and Slevin (1991) suggests there is a positive relationship between the entrepreneurial posture and business growth. In turn, the research of Stuart and Abetti (1987) leads them to maintain there is a negative relation between the two. Theory and previous research suggest that, for firms to grow and obtain a good performance, they need to have an entrepreneurial orientation (EO) (Covin & Slevin, 1991; Zahra, 1993; Wiklund, 1998; Ferreira, 2010). Lumpkin and Dess (1996), in turn, justify the idea that the influence of an EO on an organization's growth is related to a variety of different variables.

However, when examining the relationship between SEO and growth, recognizing the multidimensional nature of the growth construct becomes essential (Davidsson, 1989; Zahra, 1991). Furthermore, the point when growth in one dimension reflects on another is an empirical matter that requires testing (Zahra, 1991).

Several studies report how the SEO dimensions (innovativeness, risk-taking, proactiveness, and competitive aggressiveness) bear a positive influence on growth (Miller, 1983; Venkataraman, 1989; Covin & Slevin, 1989; Covin et al., 1991; Zahra, 1991; Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003; Ferreira, 2010; Kreiser & Davis, 2010). However, Brockhaus (1982) returns inconsistent results and ambiguous relations between

Figure 1. Research model



risk-taking and growth. In sum, and based on the literature review and the research hypotheses set out above, we propose the following research model (Figure 1).

METHODOLOGY

Sample

This research opted to apply a quantitative research approach (cross sectional) involving an inquiry of Portuguese SME by questionnaire. Our data contains a total of 1,470 SME from different industries and sectors. From those firms, a total of 211 constitute the final sample. The questionnaire methodology was chosen for data collection. In order to survey the factors and the variables that influence SEO and to evaluate their effects on growth, a Likert scale proposed by several authors was applied (see the subsection: defining and measuring the variables).

Table 1 details the main sample characteristics.

In terms of area of activity, 4.1% of companies belong to the primary sector, 42.6% are transformative industry based with the remaining 53.3% firms dedicated to commerce and services. Company ages vary between 1 and 83 years of operation with an average of 20.1 ± 14.8 years. As regards their number of employees, the average came in at 59.9 ± 66.4 members of staff while reporting a range of between 1 and 262 workers. The sales volumes ranged from €3,500 to €60,000,000 with average turnover of €3,058,841.74 ± €7,329,193.02. In relation to company ownership, 16.7% are subsidiaries firms, 19.6% hold subsidiaries and of these 74.4% run a subsidiary firm, with 23.1% owning two subsidiaries and 2.6% with three subsidiaries.

Table 1. Survey data collection

Temporal Basis	**Cross-sectional**
Geographic Area	Portugal
Sectors	Primary, transformative industry, commerce and services
Analysis Unit	SME
Sample	211 valid questionnaires
Data gathering	Postal questionnaire
Key Informant	Owner/managers or CEO
Data Analysis	Univariate and Linear Regression

Method

In order to test the model, we deployed multiple linear regression and estimated robust standards of error in order to counter eventual problems with heteroskedasticity while also calculating the variance inflation factors (VIF), with all results coming in below ten and thus demonstrating an absence of multicollinearity.

The dependent variable scores relating to strategic entrepreneurial orientation (SEO) were determined through the average of the underlying scores for each factor. Thus, in the case of the *Risk taking* factor, the higher the score, the greater the risk with higher *Proactiveness* scores reflecting greater proactiveness while the more significant the *Innovativeness* results the higher the focus on innovation with high *Competitive aggressiveness* results similarly driving greater aggressiveness.

Defining and Measuring the Variables

Strategic Entrepreneurial Orientation (SEO) is seen as a combination of four dimensions. Three were drawn from Miller's original scale for entrepreneurial orientation: i) *innovativeness*, the development of new and unique products, services or processes; ii) *risk taking*, a will to pursue risky opportunities, taking the chance of failing; iii) *proactiveness*, an emphasis in the persistence and creativity to overcome obstacles, until the innovator concept is completely implemented. Another dimension was added and as proposed

Table 2. Variables measuring

Variables	Means of measurement	Based on
Strategic Entrepreneurial Orientation		
Innovativeness; Risk-taking; Proactiveness	A five point Likert scale: 1= "strongly disagree" to 5= "strongly agree"	Miller (1983)
Competitive aggressiveness		Lumpkin and Dess (1996)
Firm life cycle		Hanks et al. (1993)
Stages of life cycle	Measured based on self-categorization	
Contextual variables	Firm age; Size; Growth rate	
Structural variables	Structure form; Centralization; Formalization	
Motivations		
Firm objectives	A five point Likert scale: 1= "strongly disagree" to 5= "strongly agree"	Davidsson (1989)
Creativity		
Personal benefits		
Stability		
Power		
Sales growth	Increase in sales	
Employment growth	Increase in number of employees	
Tasks/functions of firm	A five point Likert scale: 1= "strongly disagree" to 5= "strongly agree"	Delmar (1996)
Rewards		Davidsson (1989)
Resources & capacities		Davidsson (1989)
Entrepreneur's traits		
Management education background	Any management qualification? Yes or No	
Level of education	Please state your level of education?	
Nationality	Were you born in Portugal? Yes or No	
Gender	Male or female	
Age	Year of birth of entrepreneur	
Length of service in current position	When did you take over your current owner/manager position?	
Experience in sector of activity	What is your experience in this sector of activity? No experience, limited experience, extensive experience.	
Management experience	Have you ever served as manager in another company? If yes, how many different management positions?	
Other roles and positions	Do you hold other positions in other companies? If yes, please indicate your role?	
Experience in launching new companies	Have you personally been involved in launching a business over the last three years? If yes, how many?	

continued on following page

by Lumpkin and Dess (1997): iv) *competitive aggressiveness* (Table 2).

Life-Cycle of Firm: This is measured based on self-categorization, i.e., the respondents themselves identify the life-cycle stage of their firm.

Table 2. Continued

Variables	Means of measurement	Based on
Firm resources		
Size of management team	How many managers do you employ?	Davidsson (1989)
Size of board management team	How many people sit on the company board?	
Current company size	How many staff does the company employ?	
Size compared with competitors	Is your company larger, smaller or approximately the same as its competitors?	
Number of employees with university education	How many employees hold university degrees?	
Sales volume	What was last year's sales volume?	
Employee involvement in decision making	A seven point Likert scale: 1= "strongly disagree" to 7= "strongly agree"	Miller (1987)
Networks		
Professional consulting	A seven point Likert scale: 1= "strongly disagree" to 7= "strongly agree"	Davidsson (1989
Operational consulting		
Linkage to other firms		
Environment		
Dynamism; Heterogeneity; Hostility	A seven point Likert scale: 1= "strongly disagree" to 7= "strongly agree"	Miller & Friesen (1982)
Dynamism changes; Heterogeneity changes; Hostility changes		Miller (1987)
Growth		
Sales growth	Calculated according to sales in 2012 and in 2011	Davidsson (1989); Zahra (1991)
Employees growth	Calculated according to number of employees in 2012 and in 2010	
Sales growth compared with competitors	A seven point Likert scale: 1= "strongly disagree" to 7= "strongly agree"	
Market value compared with competitors		
Performance	Cash-flow; Profits and losses and; Gross sales margins	
Control Variables		
Size of firm	Number of employees	
Turnover	Sales volume	
Age of firm	Year company founded	

A definition of each stage was provided with the respondents asked to identify the stage most appropriate to their firm: i) start-up stage; ii) growth stage; iii) mature stage; iv) diversification stage; and v) decline stage. This approach has been suggested and proposed by several researchers in the literature (Kazanjian, 1988; Lumpkin & Dess, 1996). This incorporates variables related to the context and structure of the company (Dodge et al., 1994; Hanks, et al., 1993; Ferreira, 2010), such as: age; size; employment growth; company structure (hierarchical levels); formalization of decision-making; and centralization of decision making.

Motivations: This is measured based on three variables: firm objectives; tasks; and rewards (Davidsson, 1989; Delmar, 1996) (Table 2).

Resources: This dimension is analyzed by taking into account: 1) the entrepreneur's traits (experience and qualifications, entry way of the entrepreneur/manager into the company, age and gender, etc.) based on Davidsson (1989) and Miller (1987); 2) Firm resources (management team size, management board size, firm size, number of employees with higher education, etc.); and 3) networks (professional consulting, operational consulting, linkages to other firms) (Davidsson, 1989) (Table 2).

Environment: According to the population ecology approach, the environment is the main determinant of business development and internal factors such as strategy, resources, and motivation hold only a smaller influence. Given the difficulty in capturing objective information about the firm's environment, projects quite commonly adopt imperfect or subjective measures (Miller, 1983; Covin et al., 1990; Merz et al., 1994; Brown, 1996). Ten questions related to the three dimensions of the environment (dynamism, hostility and heterogeneity) were developed and the respective dimensions of these changes over the last three years. The *dynamism* of the environment refers to the level of change and unpredictability of change in customer preferences, production or services, technology and methods of competition in leading industrial companies. *Heterogeneity* is reflected in differences in competitive tactics, customer preferences, product lines, distribution channels, among others, throughout the company's markets. These differences may be significant and require different practices and approaches to marketing, production and management. *Hostility* is expressed by price, by product, by competition or technological competition distribution, or, by unfavorable demographic trends (Miller, 1987) (Table 2).

Firm Growth: This dimension is evaluated according the variables: 1) employment growth (calculated based on the change in the number of employees); 2) sales growth; 3) sales growth compared to competitors; 4) market value compared to competitors; 5) performance (this variable is measured by cash-flow, profits and losses; and gross sales margins) (Davidsson, 1989; Zahra, 1991) (Table 2).

Table 3. Linear regression: Dependent variable: SEO dimensions; independent variables: life cycle (unstandardized coefficients)

		Risk taking	Proactiveness	Innovation	Competitive aggressiveness
	Life-cycle stages	**-0,08**	**-0,19**	**-0,16**	**-0,17***
Contextual variables	Age	0,00	0,01**	0,01**	0,01*
	Growth in employment	-0,16	0,18	0,13	0,12
	Size	0,00	0,00	0,00	0,00
Structural variables	Formalized decision making	0,08*	-0,02	0,17**	0,04
	Centralization – owner	0,52**	-0,11*	-0,02	-0,04
	Centralization – employees	0,04	0,01	0,01	-0,08*
	Structure	0,14*	0,13	0,09	0,17*
	R^2	65,8%	8,8%	9,5%	7,8%
	Adjusted R^2	65,1%	4,7%	10,9%	3,9%

* $p < .05$; ** $p < .01$

Control variables: We have included as control variables, firm size, turnover and firm age (Table 2).

DISCUSSION OF RESULTS

Factors Influencing SEO

Life-Cycle

Table 3 displays the results for the company life cycle factors significantly impacting on strategic entrepreneurial orientation.

In the case of company life cycles, we report that companies already into more advanced phases (p <.05) return a significantly lower level of competitive aggressiveness. As regards the contextual variables, older companies display a significantly more proactive orientation (p <.01) and report higher levels of innovation (p <.01) and competitive aggressiveness (p <.01).

As regards the structural variables, the higher the level of formalized decision making processes, the greater the risk taking (p < .01) and innovative orientation (p < .05), the greater the centralization of decision making processes in the entrepreneur, the greater the risk taking (p < .01) and the lower the proactiveness level (p < .05). When decision making involves employees, companies tend to display a lower level of competitive aggressiveness (p < .05). The larger the number of hierarchical levels in the company, the greater the level of risk taking (p < .05) and competitive aggressiveness (p < .05).

We would note that the older the company does not necessarily mean that it has entered into the more advanced stages in the life cycle such as the mature phase. Our results point to competitive aggressiveness as being positively influenced by company age and hence the ambition to advance in the life cycle drives the competitive aggressiveness and consequently fosters and nurtures the innovation activities ongoing at the firm. We also verify that companies with decision making processes overly centralized in the entrepreneur do not generate proactive attitudes and thereby weaken the company's strategic and entrepreneurial orientations. However, whenever decision making processes are duly formalized, this enhances the orientation towards risk and innovation. Thus, companies with well defined decision making structures, but not overly entrepreneur centered, are those reporting the highest levels of strategic entrepreneurial orientation.

Motivations

The motivational factors that significant influence the different dimensions of strategic entrepreneurial orientation are set out in Table 4.

In relation to the variables for the objectives, we report how the greater the importance attributed to creativity, the lower the level of risk taking (p <.01), innovation (p <.01) and competitive aggressiveness (p <.01). The greater the employee involvement in working on priority tasks, the greater the risk taking (p <.01) while competitive aggressiveness falls (p <.05). Risk taking is negatively influenced by the supply of products and services that improve the livelihoods of others (p <.05). The greater the importance attributed to obtaining personal benefits in terms of raising one's standard of living, the greater the level of proactiveness (p <.05). The greater the importance attached to reaping the rewards of one's own work, the greater the level of risk taking (p <.01) and the lower the proactiveness (p <.05) and innovative orientation (p <.01). The greater the level of profit stability, the greater the risk taking (p <.01), the innovative orientation (p <.05) and competitive aggressiveness (p <.01). Risk taking (p <.05), proactiveness (p <.01), innovative orientation (p <.05) and competitive aggressiveness (p <.05) are simultaneously negatively influenced by the importance attributed to stability and enabling the company to survive recessions and by dependence on a small number of clients and suppliers. The

Table 4. Linear regression: Dependent variable: SEO dimensions; independent variables: motivation (unstandardized coefficients)

		Risk taking	Proactiveness	Innovativeness	Competitive aggressiveness
Objectives	Creativity – being creative	0.33**	0.08	0.21*	0.17*
	Creativity - working on priority tasks	-0.13**	0.00	0.01	0.04*
	Creativity – supplying products/services that improve the lives of others	0.41*	-0.16	0.27	0.16
	Personal benefits - standard of living	-0.07	-0.16*	0.16	0.03
	Personal benefits - reaping the rewards	-0.33**	0.16*	0.24**	-0.03
	Stability - profitability	0.26**	-0.06	0.25*	0.14**
	Stability - surviving recessions	0.14*	0.11*	0.2**	0.11*
	Stability - independence	0.24*	0.47**	0.32**	0.34**
	Stability - product quality	-0.39	-1.14**	-0.23	0.22
	Power – earning social status	-0.18	0.07	0.05	0.08
	Power – managing others	0.34	-0.12	-0.10	0.02
	Growth in sales	-0.22**	0.01	0.07	0.03
	Growth in employment	-0.28**	0.02	-0.25**	0.22**
Tasks/functions	Strategy - board level work	0.04	-0.12	-0.24**	0.15*
	Strategy - marketing plans	0.01	0.00	0.36**	-0.24*
	Strategy - strategic development	0.17	0.4**	-0.16	0.25**
	Marketing - contacts with clients	0.26*	0.01	-0.06	-0.28**
	Marketing – sales	-0.48**	-0.06	-0.29	0.23*
	Marketing - new client development	0.15	0.16	0.04	-0.17*
	Production - calculating costs	0.22	-0.21	-0.16	-0.42**
	Production - production	-0.17	-0.19	-0.18	0.09
	Production - procurement	-0.04	0.09	0.21	0.10
	Accountancy - administration and finances	0.11	0.07	0.20	0.25**
	Accountancy - auditing the performance	-0.11	-0.20	0.24	0.19*
	Accountancy - banking relations	-0.44**	-0.17*	-0.26**	0.05
Employees	Extrinsic rewards	-0.58**	0.21	0.59**	0.09
	Intrinsic rewards	0.2	-0.16	-0.55**	-0.42**
	Working conditions	0.34	0.02	-0.4*	-0.20
	R^2	51.4%	60.1%	57.1%	58.5%
	Adjusted R^2	42.1%	51.3%	46.8%	46.1%

* $p < .05$; ** $p < .01$

greater the importance placed on product quality, the greater the level of proactiveness (p <.01). The perception of higher sales than competitors, meanwhile, drives a lower level of risk taking (p <.01) and the greater the importance attributed to growth, the lesser the levels of risk taking (p <.01) and innovative orientation (p <.01), while that of competitive aggressiveness tends to rise (p <.01).

We thus find that the generality of company objectives incurs a negative impact on risk taking, innovation and competitive aggressiveness. Hence, where companies attribute excessive importance to these objectives, they end up weakening their overall strategic entrepreneurial orientation. We would furthermore highlight how proactiveness is only influenced positively by personal benefits, which means members of staff need to perceive the benefits from their actions before taking proactive stances. Finally, the results demonstrate that only when companies attain financial stability do they dedicate themselves to aggressive competitive strategies.

As regards motivation in terms of the tasks and functions, we find that the greater the time entrepreneurs dedicate to management tasks, the lower the level of innovative orientation ($p <.01$) while returning higher levels of company competitive aggressiveness ($p <.05$). Dedicating greater importance to marketing plans positively influences the innovative orientation levels ($p <.01$) while impacting negatively on competitive aggressiveness ($p <.05$). Proactiveness ($p <.01$) and competitive aggressiveness ($p <.01$) are both positively influenced by the time spent by entrepreneurs and senior management on strategic development. The greater the level of time dedicated to contacts with clients, the greater the level of risk taking ($p <.05$) while competitive aggressiveness ($p <.01$) turns out lower. The time spent on sales negatively influences risk taking ($p <.05$), while this bears a positive influence on competitive aggressiveness ($p <.01$). Competitive aggressiveness ($p <.01$), in turn, experiences a negative influence from the time spent by company management on accountancy based tasks. The greater the time entrepreneurs apply to their relationships with banks, the lower the level of risk taking ($p <.01$), proactiveness ($p <.05$), and innovative orientation ($p <.01$). Companies that award major importance to their dealings and relations with banks display greater competitive aggressiveness, however, these relations do not enhance either proactiveness or risk taking. However, the time put into strategic development does foster proactiveness and competitive aggressiveness.

In terms of motivations at the employee level, we note that the greater the importance attributed to extrinsic rewards, the greater the risk taking ($p <.01$) while lowering the level of innovative orientation ($p <.01$). Meanwhile, the greater the importance attached to the intrinsic rewards, the greater the innovative orientation ($p <.01$) and competitive aggressiveness ($p <.01$). Furthermore, the attention paid to the working conditions prevailing positively influences the orientation towards innovation ($p <.01$).

We correspondingly find that the working conditions prove a factor fostering innovation in the SEO.

Resources and Capacities

Table 5 presents the results stemming from the variables for resources and capacities that significantly forecast the different dimensions to strategic entrepreneurial orientation.

As regards the entrepreneur's traits, we would note how management experience significantly boosts innovation ($p < .05$) and competitive aggressiveness ($p < .05$) just as a management education background ($p < .05$) raises the focus on innovation.

In terms of company resources and capacities, the results demonstrate how the greater the number of members of staff ($p < .05$), the greater the risk taking while the larger the company size in comparison with its competitors, the lower the proactiveness ($p < .05$), innovation ($p < .01$) and competitive aggressiveness ($p < .01$). We find here that company size does not bear any positive influence on proactiveness leading to the consideration that the larger the company's size, the lesser its proactiveness.

As regards networks, the greater the importance attributed to experts in accountancy, the greater the level of proactiveness ($p < .01$) and competi-

Table 5. Linear regression: Dependent variable: SEO dimensions; Independent variables: Resources and capacities (Unstandardized Coefficients)

		Risk taking	Proactiveness	Innovativeness	Competitive aggressiveness
Entrepreneur characteristics	Experience in launching new companies	0.28	-0.46	-0.10	-0.11
	Other roles and positions	0.01	-0.11	-0.14	-0.13
	Management experience	0.26	0.52	1.52*	1.12*
	Experience in large companies	0.00	0.00	0.00	0.00
	Experience in industry	0.14	-0.27	-0.34	-0.27
	Length of service in current position	0.01	0.01	0.01	0.00
	Age	0.00	-0.01	0.01	-0.01
	Nationality	-0.12	-0.27	0.15	1.03
	Gender	-0.22	-0.15	0.19	0.47
	Training	0.04	0.01	0.19	0.05
	Management education background	0.30	0.42	0.81*	0.10
Company Resources	Current company size	0.11*	0.00	0.00	0.00
	Size of management team	0.24	0.29	-0.59	0.22
	Size compared with competitors	0.07	0.22*	0.24**	0.25**
	Number of employees with higher education	-0.12	0.02	-0.42	-0.21
	Employee involvement in decision making processes	0.38**	-0.07	0.14	-0.07
	Size of current board	-0.42**	-0.13	-0.29	-0.09
	Current volume (sales)	0.00	0.00	0.00	0.00
Networks	Professional consultants – external consultants	0.09	-0.11	0.04	0.02
	Professional consultants – lawyers	0.11	-0.12	-0.12	0.15
	Professional consultants – regional support institutes	-0.14	-0.08	0.30	-0.03
	Regular expert advice – accountancy expert	-0.34	-0.7**	0.00	-0.5*
	Regular expert advice – bank manager, etc	0.10	0.04	-0.25	-0.15
	Regular expert advice – family and friends	-0.28*	-0.27*	-0.47**	0.4**
	Consultants on the chain of value - clients	0.36	-0.42	0.80	-0.50
	Consultants on the chain of value – suppliers	-0.29**	0.16	-0.27*	0.14
	Consultants on the chain of value - Employees	0.23	-0.05	0.08	-0.04
	R^2	81.7%	57.9%	70.5%	64.6%
	Adjusted R^2	68.2%	43.7%	50.6%	38.9%

* $p < .05$; ** $p < .01$

tive aggressiveness ($p < .05$). Furthermore, the greater the attention paid to family and friends, the greater are the levels of risk taking ($p < .05$), proactiveness ($p < .05$), and innovation ($p < .01$) while resulting in lower competitive aggressiveness levels ($p < .01$). Risk taking ($p < .01$) and innovation ($p < .05$) rise in accordance with the importance attributed to suppliers.

In general terms, the network variables contribute positively to the variable underlying the strategic entrepreneurial orientation and we should highlight how the level of importance attributed by entrepreneurs to personal lives drives lower levels of competitive aggressiveness in the company.

Environment

The factors in the environment significantly influencing the different dimensions to strategic entrepreneurial orientation are set out in Table 6.

In relation to dynamism, our findings demonstrate that the greater the perception of market dynamism, the greater the company proactiveness ($p < .05$) and competitive aggressiveness ($p < .05$). Furthermore, the longer the product life cycle, the lower the level of risk taking ($p < .05$). The unpredictability of the competition drives lower rates of innovation ($p < .01$). Greater demand unpredictability drives lower levels of innovation ($p < .01$) and competitive aggressiveness

Table 6. Linear regression: Dependent variable: SEO dimensions; Independent variables: Environment (Unstandardized Coefficients)

		Risk taking	Proactiveness	Innovatiness	Competitive aggressiveness
Dynamism	Market dynamism	0.13	0.2*	0.10	0.11*
	Product dynamism	-0.11*	0.10	-0.06	0.04
	Competitor dynamism	-0.24	0.01	-0.45**	-0.03
	Dynamic market demand	0.02	0.06	-0.18**	-0.12**
	Technological dynamism	-0.13	-0.08	-0.19**	-0.01
	Heterogeneity	-0.27**	-0.24**	0.17**	-0.13**
Hostility	Difficulty of survival	0.17*	-0.12	0.00	0.15*
	Price hostility	-0.04	0.00	0.23**	-0.01
	Quality hostility	0.10	-0.02	0.13**	0.05
	Market hostility	-0.11	-0.07	-0.17*	0.05
Changes in dynamism	Changes in sector expansion opportunities	0.02	-0.13	-0.16	0.09
	Changes in sector innovation	-0.18	0.10	-0.14*	-0.21**
	Changes in sector research activities	0.28	-0.06	-0.02	0.13*
	Changes in heterogeneity	-0.40*	-0.25	0.13	-0.23**
Changes in hostility	Changes in the predictability of competitor market activities	0.02	-0.31**	0.07	-0.16*
	Changes in the aggressiveness of competitor market activities	0.03	0.14	-0.11	0.25**
	R^2	25.8%	22.9%	45.7%	47.3%
	Adjusted R^2	18.2%	15.1%	40.2%	42.0%

* $p < .05$; ** $p < .01$

($p < .01$). And, finally, the greater the frequency in technological change, the greater the pace of innovation ($p < .01$).

Our results convey how difficult demand prediction conditions result in innovation dropping away. The fact that products have long life cycles also leads companies into inertia and shunning risk taking. Hence, entrepreneurs tend to become accustomed to the prevailing level of sales and market acceptance of their respective product or service.

As regards market heterogeneity, higher levels of heterogeneity drive higher levels of company innovation ($p < .05$). Nevertheless, this heterogeneity reflects in less risk taking ($p < .05$), proactiveness ($p < .05$) and competitive aggressiveness ($p < .05$) taking place at companies. Here, markets that do not display homogeneous characteristics do serve to foster the level of innovation. Hence, companies seem not to react well to that which they do not understand, even while this unpredictability alongside complex and heterogeneous environments do foster innovation.

In terms of hostility, our results report that the greater the threat to company survival, the higher the levels of company risk taking ($p < .05$) and competitive aggressiveness ($p < .05$). In the case of the level of threat to prices and the product quality of competitors, the greater the level of threat, the lower the level of both innovation ($p < .01$) and aggressiveness ($p < .05$). Higher levels of market hostility reflect in higher levels of innovation ($p < .05$) taking place among companies.

As regards changes to the prevailing levels of dynamism, the greater the rate of process and product innovation, the greater the level of innovative orientation ($p < .05$) and competitive aggressiveness ($p < .01$) and the higher the level of R&D activities ongoing in the sector, the lesser the level of competitive aggressiveness ($p < .05$). In relation to changes in the heterogeneity prevailing, the greater the changes taking place, the greater the level of risk taking ($p < .05$) and competitive aggressiveness ($p < .05$). In changes to prevailing hostility levels, the results convey how higher levels of predictability and competitor market aggressiveness result in greater proactiveness ($p < .01$) and competitive aggressiveness ($p < .05$).

Table 7 features a summary of the effects (positive and negative) of the different facets on SEO.

SEO Influence on Small Firm Growth

Table 8 puts forward the results relative to the influence of strategic entrepreneurial orientation (SEO) on growth and business performance. These serve as control variables for the two factors referring to scale (number of employees and the company sales volume) and company age.

In relation to the growth variables, we find that only the factor for competitive aggressiveness generates statistically significant influence on the development of sales ($p < .05$) and growth in market value ($p < .01$) within the framework of which the greater the level of competitive aggressiveness the greater the rise in both sales and the perception of market value in comparison with company competitors.

As regards performance, we encounter significant linkage between innovation and competitive aggressiveness and rising cash flow ($p < .05$) and demonstrating that higher levels of scores for competitive aggressiveness drive more positive cash flows in comparison with the competition with an inverse relation holding for innovation scores. In the case of profits, we find a significant association with the results for risk taking in which the higher the score for risk taking the lower are the profits and losses in comparison with competitors while higher levels of competitive aggressiveness result in larger gross sales margins ($p < .05$).

FUTURE RESEARCH DIRECTIONS

Growth is an empirical and multifaceted phenomenon. Therefore, the application of multiple indicators is necessary in order to reflect its entire

Table 7. Effects of factors impacting on SEO

	Risk taking	Proactiveness	Innovativeness	Aggressiveness
LIFE CYCLE				
Life cycle phase				-
Age		+	+	+
Formal decision making	+		+	
Centralization – owner	+	-		
Centralization – employees				-
Structure	+			+
MOTIVATIONS				
Creativity – being creative	-		-	-
Creativity – working on priority tasks	+			-
Creativity – supplier of products/ services that improve lives	-			
Personal benefits - standard of living		+		
Personal benefits - reaping the rewards	-	-	-	
Stability – profitability	+	-	+	+
Stability - surviving recessions	-	-	-	-
Stability – independence	-	-	-	-
Stability - product quality		+		
Growth in sales	-			
Growth in employment	-		-	+
Strategy - board level work			-	+
Strategy - marketing plans			+	-
Strategy - strategic development		+		+
Marketing - contacts with clients	+			-
Marketing – sales	-			+
Marketing - new client development				+
Production - calculating costs				-
Accountancy - administration and finances				-
Accountancy - auditing the performance				-
Accountancy - banking relations	-	-	-	
Extrinsic rewards	+		-	
Intrinsic rewards			+	+
Working conditions			+	
RESOURCES AND CAPACITIES				
Management experience			+	+
Management education background			+	
Current company size	+			
Size compared with competitors		-	-	-
Number of employees with higher education		+	+	+
Employee involvement in decision making processes	+			

continued on following page

Table 7. Continued

	Risk taking	Proactiveness	Innovativeness	Aggressiveness
Size of current board	-			
Regular expert advice – accountancy expert		+		+
Regular expert advice – family and friends	+	+	+	-
Consultants on the chain of value – suppliers	+	+	+	
ENVIRONMENT				
Market dynamism		+		+
Product dynamism	-			
Competitor dynamism			-	
Dynamic market demand			-	-
Technological dynamism			+	
Marketing heterogeneity	-	-	-	-
Difficulty of survival	+			+
Price hostility			-	
Quality hostility			-	
Market hostility			+	
Changes in sector innovation			+	-
Changes in sector research activities				-
Changes in marketing heterogeneity	+			+
Changes in the predictability of competitor market activities		+		+
Changes in the aggressiveness of competitor market activities				+

Table 8. Linear regression: Dependent variable: Growth; Independent variables: SEO (Unstandardized Coefficients)

		Growth				Performance		
		Growth in employment	**Growth in sales**	**Growth in sales compared with competitors**	**Market value compared with competitors**	**Cash-flow**	**Profits/ losses**	**Gross sales margin**
SEO	Risk taking	-2.79	-0.04	0.15	-0.04	0.07	-242.90**	0.15
	Proactiveness	-7.21	-0.02	-0.14	-0.13	0.17	-164.41	-0.14
	Innovativeness	5.07	0.01	0.22	-0.09	-0.36*	183.62	0.22
	Competitive aggressiveness	-4.72	0.00	0.34*	0.32**	0.52*	-150.95	0.34*
Control	Company size (no. of employees)	0.06	0.00	0.01	0.00	0.00	34.94	0.01
	Sales volume	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Company age	-0.11	0.00	0.00	0.02	0.01	-11.12	0.00
	R^2	10.6%	7.5%	22.9%	48.4%	19.8%	61.7%	17.1%
	Adjusted R^2	1.7%	1.6%	15.3%	43.3%	11.9%	60.5%	8.9%

* $p < .05$; ** $p < .01$

dimension. It thus becomes possible to ascertain to what extent SEO affects the various types of firm growth and in which different ways. A possible research approach would be to model SEO as a latent dimension with a range of indicators and subject it to structural equations. The use of structural equations has additional important implications for future research as the number of variables may be reduced without omitting information due to the latent variable structure; with the relations between theory and empirical results rendered directly clear from the analytical outputs.

The strategic entrepreneurial orientation (SEO) is commonly seen as something inherently good, something firms should make an effort to attain. This vision is supported by the results of this research. However, future research is essential in order to examine the relationship between this and the sustained success of the firms. Future research must consider longer periods of time (longitudinal studies).

Given the complexity of the variables deployed in this study, we believe it necessary for future studies to adopt dimensions related to the competitiveness of companies and the characteristics of the industrial sector in which they do business.

CONCLUSION

The literature analyzed advocates how the growth of small firms and companies tends to be intertwined with the behaviors of their managers and entrepreneurs. Thus, growth becomes considered as a logical consequence of their innovative capacities, their competitive aggressiveness, and the proactiveness and risks assumed within the company. The relationship between the strategic entrepreneurial orientation of a company, its growth and performance have all been subject to wide reaching research whether from the conceptual or empirical point of view. However, there still remains a set of factors requiring clarification stemming from the fact they interweave analytical indicators for growth and performance even while such dimensions are to an extent contradictory (Delmar et al., 2003).

This research stands out primarily for two specific facets: i) we identify a set of factors that would seem to a greater or lesser extent to determine the strategic entrepreneurial orientation; and ii) the separate analysis of the influence of each dimension to strategic entrepreneurial orientation in terms of growth and performance. We find that the competitive aggressiveness dimension emerges as the only factor with a statistically significant impact whether in terms of growth or in performance. In the cases of the innovation and risk taking dimensions, these prove to have no statistically significant impact on growth but do display an impact on performance and thus contributing to a reduction in profits and cash flow. Given the cross sectional nature of this study, we are not able to conclude whether any worse performance is due to the efforts company place on growth or whether instead this derives from some structural factor inherent to the small scale of the companies under study.

Based on these most consistent results, we provide empirical evidence that SEO does impact on the growth of small firms, although the relationship is complex. It was possible to conclude, with some consistency, that the firms which are strategically entrepreneurial detect opportunities and obtain an advantage in searching for those opportunities.

The results advocated the need for explanatory variables at multiple levels to explain growth. Setting out the SEO as an indispensable variable to the growth of small firms seems conceptually pertinent. These firms seem to share some characteristics of the type of adhocracy firms suggested by Miller (1987) and Mintzberg (1979) in being flexible, with an informal organizational structure and a strategy able to provide answers whether to competitors, customers or market opportunities.

The results of this study stand implications for managers and political decisions makers. While the SEO seems crucial for the firm's growth is not a generalized current practice among such firms, our results clearly point out that the strategically entrepreneurial firms are more motivated to growth and as such should be intensified. Furthermore, managers and entrepreneurs need to be aware that business growth should be defined in accordance with their growth strategy. Political decision makers might therefore opt to strengthen such policies and establish incentives for firms to engage in business networks and internationalization and thereby foster higher levels of innovativeness and proactiveness.

Nevertheless, any study inevitably has its limitations. The limitations of any study vary depending on the choices made, both deliberately and unconsciously. Firstly, it always remains surprising to understand that the major limitation is the fact that these results do not stem from factual reality but from analyses based on simplifications and conceptual models. This study indicates that it is possible to analyze growth in small firms. However, the growth time considered was short and behavior differences are not possible to determine in a study of this nature (cross sectional) and resulting in non-perfect powers of prediction.

REFERENCES

Adizes, I. (1979). Organizational passages: Diagnosing and treating life cycle problems in organizations. *Organizational Dynamics*, *8*, 3–24. doi:10.1016/0090-2616(79)90001-9

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Bhaskaran, S. (2006). Incremental innovation and business performance: Small and medium-size food enterprise in a concentrated industry environment. *Journal of Small Business Management*, *44*(1), 64–80. doi:10.1111/j.1540-627X.2006.00154.x

Bird, B. (1988). Implementing entrepreneurial ideas: The case for intention. *Academy of Management Review*, *13*(3), 442–453.

Brockhaus, R. H. (1982). The psychology of entrepreneur. In C. A. Kent, D. L. Sexton, & K. H. Vesper (Eds.), *Encyclopedia of entrepreneurship* (pp. 39–71). Englewood Cliffs, NJ: Prentice Hall.

Brown, T. E. (1996). *Resources orientation, entrepreneurial orientation and growth: How the perception of resources availability affects small firm growth*. Newark, NJ: Rutgers University.

Covin, J. G., & Slevin, D. P. (1989). Empirical relationship among strategic posture environmental context variables, and new venture performance. In *Frontiers Entrepreneurship Research* (pp. 124–133). Wellesley, MA: Babson College.

Covin, J. G., & Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behaviour. *Entrepreneurship Theory and Practice*, Fall, 7-25.

Covin, J. G., Slevin, D. P., & Covin, T. J. (1990). Content and performance of growth seeking small firms in high and low technology industries. *Journal of Business Venturing*, *5*, 391–412. doi:10.1016/0883-9026(90)90013-J

Davidsson, P. (1989). *Continued entrepreneurship and small firm growth*. Stockholm, Sweden: Stockholm School of Economics.

Davidsson, P., & Delmar, F. (1999). *Hunting for new employment: The role of high growth firms.* Paper presented at the RENT XII, Conference, London.

Davidsson, P., Delmar, F., & Wiklund, J. (2002). Entrepreneurship as growth, growth as entrepreneurship. In M. A. Hitt, R. D. Ireland, S. M. Camp, & D. L. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset*. Oxford, UK: Blackwell.

Davidsson, P., & Wiklund, J. (1999). *Suitable approaches for studying small firm growth. The role of entrepreneurship and small and medium enterprises*. Paper presented at the 44th ICSB World Conference, June, Italy.

Davidsson, P., & Wiklund, J. (2001). Levels of analysis in entrepreneurship research: Current research practices and suggestions for the future. *Entrepreneurship Theory and Practice*, *25*(Summer), 81–99.

Delmar, F. (1996). *Entrepreneurial behavior & business performance*. Stockholm, Sweden: The Economic Research Institute, Stockholm School of Economics.

Delmar, F., Davidsson, P., & Gartner, W. (2003). Arriving at the high growth firm. *Journal of Business Venturing*, *18*(2), 189–216. doi:10.1016/S0883-9026(02)00080-0

Dodge, H. R., Fullerton, S., & Robbins, J. (1994). Stage of the organizational life cycle and competition as mediators of problem perception for small businesses. *Strategic Management Journal*, *15*, 121–134. doi:10.1002/smj.4250150204

Fayolle, A. (1999). Entrepreneurial management: Fact or fiction? In G. Capaldo, & M. Raffa Napoles (Eds.), *Innovation and economic development: The role of entrepreneurship and SME* (pp. 167–186). Napels, Italy: Edizioni Scientifiche Italiane.

Ferreira, J. (2010). Corporate entrepreneurship and small firms growth. *International Journal of Entrepreneurship and Small Business*, *10*(3), 386–409. doi:10.1504/IJESB.2010.033574

Freeman, C., & Soete, L. (1997). *The economics of industrial innovation*. Cambridge, MA: MIT Press.

Gimenez, F. P. (1999). Miles and Snow's strategy model in the context of small firms. Paper presented at the 44th ICSB World Conference, Italy.

Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formation. *California Management Review*, *33*(3), 114–135. doi:10.2307/41166664

Greene, P., & Brown, T. E. (1997). Resources needs and the dynamic capitalism typology. *Journal of Business Venturing*, *12*, 161–173. doi:10.1016/S0883-9026(96)00060-2

Greiner, L. (1972). Evolution and revolution as organizations grow. *Harvard Business Review*, (July-August): 37–46. PMID:10179654

Hair, J. F., Anderson, R. E., Tatham, R. L., & Balck, W. C. (1998). *Multivariate data analysis* (5th ed.). Upper Saddle River, NJ: Prentice Hall, Inc.

Hambrick, D. C. (1983). High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, *26*(4), 687–707. doi:10.2307/255916

Hanks, S. H., Watson, C. J., Erik, J., & Chandler, G. N. (1993). Tightening the life-cycle construct: a taxonomic study of growth stage configurations in high-technology organizations. *Entrepreneurship Theory and Practice*, *18*(2), 34–59.

Hmieleski, M., & Corbett, A. (2006). Proclivity for improvisation as a predictor of entrepreneurial intentions. *Journal of Small Business Management*, *44*(1), 45–63. doi:10.1111/j.1540-627X.2006.00153.x

Hofer, C. W., & Bygrave, W. D. (1992). Theorizing About entrepreneurship. *Entrepreneurship Theory and Practice*, *16*(2), 13–22.

Kazanjian, R. (1988). Relation of dominant problems to stages of growth in technology-based new ventures. *Academy of Management Journal*, *31*(2), 257–279. doi:10.2307/256548

Kets de Vries, M. F. R. (1999). High-performance teams: Lessons from the Pygmies. *Organizational Dynamics*, (Winter): 66–77. doi:10.1016/S0090-2616(99)90022-0

Kozan, M., Öksoy, D., & Özsoy, O. (2006). Growth plans of small business in Turkey: Individual and environmental influences. *Journal of Small Business Management*, *44*(1), 114–129. doi:10.1111/j.1540-627X.2006.00157.x

Kreiser, P. M., & Davis, J. (2010). Entrepreneurial orientation and firm performance: The unique impact of innovativeness, proactiveness, and risk-taking. *Journal of Small Business and Entrepreneurship*, *23*(1), 30–51. doi:10.1080/08276331.2010.10593472

Lumpkin, G. T. (1996). *The entrepreneurial orientation of new entrants: Performance implications of alternative configurations of entrepreneurial orientation, environment, and structure*. TX: University of Texas at Arlington.

Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, *21*(1), 135–172.

Lumpkin, G. T., & Dess, G. G. (1997). Proactiviness versus competitive agressiviness: Teasing apart key dimension of an entrepreneurial orientation. In P. D. Reynolds, W. D. Bygrave, N. M. Carter, P. Davidsson, W. B. Gartner, C. M. Mason, & P. P. McDougall (Eds.), *Frontiers of Entrepreneurship Research*. Wellesley, MA: Babson College.

Martins, I., Uribe, F., & Mesa, D. (2012). The contribution of the entrepreneurial orientation to smes profitability: A contingent analysis that considers the environment role. *Ecos de Economia*, *35*(July-December), 45–71.

Merz, G. R., Weber, P. B., & Laetz, V. B. (1994). Linking small business management with entrepreneurial growth. *Journal of Small Business Management*, *32*(3), 48–60.

Miles, R., & Snow, C. (1978). *Organizational strategy, structure and process*. New York: McGraw-Hill.

Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, *29*(7), 770–791. doi:10.1287/mnsc.29.7.770

Miller, D. (1987). Strategy making and structure: Analysis and implications for performance. *Academy of Management Journal*, *30*(1), 7–32. doi:10.2307/255893

Miller, D. (2011). Miller (1983) revisited: A reflection on EO research and some suggestions for the future. *Entrepreneurship: Theory and Practice*, *35*, 873–894.

Miller, D., & Friesen, P. (1978). Archetypes of strategy formulation. *Management Science*, *24*, 921–933. doi:10.1287/mnsc.24.9.921

Miller, D., & Friesen, P. (1982). Innovation in conservative and entrepreneurial firms: two models of strategic momentum. *Strategic Management Journal*, *3*, 1–25. doi:10.1002/smj.4250030102

Miller, D., & Friesen, P. (1984). A longitudinal study of the corporate life cycle. *Management Science*, *30*(10), 1161–1183. doi:10.1287/mnsc.30.10.1161

Miner, J. B. (1990). Entrepreneurs, high growth entrepreneurs and managers: Contrasting and overlapping motivational patterns. *Journal of Business Venturing*, *5*(4), 221–234. doi:10.1016/0883-9026(90)90018-O

Mintzberg, H. (1973). Strategy-making in three modes. *California Management Review*, *2*, 44–53. doi:10.2307/41164491

Mintzberg, H. (1979). *The structure of organizations*. Englewood Cliffs, NJ: Prentice Hall.

MOPE. (2001). *Estudo e Falências – Dados Comparativos de 2001 vs 2000*. Portugal: Departamento de Marketing e Comunicações do Grupo MOPE.

Moreno, A., & Casillas, J. (2008). Entrepreneurial orientation and growth of SMEs: A causal model. *Entrepreneurship Theory and Practice*, *32*(3), 507–528. doi:10.1111/j.1540-6520.2008.00238.x

Observatoire des PME Européennes. (2003). *Les PME en Europe en 2003*. Commission Européenne.

Porter, M. (1980). *Competitive strategy*. New York, NY: Free Pass.

Quinn, R., & Cameron, K. (1983). Organizational life cycles and shifting criteria of effectiveness: Some preliminary evidence. *Management Science*, *29*, 33–41. doi:10.1287/mnsc.29.1.33

Rauch, A., Wiklund, J., Lumpkin, G. T., & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, *33*(3), 761–787. doi:10.1111/j.1540-6520.2009.00308.x

Schumpeter, J. (1934). *The theory of economic development*. Cambridge, MA: Harvard University Press.

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

Stevenson, H. (1984). A perspective of entrepreneurship. In H. Stevenson, M. J. Roberts, & E. H. Grousebeck (Eds.), *New business venture and the entrepreneur*. Boston, MA: Harvard Business School.

Stopford, J., & Baden-Fuller, C. (1994). Creating corporate entrepreneurship. *Strategic Management Journal*, *15*, 521–536. doi:10.1002/smj.4250150703

Storey, D. J. (1994). *Understanding the small business sector*. London: Routledge.

Stuart, R., & Abetti, P. A. (1987). Start-up ventures: Towards the prediction of initial success. *Journal of Business Venturing*, *2*, 215–230. doi:10.1016/0883-9026(87)90010-3

Tang Zhi Tang, Z., Kreiser, P., Marino, L., Dickson, P., & Weavere, K. (2008). A hierarchical perspective of the dimensions of entrepreneurial orientation. *The International Entrepreneurship and Management Journal*, *5*, 181–201. doi:10.1007/s11365-008-0097-9

Venkatraman, N. (1989). Strategic orientation of business enterprises: The construct dimensionality, and measurement. *Management Science*, *35*, 942–962. doi:10.1287/mnsc.35.8.942

Wales, W., Parida, V., & Patel, P. (2013). Too much of a good thing? Absorptive capacity, firm performance, and the moderating role of entrepreneurial orientation. *Strategic Management Journal*, *34*(5), 622–633. doi:10.1002/smj.2026

Wang, C. L. (2008). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship. Theory into Practice*, *32*(4), 635–657.

Wiklund, J. (1998). Entrepreneurial orientation as predictor of performance and entrepreneurial in small firms: Longitudinal evidence. In P. D. Reynolds, W. D. Bygrave, N. M. Carter, P. Davidsson, W. B. Gartner, C. M. Mason, & P. P. McDougall (Eds.), *Frontiers of entrepreneurship research*. Wellesley, MA: Babson College.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, *24*(13), 1307–1314. doi:10.1002/smj.360

Zahra, S. (1991). Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing*, *6*, 259–285. doi:10.1016/0883-9026(91)90019-A

Zahra, S. (1993). A conceptual model of entrepreneurship as firm behaviour: A critique and extension. *Entrepreneurship Theory and Practice*, *16*(Summer), 5–21.

Zahra, S., & Pearce, J. (1994). Corporate entrepreneurship in smaller firms: The role of environment, strategy, and organisation. *Entrepreneurship, Innovation, and Change*, *3*(1), 31–44.

KEY TERMS AND DEFINITIONS

Competitive Aggressiveness: Related to the propensity of the organization to direct and intensely challenge its competitors to achieve better market positions aiming overcome them, capacity to respond aggressively to competitors' actions.

Innovativeness: It reflects the tendency of an organization to engage and support new ideas, innovations, experiments and creative processes that may result in new products, services or processes.

Life-Cycle Stages: Developmental stages of a firm over a period of time with specific characteristics that define the life of a firm. In various stages the firms use different strategies, structures, different styles of decision-making and suffer the interference of different contextual factors.

Proactiveness: Can be seen as trend of an organization influence the environment and even initiate change; A driver of competitive advantage.

Risk Taking: It captures the degree of risk reflected in several decisions of resource allocation, as well as in choice of products and markets, reflecting, in a way, a criterion for decisions and a standard decision-making at the organizational level.

Strategic Choice: It describes the role that leaders play in influencing an organization through making choices in a dynamic political process. These strategic choices formed part of an organizational learning process that adapted to the external environment as well as the internal situation.

Strategic Entrepreneurial Orientation: It emerges from a strategic choice perspective which states that new business opportunities can be successfully undertaken intentionally. It involves the intentions and actions of key players in a dynamic generator aimed at creating new businesses.

Chapter 11

Towards a New Model of SMEs' Internationalization

Valentina Della Corte
University Federico II of Naples, Italy

ABSTRACT

This chapter aims at exploring the internationalization of small and medium sized enterprises through the search within the referring literature for the main models challenging the internationalization process. In the light of the weaknesses and strengths as well as of the related gaps of such models, this study builds and presents a new model that is able to address the issue of both gradual and rapid growth at international level. This model, thanks to the supposed variables (roots of resources and development and direction trough which these resources are valorized) and mechanisms, offers interesting theoretical and managerial insights for the analysis of the internationalization process characterized by increasing uncertainty. Finally, the model is tested through the analysis of two case studies.

INTRODUCTION

In today global world the internationalization of small and medium-sized enterprises occurs in a more rapid manner rather than in the past when there are strategic resources and competences that support this process. There are, in fact, some that are start-up enterprises defined as "born global." Actually, the strategic choice of internationalization may derive either from "foreign-born" or from "born-again global" firms (Bell et al. 2001, 2003).

Although some basic mechanisms can differ, such as history, culture and sedimented knowledge, there are however essential resources and competences that must be owned, controlled or have to be available to the firm for a successful internationalization in the situation of both fast and slow growth.

This could appear as an expected premise but the majority of the literature on SMEs internationalization has theorized gradual approaches (Cavusgil, 1980; Johanson & Vahlne, 1977) and, consequently, has developed models that take into account a process shaped by precise stages. These phases, conceived according to a theoretical perspective, are difficult to observe in a concrete process of internationalization.

This study has twofold souls: exploratory and confirmatory. In the exploratory role, this work concentrates its attention on the search of theoreti-

DOI: 10.4018/978-1-4666-5962-9.ch011

cal models used for the analysis of SMEs' internationalization, underlining the referring theories as well as their main variables and contents. The confirmatory role, on the other side, allows scholars and practitioners to identify the main gaps of these models and, hence, to demonstrate the not absolute validity of these frameworks.

From the exploratory and confirmatory analysis on the referring literature, the aim of the study is to provide propositions for the development of a new model. Here the focus is on the roots of resources and on the direction in which such resources are valorized.

The first one puts its seeds on the resource-based theory of the firm (Barney, 1991, 2006), that helps to understand what are the firm's strategic competences, knowledge and resources to develop in an internationalization process. These resources, in order to generate competitive advantage, must be valuable, rare, and difficult to imitate or substitute, and exploited by the organization (Barney, 2006). RBT claims how resources contribute to value creation as it conceives the firm as a "bundle of resources" (Penrose, 1959).

In some firms, the strategic resources and competences reside in the heart of the organization or/and in the person of the entrepreneur himself and can be nested within or outside the firm (network). If the entrepreneur looks for new opportunities outside firm's boundaries and outside the country where the firm is located, this facilitates the processes of international development.

Second, as regards the direction of the development, firms can grow and expand their business both in national and international markets, benefiting from a positive brand image that creates new opportunities and developments on the demand side.

Research motivations, moving the outlining of this chapter, are connected with the examination of mechanisms and determinants that drive SMEs internationalization.

Previous studies on SMEs' internationalization have developed stage models that explain the gradual process of internationalization. From here the necessity to propose a new model comes out in order to explain both gradual and rapid growth of internationalization and to focus more on the resources and capabilities that actually push to and drive the process.

The developed model in this article is then testified through the case studies of two successful SMEs: Mosaicoon and Sebeto Group.

THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES

In some national economies, small and medium enterprises (SMEs) have a key role for the economic growth of the nation since they represent the major incubators of employment, generating increasing of revenue also linked to export earnings (Javalgi &Todd, 2010).

Data from the European Commission (2011) confirm their strategic role. There are 23 million SMEs (European Commission, n. d. a) in all over Europe, with an influence of 59% on total added value as regards non-financial business economy for the year 2010. This typology of enterprise has, furthermore, created 80% of new jobs in the last five years.

The 2011 Communication from the Commission to the European Parliament shows quantitative information as regards the internationalization of European SMEs. According to this Communication, only 13% (European Commission, 2009) of European-based SMEs are internationally involved. The emerging percentage (13%) is an important indicator of some current gaps, both at macro and micro level, that impede the global growth of these SMEs.

On one side, indeed, there is a clear necessity to support SMEs internationalization through European policies that facilitate the expansion of their business activities in foreign markets. In this direction, the European Union (2011) has identified a strategy shaped by six lines of action: 1) strengthening and mapping the existing supply of support services, 2) creating a single virtual gateway to information for SMEs, making support schemes at EU level more consistent, 4) promoting clusters and networks for SMEs' internationalization, 5) rationalizing new activities in priority markets, 6) leveraging existing EU external policies.

From these fields of action increasing interests towards a systematization of policies concerning both financial and non-financial supports for SMEs' internationalization have sprung out.

At a micro level (firm), in fact, there is the necessity to understand:

- whether a SME has resources and competences to operate and invest in foreign markets;
- if it can have access to other resources within a network or in some inter-firm relationships that can help obtaining information or knowledge sharing.

Therefore, the low percentage (only 13%) highlighting the internationalization strategies of European SMEs shows that there is a clear need of new models, useful both in theoretical and managerial terms.

Furthermore, as underlined by Jansson and Sandberg (2008), the fast changes in today's business world require new frameworks for internationalization (Meyer & Gelbuda, 2006), that do not focus their attention just on the first phase of internationalization.

The referring literature on SMEs' internationalization has developed different theories overtime, even if most of models still result rather descriptive.

That is the reason why this study aims at creating a new model starting from the analysis of the existing ones, trying to understand their main contents as well as their gaps. This new tool, however, has not been generated *ex-novo* but originates from an in-depth study of previous models, thus tracing their theoretical evolution.

In order to do that, this study starts by questioning about the terms: "internationalization" and "small and medium enterprise."

According to Vahlne, Ivarsson and Johanson (2011), the ''internationalization process'' is a process of transition from national, to international, to multinational company (now also global and/or trans-national); it is usually seen as based on two dimensions: geography and mode[1] of operations.

It is a common place to think that it mainly refers to bigger firms but it can instead be expression of a very specific path for SMEs.

Table 1 reports some main definitions of internationalization, reclaimed within literature on SMEs' internationalization.

From the analysis of these definitions, it comes out that:

1. internationalization is conceived as a process (Welch & Luostarinen, 1998, Calof & Beamish, 1995; Zain & Ng, 2006; Saarenketo et al., 2008; Lindstrand et al., 2011);
2. most authors agree that this process is incremental in its nature (Lindstrand et al., 2011; Kamakura et al., 2012; Saarenketo et al., 2008);
3. this incremental view, shared by numerous scholars, conceives the internationalization with an adaptive vision (Calof & Beamish, 1995) that takes place in a gradual manner rather than conceiving a rapid internationalization development;
4. this slow process is characterized by the change from domestic operations and/or markets to foreign ones (Hessels & Parker, 2013; Lindstrand et al., 2011);
5. internationalization's main variables are considered to be exporting and foreign investment (Hessels & Parker, 2013).

As regards the term "SME," this word recalls some quantitative parameters established by the European Community (EU recommendation 2003/361) in terms of employees, turnover or

Table 1. Main definitions of internationalization

Author/s	Year	Definition
Welch & Luostarinen	1988, p. 36	''The process of increasing involvement in international operations."
Calof & Beamish	1995, p. 116	"The process of adapting a firm's operations (strategy, structure, and resource, etc.) to environments."
Lu & Beamish	2006, p.28	"Internationalization is a multidimensional construct. Two of the most prominent avenues of internationalization are exporting and foreign direct investment."
Zain & Ng	2006, p.184	The internationalization process of SMEs from the social exchange perspective on social networks seems to be a more useful concept since it is possible to overcome the problems of limited resources, experiences, and credibility.
Saarenketo, Puumalainen, Kyläheiko & Kuivalainen	2008, p.365	"Internationalization is interpreted as an orderly process progressing incrementally from domestic operations, via exports and foreign direct investments, to full-fledged multinational business."
Lindstrand, Melén & Nordman	2011, p. 195	"Internationalization is an incremental process because existing foreign market knowledge influences decision making."
Hessels & Parker	2013	"Internationalization is measured in terms of both exporting and foreign purchasing."

Source: our elaboration.

Table 2. European community parameters for the definition of SME

Company category	Employees	Turnover or	Balance sheet total[2]
Medium-sized	<250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m

Source: European Commission, (n. d. b).

balance sheet total, that allows to establish when a company can be defined as medium-sized rather than small (Table 2).

There are then some clarifications to underline before entering into the explanation of the main models developed by the literature on the topic. The first concerns the fact that internationalization process can be either gradual or rapid (Kalinic & Forza, 2012). The first scholars have mainly stressed the attention on the different paces and rhythms of internationalization (Vermeulen & Barkema, 2002).

As indicated by Lin (2012, p.48), that recalls the work of Vermeulen & Barkema (2002), "pace is a time-based measure and is indicative of how much time passes before achieving a specific target or a specified level of performance."

These dimensions better define the time variable with reference to the speed if internationalization. If traditional literature on SMEs' internationalization has mainly developed models that conceive the gradual growth (Johanson & Vahlne, 1977, 2009; Gankema et al., 2000), there is an increasing interest in creating models that concentrate more on the contents that push to internationalization rather than in predicting the main phases of its development. This necessity is prescribed by the real situation in which SMEs can develop their internationalization process.

The born global" or "born-again global" firms (Kalinic & Forza, 2012) demonstrate that a fast process of internationalization may occur. The first one is conceived as "internationally-oriented" from its conception and it reaches a degree of internationalization in a short run period (from three to six years – Bell et al., 2003) while the second is concentrated on a certain number of years on national markets to after rapidly innovate also through internationalization strategies.

As underlined by some scholars (Rialp et al., 2005), this rapid growth may also depend on the type of sector in which SMEs operate. They indicate manufacturing and services sectors having a certain propensity for internationalization that becomes obvious and unavoidable in the case of high technologic-based sectors.

Other scholars (Bianchi et al., 2010) have also highlighted the existence of the so called "micro-giants." These are micro since they are SMEs and giants for the competitive context that is global and the non-niche market where they operate.

INTERNATIONALIZATION MODELS

The U-Model

The U-Model was developed within the Swedish school of Uppsala (Johanson & Vahlne, 1977) and deepens its roots in Penrose's theoretical contributions (1959), behavioral theories (Cyert & March, 1963) as well as foreign investment theory (Aharoni, 1966).

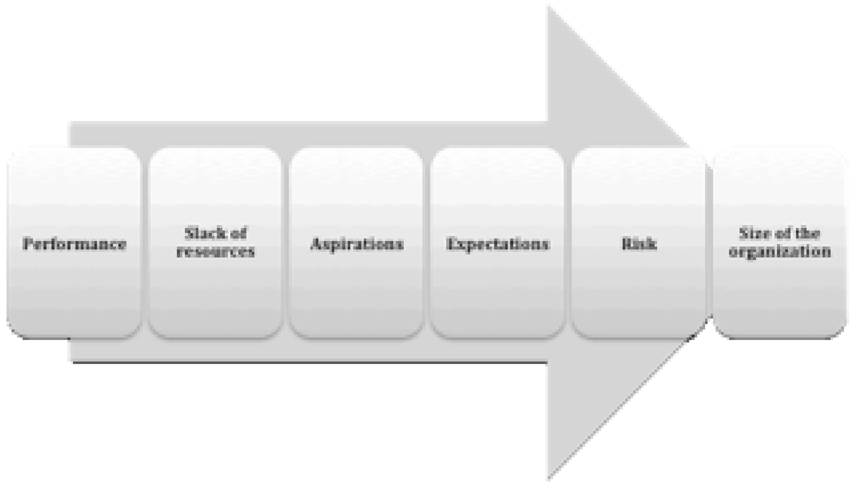
Starting from Penrose contribution (1959) on the concept of "growth," this author argued that growth derives from a new combination of firm's resources and routines. According to the reflections of U-model's inventors (Johanson & Vahlne, 1977, 2009), this resource-based view of the firm primarily refers to resources and competences available for the firm within its own network and able to activate and sustain the internationalization process. This business network perspective is conceived in the light of the possibility for the firm to acquire knowledge, resources and competences through its relational network. This latter is shaped by both local and foreign partners, which can be holder of precious information about international markets.

Furthermore, this model is behaviorally oriented since decision-making is managed by a rational agent (Cyert & March, 1963) who undertakes decisions on performance relative to previous aspirations. The concept of aspiration, claimed by Simon (1955), is linked to the ability nested at individual level, either managerial (Songcui et al., 2011) or entrepreneurial (Gimeno et al., 1997), in foreseeing a certain level of performance. According to the behavioral theory of the firm, if this level is below the expectations, the actors involved in strategic decisions, even if risk-oriented, lack for new ways of doing business in order to improve firm's performance. The gaze on foreign markets as a need of strategic renewal can be dictated by home market saturation and search of new market opportunities (opportunity driven) or rather as a way to better employ the main resources and competences of the firm (resource and core competence driven).

Thus the strategic renewal can take place through the strategic option of internationalization, while behavioral theory helps understanding what are the main capabilities able to pursue this goal (Eisenhardt & Zbaracki, 1992). Since this theory has a behavioral nature, conceptualizing the organization as composed of rational agents, it contemplates the situations in which conflicts can arise for the plurality of different rational minds. This is the reason why this theory puts its attention on how to influence people in decision processes. The behaviors, driving towards internationalization, are dictated by some features (Lin, Liu & Cheng, 2011, p. 84): "performance; slack of resources (the difference between total resources and the minimum resources necessary to produce a given output); aspirations (desired level of performance); expectations (anticipated level of actual performance); risk (uncertainty) and the size of the organization."

The behavioral theory, for the explanation of the binomial "performance-internationalization," starts from the assumption that if the level of performance is not enough adequate compared to

Figure 1. Behaviors driving at the choice of internationalization (Source: our elaboration)



the organizational efforts and the used resources, there are slack resources in the organization. According to Lin et al. (2011, p.85), these slack resources allow the firm to adapt to competition through the choice of internationalization as it "can make mistakes and experiment with new international strategies."

The strategic choice of internationalization, hence, is linked to the aspired and expected level of performance, that must be higher than the current one. Both aspiration and expectation drive the firm in searching new ways in order to reach higher levels of performance. This requires risk-taking orientation and chances in organization also in terms of its size. (see Figure 1)

Another theory underpinning the U-model is the foreign investment theory (Aharoni, 1966) that focuses its attention on the international investment decision process. In particular, Aharoni (1966) recalls the behavioral attitudes of the decision maker contemplated by Cyert & March (1963) since the uncertainty undergirds the foreign investment decision. This uncertainty, according to Aharoni (1966, pp. 2-3), is shaped by factors that belong both to the individual (e.g., inadequate knowledge, lack of predictive capacity) and to the organizational (organizational learning) sphere.

As mentioned, these theories are at the basis of U-model that considers the internationalization process as the result of an evolving learning path, according to which the progressive market knowledge and the resource employment influence changes in terms of management and development of firm's business.

The U-model conceives the SMEs' internationalization process as ''a gradual acquisition, integration and use of knowledge about foreign markets and operations and a . . . successively increasing commitment to foreign markets'' (Gankema et al., 2000, p. 16).

This model originated from some basic assumptions. The first one is related to the concept of risk reduction in the internationalization process.

The second one refers to the importance of interaction between knowledge development and understanding of foreign market.

More precisely, Johanson & Vahlne developed two versions of this model (1977, 2009), where the last one highlights "changes in business practices and theoretical advances" in spite of its early version (Johanson & Vahlne, 2009, p. 1411). Before entering into the explanation of this model, it is important to underline that the U-model shares a network perspective, emphasizing the importance of network strategies in the early stage of internationalization. This vision implies that a firm is embedded in the network and its membership facilitates its international expansion (Schweizer et al., 2010).

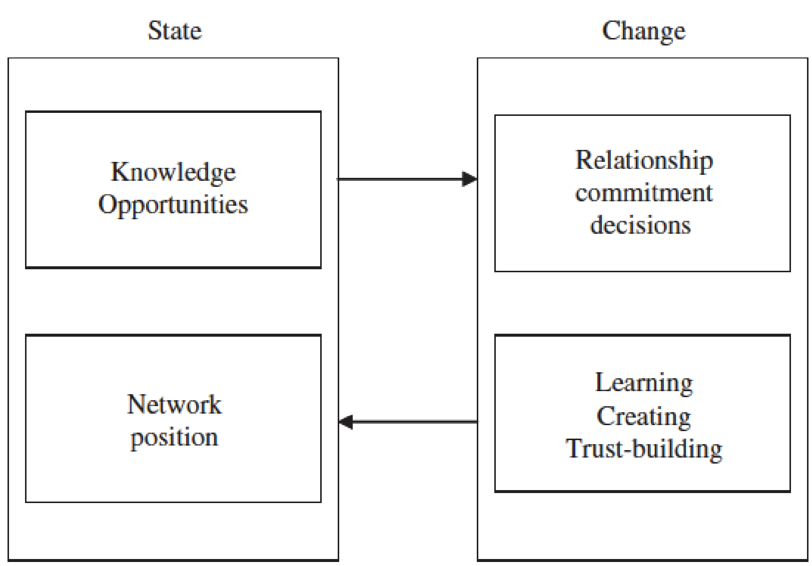
The U-model is built upon two variables: state and change. The state variables encompass knowledge opportunities and network positions while the change ones include relationship commitment decisions and learning, creating and trust building.

According to the authors, knowledge is the key driver for internationalization process. The fact that a SME is able to create or to catch opportunities is linked to its knowledge both in the form of market-specific knowledge and of general knowledge, playing a fundamental role in the way through which firms approach foreign markets (Forsgren, 2002). As regards the ''network position'', this refers to the activated relationships with external partners. The insertion of this variable within U-model refers to the possibility to have privileged access to information concerning new geographical markets.

There are, then, the change variables such as "relationship commitment decisions" and ''learning, creating and trust building." The decisions, indeed, "are centered on reconfiguration of the value chain and redesigning coordination mechanisms" (Vahlne, Ivarsson, & Johanson, 2011, p.4). The last variable - "learning, creating and trust building" - concerns the situation in which firms are able to learn or develop new knowledge from internationalization information through their relationships. (see Figure 2)

The case of the Italian company Loacker Remedia, operating in the Health Care sector with the focus on medical sales/distribution, offers an interesting insight on a process of internationalization based on a network perspective. The history of this firm shows how the gradual internationalization took place. Its origin goes back to 1983, when Rainer Loacker founded the Rainer Loacker S.r.l., one of the first Italian companies specialized in homeopathy. In the '80s the company imported homeopathic products and organized specialization courses for doctors interested in this new typology of medicine. In the '90s, there was a growth in the consumption of homeopathic products and Loacker Remedia started to internalize the production of such remedies.

Figure 2. The Uppsala-Model (Source: Johanson & Vahlne, 2009)



Due to the achieved success of the firm, the German group Schwabe-DHU (first mover in the homeopathic medicine) decided to include in its network Loacker Remedia. From the activation of network relations and thanks to the active collaborations among different partners, in 2005 Loacker Remedia extended its gamma products, introducing the first phytotherapic product. The improvement towards new solutions for natural medicines led to a tighter collaboration with the group Schwabe-DHU and, consequently, has offered the possibility of establishing itself at an international level.

This case study recalls both state and change variables of U-model. First, for Loacker Remedia knowledge and learning about international opportunities stem from the belonging to the network of Loacker Remedia, an important mean in gaining specific capabilities as well as in understanding the needs and future trends of domestic and foreign markets (Andersen & Buvik, 2002). Actually, this privileged network position creates an advantage coming from the fact that Loacker Remedia is member of Schwabe-DHU network. In order to understand the position of Loacker Remedia in the network of Schwabe-DHU, it is useful to deal with the composition of the group. Schwabe-DHU is shaped by different German companies and more than twenty subsidiaries and joint ventures. Within this configuration, Loacker Remedia is a subsidiary that exploits the group's competences in the field of homeopathy and medicines of vegetal origins. In this case, the network position variable (contemplated in the U-model) of Loacker Remedia is linked to Schwabe-DHU group, thus confirming the approach according to which network position is "also applied to the firm's subsidiaries" (Vahlne et al., 2011)

This is linked not only to the possibility of obtaining new information about international markets but also to the opportunity of acquiring specific resources and competences within the field of homeopathic medicine.

As regards change variables, the case of Loaker Remedia[3] has demonstrated that activated relationships have favored the exchange of resources, competences and knowledge, creating commitment among different partners. This situation had great influence on strategic decision-process in launching new products in foreign markets. Furthermore, the affiliation to such network generates advantages in terms of familiarity with the brand since other companies of the network are well known in foreign market and the partnership with them for the launch of a new product or service takes advantage from the awareness generated in the mind of the customer in terms of the quality of the offer.

As regards the U-model's most relevant limits, it is possible to outline that:

1. **The first version has been criticized as too much behavioral and descriptive**: According to Johanson & Vahlne (1977, 2009), this model highlights the "rational" component of the internationalization process. The behavioral theory of the firm views the organization as "goal-directed systems" (Lin et al., 2011) where the strategic choices of internationalization are based on behaviors of the main agents of the firm. The focus indeed is on the decision-making process rather than on other external aspects that can influence internationalization;
2. **The validity of this model has not been sufficiently tested (Hadjikhani, 1997):** Only a few works (Andersen, 1993; Barkema, Bell, & Pennings, 1996), as Forsgren (2002) suggests, have developed a range criteria which have been used for assessing the validity of the model from a practical standpoint;
3. **This model does not encompasses "hybrid entry modes" (Axinn & Matthyssens, 2002):** According to these authors U-model does not take into account the situations in which firms cooperate also within a vertical configuration;

4. **It is too deterministic:** Some scholars (Andersen, 1997; Axinn & Matthyssens, 2002) claim the necessity of an overlap between political, managerial and organizational mechanisms that act upon internationalization process. In this interplay, the key role is covered by managers who have a great influence in establishing inter-organizational relationships;
5. **In this model, the learning component is conceived according to a narrow vision (Forsgren, 2002):** The experiential learning, contemplated in the U-model, does not fit with the concept of high-tech market, where the high speed requires fast changes and, hence, it is quite impossible that the "interplay between the development of knowledge about foreign markets and operations on the one hand and an increasing commitment of resources to foreign markets on the other" (Johanson & Vahlne, 1990, p. 11) can be verified.

The I-Model

With reference to the I-model, this is based on the assumption that each stage of internationalization process represents the result of an innovation (Andersen, 1993; Gankema et al., 2000), although it is only focused on export activities, shaped by three fundamental stages: the pre-export stage, the early stage and the advanced stage.

This model was conceptualized by Cavusgil in 1980 even if, before that date, many scholars (Rogers, 1962; Simmonds & Smith, 1968) highlighted that the internationalization process is built through different steps, where each new step is the result of innovation's adoption. Morgan and Katsikeas (1997), proceeding with a literature review on the innovation's adoption process, underline that this process is necessary in a given time of the company's history in order to reach a new stage, following the so called "stop and go" (Dalli, 1994) behavior.

The explanation of the I-model begins with the basic idea (Cavusgil, 1980) of the existence of a firm that initially operates in the home market. In a given period, managers doubt about the possibility to export abroad and, hence, carry out feasibility studies on hypothetical markets where it is possible export (pre-export stage). There is then an intermediate stage (early stage of export) represented by the activity of exporting only to some markets, where targets are characterized by similar segmentation parameters to those of the home market. This allows the firm to start its internationalization process in a less risky way to after enlarge its geographic boundaries.

In the last phase (advanced stage) the firm serves more markets, achieves increases in sales' volumes and management is able to balance the choices around resources allocation between home and foreign markets.

The main advancements of this model regard the outlining of different stages to which innovation leads. While Cavugsil (1980) identifies three stages, Lim et al. (1991) classify four steps of internationalization (export awareness; export interest; export intention and export adoption); Rao and Naidu (1992) advance a specific classification of stages referring to firm's internationalization after innovation adoption (non-exporters; export intenders; sporadic exporters; and regular exporters).

This model deepens its roots in the U-model, sharing an innovative-based perspective. It introduces "push" and "pull" mechanisms that lead to internationalization as a specific strategic option.

It is defined as "stage model" or "gradual model" since it conceives internationalization as a slow process that requires internal changes in routines, capabilities and resources. This view deepens its roots in the idea that the transformation from national to international firm represents a complicated challenge.

According to this approach, the individual learning and the management of capabilities represent the main factors underpinning this process (Andersson, 2000) since they are based on managers' behaviors.

The transfer from a stage to another can derive either from "an external change agent or an internal change agent" (Du, 2003).

The empirical application of this model is limited since it is not rather complex and this makes it difficult to apply it (Ruzzier et al., 2006).

The strength of this model is that innovation is one of the most important features for SMEs' internationalization since it contributes to increase employment, economic and financial growth.

Furthermore, the I-model clearly shows two basic and key mechanisms driving internationalization (Morgan & Katsikeas, 1997) that are of strategic importance for the theoretical development of the issue of SMEs internationalization: the bundle of firm's knowledge and the importance of entrepreneurial/managerial contribution in the choice to internationalize. Other scholars (Rao & Naidu, 1992) underline that each internalization stage springs out from innovation adoption, is the snapshot of specific internationalization activities and, consequently, as a possible use of the firm's resources and competences.

As regards the main weaknesses of the I-model, they are related to the general disagreement (Grønhaug & Kvitastein, 1993) of the fact that this gradual model does not coincide with the real nature of internationalization, that seems to be not necessarily incremental. Besides, other researchers (Morgan & Katsikeas, 1997) claim that "intra-stage evolution is not considered" within the referring literature. This means that there are some unexplored issues on internal organizational changes in terms of procedures and systems.

Another weakness concerns the "psychic distance" contemplated within the early stage of export since firms look for customers having similar psychological features of home targets to after cover non distant markets. This stage seems to not have roots in today's global context where e-commerce is jeopardizing the classical distribution channels without taking into account the geographic boundaries and the cultural characteristics (Axinn & Matthyssens, 2002).

DreamWorks Animation[4], which operates in the sector of high-quality entertainment (films, television series, live entertainment properties), is another interesting case of SME's internationalization. Three managers founded it in 1994: Steven Spielberg, David Geffen and Jeffrey Katzenberg. Although this is a "born global" company, there are some steps in its history characterized by flows of innovation that have helped in sustaining the internationalization process.

In 1998 the company launched its first movie (Antz) coming out from a series of firm's policies and push and pull mechanisms, such as the hiring of human resources of the Spielberg's animation studio (1995) and the partnership with Pacific Data Images for the creation of high technologies.

Another important date is 2004, when DreamWorks Animation signed a distribution agreement with Paramount Pictures, strategic for the film distribution worldwide; they also created the animation division which led to the production of the feature films and television programs.

Nowadays, the produced movies and programs are world worldwide recognized with important Academy Awards as in the case of "Lincoln" (2012), directed by Spielberg, testifying how rapid internal changes in routines, capabilities and resources allow the creation of service/product innovation that is able to compete in the international context.

With reference to the I-model, some limits come out:

1. **This model is vague in theoretical terms (Ruzzier et al., 2006):** Theoretical contents do not offer practical insights and implications. This model, indeed, does not represent an efficient tool for managerial purposes;
2. **The "demarcation criteria" for the different stages of internationalization are not clear (Miesenbock, 1988; Andersen, 1993):** *Ex-ante* criteria for outlining the pre-

export stage, the early stage and the advanced stage have not been clearly defined.

There are then other common limits for both U-model and I-model:

1. **They are static models (Leonidou & Katsikeas, 1996):** The dynamic process of internationalization needs dynamic models since these two do not highlight some mechanisms such as how and when this process starts and develops;
2. **They do not consider the environmental factors (Melin, 1992):** Although these models consider established activities that, in a sequential order, lead to internationalization, they exclude the analysis of external factors[5] that can accelerate and/or threaten the success of the internationalization itself;
3. **They do not explicitly specify the type of governance:** Both theoretical and empirical works on U-model and I-model do not focus their attention on different types of governance which can differently affect the process. If the theory of Cyert and March (1963) sheds light on behaviors and consequent strategic decisions driving internationalization, the individual level of analysis, emphasized in these models, does not contextualize and does not specify what is the firm's governance system in which the rational agents are embedded.

The Knowledge-Based Model

As Kalinic and Forza (2012) underline, knowledge-based firms are more inclined to a fast internationalization process. There is a knowledge-based model, designed by Mejri and Umemoto (2010), which overlaps three internationalization phases (pre-internationalization, novel internationalizing, experienced internationalizing phase) with four kinds of knowledge.

Market knowledge concerns holding information about foreign markets in terms of market size, competitors and different systems of regulation (Mejri & Umemoto, 2010). Before the out-and-out novel internationalizing firms need to acquire information in order to reduce the connected risks. The point is to acquire market knowledge through mechanisms that allow absorption from exogenous market sources (Laursen & Salter, 2006).

As regards experiential knowledge, many scholars (Kogut & Zander, 1993; Makino & Delios, 1996, Blomstermo et al., 2004) put emphasis on the link between internationalization and this kind of knowledge.

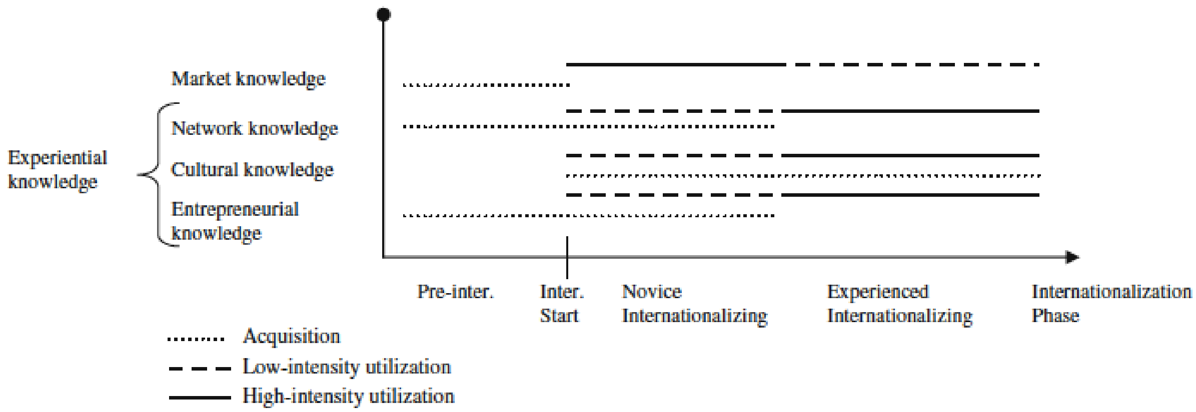
According to Mejri and Umemoto (2010) experiential knowledge encompasses network knowledge, cultural knowledge and entrepreneurial knowledge; in other words, it refers to the sedimented knowledge related to the fact that the firm operates in foreign markets, deploying the ability to "act on international business issues in local market" (Blomstermo et al., 2004, p. 356).

Examining the three proposed categories of experiential knowledge, the first one (network knowledge) conceives the network, both in the form of social and business, as the source of knowledge. The network in which the firm belongs plays a key role in spurring and stimulating the start-up of internationalization.

Furthermore, cultural knowledge indicates "the knowledge of values, manners, and ways of thinking of people in that market" (Mejri & Umemoto, 2010, p.164). (see Figure 3)

Finally, entrepreneurial knowledge refers to the ability to exploit/explore opportunities. These latters are linked to the issues of creation and/or of catching opportunities (Renko et al., 2012; McMullen & Shepherd, 2006; Venkataraman, 1997). The search for new opportunities as well as for new knowledge, resources and competences mainly concerns the exploration attitude through the capitalization or recombining of existing situations, resources or benefits; all these aspects then meet into entrepreneurial exploitation behaviors.

Figure 3. The knowledge-based model (Source: Mejri and Umemoto, 2010)



Although this model has not been used within internationalization literature, it is useful to share its contents in this specific context since it explains different types of knowledge overcoming the significance of the only "market knowledge" suggested by the U-Model.

The strengths of this model are:

- **The decomposition of different kinds of knowledge:** This model allows the study and the understanding of how different kinds of knowledge co-exist during the process of internationalization;
- **The contemplation of customer-specific knowledge:** While previous models do not directly deal with customer-specific knowledge, this model studies the cultural knowledge that derives from deep analysis of foreign markets in terms of customer's needs and behaviors;

On the other side, the weaknesses of this model concern:

- **The outlying of specific stages of internationalization:** This distinction among different phases seems to be too much theoretical;
- **The model does not explain how the sedimented experiential knowledge influences the business relationships:** As Sandberg (2013) underlines "few studies have examined whether and how the node of establishment in a foreign business network is associated with a firm's level of accumulated experiential knowledge." This model, indeed, does not contemplate the interaction between these mechanisms.

The case of Kimpton Hotels & Restaurants[6] well explains how the interplay between different kinds of knowledge has led to a successful firm's growth. It is a chain of boutique hotels and exclusive restaurants with more than 100 hotels and restaurants in U.S.

Its history underlines some fundamental transitions highlighting that specific knowledge is required in order to become global.

Starting from its origin (1981), it is important to stress the attention on the entrepreneurial foresight of Bill Kimpton who introduced not only the concept of boutique hotel in the sector but also the formula shaped by comfortable and luxury accommodation plus "chef-inspired restaurant." It is exactly from this well-defined hospitality concept that a series of continuous improvements arose, aiming at refining the total quality of offered service.

On one side, indeed, there is the focus on the hotel, introducing new features or amenities in the offer such as theme-based hotels (the first in 1983), "pet-friendly programs (1992), room rowing or bike machines for guests (1993)[7]" or dedicated programs for meetings that allow to create personalized services (2006). On the other, the care about the restaurant service is demonstrated by the presence of star chefs (the first was introduced in 1983) and by the use of organic food and beverage (i.e., "biodynamic and sustainable wines from small and large producers"[8]).

Although Kimpton Hotels & Restaurants are located in the American market, the referring targets are spread worldwide. This case study demonstrates that competitive advantage can be favorably based on the combination between different skills and knowledge, resources and competences, linked to learning and experiencing.

In this sense, the internationalization process has been first realized through the match of knowledge about foreign market and network knowledge. This latter refers to the firm's ability in sharing relations with American and European tour operators and others tourist actors such as Kuoni, TravelTravelocity, Expedia, Hotwire and Great Hotel, etc. This means that the external network with other operators allows to easily reach potential targets of foreign markets as well as to expand into new travel sectors.

However, the meaning of network knowledge needs to be enlarged by the concepts of internal network and the activation of a strategic network with Kimpton Hotels & Restaurants' suppliers.

There is than the internal network shaped by the hotels and restaurants of the chain. The creation of this internal network constituted the basis for the successful growth since the belonging to the brand "Kimpton" has allowed to develop shared customer's fidelity programs, an internal philosophy about the care, the diversity and the inclusion of its human resources as well as to take advantage from both economies of scale and learning economies deriving from the activation of internal relations.

In the light of network knowledge, it is important to mention the strategic network with the suppliers both for the hotel and for the restaurant business. For example, in order to realize the concept of "soul-satisfying restaurants" and to emphasize the quality of used products, Kimpton restaurants activate a relational network with the main suppliers in order to guarantee a permanent quality.

Consequently, the experiential knowledge stems from more than 30 years of experience in the sectors, building and strengthening the "Kimpton" brand around five concepts: care, comfort, style, flavor and fun.

With reference to cultural knowledge, this concerns the knowledge about the customers' needs and the related Kimpton's culture of hospitality. In this direction, the development of specific programs (i.e., KimptonKids program, Women InTouch program, etc.) for each referring target helps developing a tailor-made offer.

Finally, the entrepreneurial knowledge of the founder Bill Kimpton and the later ability of the firm, expression of the executive team's capabilities, allowed the company to be always a first mover in the sector, starting from the introduction of the concept of boutique hotel till the awards as "first hotel to be 100% certified by Green Key's Eco-Rating Program" and the "first company to make every meeting a green meeting with the introduction of 12 eco-friendly meeting standards"(Kimpton Hotels and Restaurants, n. d.).

More Innovative Models

Furthermore, other recent models suggest the main characteristics of internationalization (Ruzzier, Hisrich, & Antoncic, 2006) and give a wider overview of the different interrelated factors for SME's internationalization (Osarenkhoe, 2009).

Due to the lack of an exhaustive framework, some scholars (Jansson & Sandberg, 2008) try to overlap different models in order to have a holistic view on the phenomenon.

In particular, *Ruzzier* et al. (2006, p. 491), reclaiming a model developed by Antoncic and Hisrich (2000), suppose a new one, which includes four main dimensions (mode, market, product and time), firm's international performance (growth in sales and profit) and key antecedents (entrepreneurial characteristics, human and social capital, firm's characteristics, environment, etc.). As regards the mode, authors doubt about the locus of resources (either internal and external) as well as their relative development (internal and external). On these two points depend the resource adjustment/development and its relative mode. More precisely, the configurations can be the following: internal resources in a firm-oriented mode; external resources in a firm-oriented mode; internal resources in a network-oriented mode; and external resources in a network-oriented mode. Another internationalization property is the market, referring to the geographical area of expansion.

The last feature is the time of internationalization, referring to the specific phase when the SME internationalizes its activities. According to the time, SMEs can activate the internationalization process after years or directly as "be born" global.

As regards firm's performance, "internationalization can be a source of growth in profitability" and sales (Zang et al., 2009).

Finally, the model supposes as key antecedents the entrepreneurial characteristics that drive the internationalization process, the social and human capital nested in the founder, the managers, firm's behaviours towards internationalization and the environmental conditions in terms of opportunities and strengths.

One of the main strengths of this model is represented by the advancement in the outlying of the locus of resources (either internal and external) and the relative direction of their development (internal and external). Indeed, although the theoretical background of U-Model is also based on RBT, it does not explain the source of resources as well as the connection with their related development.

Another strength refers to reflection on some firm's international performance indicators such as growth in sales and profit. While previous models concentrate the attention on both antecedents and key mechanisms of internationalization without recalling any performance indicator, this model represents an advancement in internationalization studies for the focus on these elements.

The main limit concerns the measurement of the human capital dimension. The same authors (Ruzzier et al., 2007), using a structure equation model, have empirically tested this model. As they underline, the limitation of the study "includes the high interrelatedness of the human capital dimensions we measured (e.g. international business skills and international orientation) and possible informant bias."

There are then other scholars that propose an integrated framework for the enablers of a non-sequential internationalization process (Osarenkhoe, 2009). This framework grounds its theoretical assumptions within the transaction cost approach (Coase, 1939; Williamson, 1975) and the network approach (Turnbull & Valla, 1986; Forsgren, 2002; Butel & Watkins, 2006).

As regards the first theoretical approach, it is focused on the "minimization of transaction cost and the conditions underlying market failure" (Osarenkhoe, 2009). According to Osarenkhoe (2009), the link between this approach and internationalization refers to some questions about how to internationalize looking at both transaction costs and the possibility of market failure. These questions finally concern the choice on internationalization through a subsidiary rather than through an external network of partners.

In the latter case, Osarenkhoe (2009) also recalls the network approach, pointing out the necessity to activate external relationships in order to proceed with internationalization.

Some scholars connect the issue of a network with a more rapid process of internationalization (Coviello & Munro, 1997; Johnsen, 2007); others (Szarka, 1990) link it with the necessity of a SME to find the right relationships to establish in internationalization in terms of quality and nature of partners; some others (Boari et al., 2004) mainly focus on network relationships as facilitators of internationalization.

In particular, Osarenkhoe pays attention to the enablers of a non-sequential internationalization[9]. These are globalization forces, technological forces, business specific factors, entrepreneurial process and international relationships/networking. The scholar also highlights the role of entrepreneurial prowess in opportunities search, proactiveness and ability of creating a powerful network of partnerships.

Finally, international relationships/networking is claimed as of strategic importance for the "international extension, penetration or international integration" (Osarenkhoe, 2009, p. 304).

The strength of the model resides in the recall of the transaction cost theory, thus combining it with the network approach, differently from previous models that do not contemplate the possibility of partner's opportunistic behaviors and the related transaction costs (i.e., "costs of searching for information about markets, products, buyers and sellers; negotiation costs; and monitoring costs"- Osarenkhoe, 2009).

On the other side, the model of Osarenkhoe does not recall the resource-based theory within the network-based approach although Osarenkhoe (2009) claims that "according to the network perspective, a relationship involves the control of resources, the implementation of activities, or the link between resource and activity."

This study recalls the 5-steps model of Ford (2002) with its successive developments (The Five/Five Stages Model - Jansson & Sandberg, 2008) since it encompasses the traditional stage model of internationalization (Cavusgil, 1980).

These models explain the ways through which the internationalization knowledge evolves (Cavusgil, 1980) and the path that drives the acquisition of experiential knowledge after entering new markets (Ford, 2002).

The Five/Five Stages Model contemplates five stages that are interconnected by numerous network relationships activated for the achievement of the different stages of internationalization as well as by the firm's bundle of resources and capabilities.

The first stage represents the situation in which the firm only operates in domestic markets.

The pre-relationship stage is mainly characterized by a domestic activity with a little glimpse on internationalization markets through the activation of weak relationships.

The early stage begins with the development of these relationships in terms of resource and experience sharing, even if changes appear still "few in number."

These initial stages are followed by the development stage that shows the spread of trusting behaviors leading to an increase in shared resources. In this stage there is a greater confidence of international customer in firm's products/services and in its whole brand.

In the final stage it is possible to identify how long-term relationships work according to a shared and institutionalized vision.

On one side, it is possible to state that the basic assumption about the understanding of how knowledge evolves during a gradual internationalization process is the main strength of this model. On the other side, the main limit refers to the identification of five stages of internationalization. These cannot be always achieved in this precise manner.

Table 3. Internationalization models

Model	Theories	Perspective	Main advances and/or revisit	Limits
Uppsala model-Johanson & Vahlne, 1977	- Resource-based perspective (Penrose, 1966) - Behavioral theory (Cyert & March, 1963) - foreign investment theory (Aharoni, 1966)	Firm's and business network perspective	**Forsgren, 2002** the U-model "is not totally clear whether incremental behavior is simply a consequence of experiential learning or whether it is an independent variable," the author clarifies "the relationship between experiential learning, tacit knowledge, perceived uncertainty and incremental behavior" **Johanson & Vahlne, 1990, 2003** discuss about "business relationship learning and commitment in the internationalization process" (Johanson & Vahlne, 2006) **Johanson & Vahlne, 2003** – they focus on the role of building and changing relationships, excluded in the 1977's version **Johanson & Vahlne, 2006 –** they focus on the concept of "create new knowledge through interaction" between the hub firm of the network and another firm. **Johanson & Vahlne, 2009** **-** substitute state and change variables of the first model with new ones.	- **Johanson & Vahlne, 2009** The first version has been criticized as to much behavioral and descriptive - **Hadjikhani, 1997** The validity of this model has not sufficiently tested - The focus is only on the gradual internationalization growth and ignores the possibility of a rapid process. - **Catherine & Matthyssens, 2002** It does not take into account the situations in which firms cooperate and vertically cooperate - **Andersen, 1997; Axinn & Matthyssens, 2002** It is too deterministic.
Innovation-related model (Rogers, 1962)	- Behavioral theory (Cyert &March, 1963)	Firm perspective	- **Reid (1981)** and **Simmonds & Smith (1968)**: since that one of the main limit of I-model was the contents of its stages, these scholars explain them and the change mechanisms from one stage to the next; - **Lim et al**. **(1991)** classify four steps of internationalization (export awareness; export interest; export intention and export adoption); **- Rao and Naidu (1992)** advance a specific classification of stages referring to firm's internationalization after innovation adaption (non-exporters; export intenders; sporadic exporters; and regular exporters)	- vague in theoretical terms (Ruzzier et al., 2006) - With reference to different stages the used "demarcation criteria" are not clear (Miesenbock, 1988; Andersen, 1993)
Knowledge-based model (Mejri & Umemot, 2010)	- knowledge-based view (Grant, 1996)	Firm perspective	-the decomposition of different kinds of knowledge; -the contemplation of customer-specific knowledge.	- the outlying of specific stages of internationalization; - the model does not explain how the sedimented experiential knowledge influence the business relationships

continued on following page

Table 3. Continued

Model	Theories	Perspective	Main advances and/or revisit	Limits
The international entrepreneurship conceptual model (Ruzzier, Hisrich, & Antoncic, 2006)	- Resource-based theory (Barney, 1991) Entrepreneurship theory (Alvarez & Busenitz, 2001)	Firm and business network perspective	- the outlying of the locus of resources and the development of them - reflection on some firm's international performance indicators such as growth in sales and profit	-the measurement of the human capital dimension (Ruzzier et al., 2007)
Integrated framework of the enablers of a non-sequential internationalization (Osarenkhoe, 2009)	-Transaction cost approach Coase 1939; Williamson, 1975). -Network approach (Turnbull & Valla, 1986; Johanson & Mattsson,1988; Forsgren,2002; Butel & Watkins, 2006).	Firm and business network perspective	- the recall of the transaction cost theory - it overcomes the concept of "incremental decisions" contemplated in previous models	- this model does not recall the resource-based theory within the network-based approach
The Five/Five Stages Model (Jansson & Sandberg, 2008)	internationalization process theory (Johanson & Vahlne, 1977) -industrial network theory (Salmi, 2000).	Firm and business network perspective	-the understanding of how knowledge evolves during a gradual internationalization process	- the five stages of cannot be always achieved in this precise manner
Born global model (Kalinic & Forza, 2012)	- Resource Based View (Barney, 1991) - Dynamic capabilities approach (Sapienza, & Davidsson, 2006); - Network approach (Oviatt & McDougall, 2005); - Organizational learning approaches Oviatt & McDougall, 2005);	Firm and business network perspective	- "empirical-based explanations of the mechanisms that influence the speed of internationalization" (Kalinic & Forza, 2012)	- It is necessary to "carry out the same research with some unsuccessful cases would allow having a control group" (Kalinic & Forza, 2012)

Source: Our Elaboration.

THE INTERPLAY BETWEEN ROOTS OF RESOURCES AND DIRECTION OF THEIR DEVELOPMENT FOR INTERNATIONALIZATION STRATEGIES

From the study of previous theoretical models in order to single out their strengths, in terms of adopted theories and contents as well as their limitations, this work aims at expanding these referring tools, trying to emphasize certain positive implications and to find out some solutions to overcome their weaknesses. A model, as such, has to be able to demonstrate its efficiency through the assimilation of a series of variables which reproduce the internationalization process, both gradual and rapid, without neglecting the main fundamentals and mechanisms that actually lead to SMEs' internationalization.

Although several limits of both U and I models have been emphasized, this study takes into account some of their achievements such as the role of network relationships and the importance of acquisition of knowledge.

Previous studies on U and I models recognized the existence of some limits since they do not take into account environmental factors and the type of governance.

From this reflection, the current model takes into account some environmental variables (i.e., level of competition in the market), the type of the governance and the organizational roles and responsibilities in the light of firm's internationalization strategies.

Furthermore, some elements of already analyzed internationalization models (the Knowledge-based model, the international entrepreneurship conceptual model, the Integrated framework of the enablers of a non-sequential internationalization, the Five/Five Stages Model) are quoted in this new model.

The first factor encompasses the networking knowledge and capabilities as drivers of SMEs' internationalization. The second one stresses the importance of the individual contribution in terms of entrepreneurial knowledge and capabilities. The third one concerns both cultural and market knowledge since the understanding about suppliers, customers, competitors and market dynamics cannot be excluded from the study of SMEs' internationalization.

Moreover, some main advances comes from through the international entrepreneurship conceptual model (Ruzzier et al., 2006) the outlying of the locus of resources and the development of resources and from the Integrated framework of the enablers of a non-sequential internationalization (Osarenkhoe, 2009) which explains the internationalization as not the result of "incremental decisions," overcoming the gradual approach to internationalization.

Theories that have been used in both U-model and I-model emphasize the decision makers' behaviors without paying adequate attention to the role of their capabilities. Indeed, decision making inside SMEs based on rational agents' behaviors that act entrepreneurially by creating/catching opportunities. In particular, the entrepreneurial capabilities emerge when the creation of strategic options (Klingebiel, 2012), such as the internationalization, are conceived and implemented. This necessarily requires entrepreneurial flexibility in adopting the organizational structure, changing size, switching or rethinking future actions (Klingebiel, 2012). Moreover, in this process aspirations and expectations play a crucial role for valuable strategic choices. Hence, entrepreneurial behaviors must necessarily match the contents of entrepreneurial capabilities since the behaviors alone, if not supported by the right capabilities, are not able to generate a strategic choice. From here, the necessity to include "entrepreneurial capabilities" in a model, which explains how the turning point between domestic and foreign markets occurs, springs out. Another reason underpinning the recall of entrepreneurial capabilities is linked to the concept of sustainability that constitutes "an integral part of the entrepreneurship domain" (Cohen & Winn, 2007). More precisely, the model shares the social component of entrepreneurial sustainability, emphasizing the relationships with the territory, both in the meaning of local community employment and in the use of local resources.

In internationalization, entrepreneurial capabilities also concern proactive and risk taking (Oviatt & McDougall, 2000), behaviors that help in accelerating the internationalization. The experience at both firm and individual level, proclaimed in U-Model (Johanson & Vahlne, 1977), can be nested in the entrepreneurial figure and/or in top managers as they are able to catch nascent opportunities in foreign markets (Brush, 1992). In the same direction Ruzzier et al. (2006) highlight the existence of some key antecedents, considering the entrepreneurial characteristics as well as human and social capital as the main mechanisms driving internationalization strategies.

Hence, the current model recalls these specific concepts, sprung out from previous studies. In particular, it takes into account the relational dimension of the social capital (Nahapiet & Ghoshal, 1998) which explains how managers and entrepreneurs' interpersonal relationships can lead to the creation of social capital through the sharing of goals and norms, useful in the process of internationalization according to the network perspective.

The strategic choices undertaken by firm's decision makers reflect, of course, the technical and operational capabilities of the company. At the bottom of the organization such capabilities include specific competences in all fields of firm's activities, according to each specific organizational model (e.g., functional, divisional, multidivisional, etc.). These concern the current operations of the firm.

There are, then, innovative capabilities able to create and reinforce new assets through entrepreneurial creativity. In this optic, it is also important to recall the Schumpeterian (1934) concept of entrepreneur as a figure who drives the innovation and leads to technological change or, according to other authors (Todd & Javalgi, 2007), as the actor that can leverage information technology.

In this direction, the component of innovation perfectly joins the SME internationalization process since an entrepreneur can have "growth aspirations" (Devece et al., 2011) in exploring opportunities outside firm's boundaries. Some authors conceive international entrepreneurship as "a combination of innovative, proactive and risk-seeking behavior that crosses national borders as is intended to create value in organizations."

Furthermore, the relational capabilities refer to the ability to activate strategic relations as well as to spread a cooperative atmosphere among the actors of the network. Relational networks can be expression of entrepreneurial capabilities able to create an integrated system where it is also possible to have access to information about foreign markets. The relational capital (Nahapiet & Ghoshal, 1998) of the entrepreneur refers both to the nature of the assets and to the dynamics of the relationship. For example, the U-model emphasizes the importance of the network without managing the link with managerial capabilities that helps in addressing challenges and opportunities concerning the internationalization. In the proposed model there is a connection between the relational capabilities and the history of the firm. Both the culture and the history of the firm can influence the result as well as the success of activated partnerships.

Of course, at the basis of the entrepreneurial and managerial choices, regarding the selection of the right partners for the network, there is the evaluation of partners' risky behaviors and the analysis about the economic convenience about governance choices. These two points are linked to the transaction cost theory (Coase, 1939; Williamson, 1975), recalled in the internationalization model developed by Osarenkhoe (2009).

For the internationalization through networking, the starting point for an entrepreneur is to evaluate what are the relationships that can provide access to resources that reveal to be necessary in order to increase organizational learning in international activities. This assumption must not be disconnected with the focus on lower transaction costs that is achieved through the spread of trust among partners.

Only if trust is built, it is possible to observe the networking propensity. This latter allows an extension of strategic and market opportunities as well as to maintain adequate levels of structural flexibility (Della Corte, 2004).

Indeed, the model of (Osarenkhoe, 2009, p. 304) highlights the importance of relationships and networking in the light of specific features of internationalization such as the extension and the penetration in foreign markets. In the same direction, the model of Jansson & Sandberg (2008) contemplates long-term relationships of strategic importance and as the summit of five stages.

Oviatt and McDougall (1995) state that networking allows resource mobilization and development - especially for born-global companies - and facilitates coordination between positions in different foreign markets. As viewed in both U-model and I-model, the analysis of SMEs' internationalization process is enriched by some streams of research and, in particular, by the resource-based theory (RBT- Barney, 1991, 2006), the behavioral theory (Cyert & March,

1963) and, finally, by the foreign investment theory (Aharoni, 1966).

In particular, the proposed model shares the RBT, enlarging the basic assumptions adopted by the classical internationalization models. It takes into account the main hints suggested by successive models, trying to systematize a more dynamic, resource-based view in an integrated set of variables.

The U-model emphasizes and starts from the networking perspective with reference to network in which the company is embedded. In this direction, the resource-based approach is linked to networking theory, that emphasizes how a firm can be encouraged towards internationalization by the network to which it belongs, through learning processes, in terms of market knowledge (Johanson & Mattson, 1993).

If it is true that network relations are fundamental for a successful internationalization (Johanson & Vahlne, 2009 p. 1411), it is as much true that without an internal bundle of strategic resources, this internationalization can jeopardize the whole life of the firm.

Hence, this model recalls some concepts and variables taken from other models. Starting from the model's variables, these come from the model developed by Ruzzier et al. (2006) that establish the locus of resources and the direction of the resources as two important variables.

Furthermore, the concepts of relationships and networking are taken from U- model and Integrated framework of the enablers of a non-sequential internationalization while the stream of research of RBT comes from both U-model and international entrepreneurship conceptual model.

The originality of this model lies in the identification of specific resources and competences (i.e., technical and operative capabilities, innovative capabilities) and other elements (such as the history and the reputation/brand image), useful in the process of internationalization and not explicitly contemplated by other models.

Indeed, RBT is founded on VRIO framework that evaluates the degree according to which these resources can be considered as strategic as well as owned, controlled (here including also skills and capabilities) or available for the firm.

The concept of "strategic" depends on (Barney, 1991; 2006) the fact that resources have to be:

- **Valuable:** Resources are able to exploit external opportunities or to neutralize/reduce external threats, contributing to the improvement of efficiency level (cost reduction) and or efficacy level (revenue increase);
- **Rare:** A resource is rare when the number of firms that own/control it is lower than that of perfect competition;
- **Inimitable:** This refers to the level of difficulty and the relative cost to imitate it. This is related to specific factor, such as, the unique historic conditions of the firm and to its specific path of development (path dependence); the casual ambiguity, related to the fact that in the firms there can be some successful mechanisms of whom the management can even be not totally aware of implicit processes, such as firm's routines; the social complexity, that is the combination of relationships that the firm is able to activate or the internal human resources which generate and develop a virtuous process of trust or situations of exclusivity comparing to competitors; patents represent a form of protection about firm's innovation, linked to the specific set of firm's resources;
- **Exploited by Organization:** This variable converts potential resources into real ones and is connected to the firm's availability of information, reporting and planning and control systems, organization tools able to use and valorize resources.

RBT supposes resource heterogeneity and immobility, claiming the relationship between firm's internal/external resources and competitive advantage.

In the internationalization process these two features must necessarily take place since they have to compete in dynamic markets where resources differentiation is necessary.

Here the meaning of "resource" is conceived in its broader meaning, including also capabilities (Barney, 2006; Prahald & Bettis, 1986) that are "a special type of resources" (Makadok, 2001).

The availability of tangible and intangible resource stock is valid for both slow born-global and rapid born-global (Bloodgood et al., 1996).

What allows to face the global competition in international markets is the control over a bundle of resources that thanks to managerial ability become causally ambiguous (Hermel et al., 2011).

As regards SMEs, inter-organizational partnerships are of wide importance to gain competitive advantage (Della Corte & Sciarelli, 2006).

This represents the path for SMEs internationalization since they can take advantage from network resources and competences.

The root of resources, as showed, can, first of all, be internal. For example, the relational capabilities, that allow the membership in the network as well as to activate the right partnerships in order to gain information about foreign markets, have an internal origin. In terms of capabilities, the internationalization of SMEs requires dynamic capabilities, conceived as processes that generate market changes (Eisenhardt & Martin, 2000) through the integration and reconfiguration of resources.

From these reflections, some focal points come out: on one side the sources of resources, on the other side their development. In this direction, Ahokangas (1998) proposed a matrix showing both variables that use internal and external as proxies for "sources of resources," while firm-oriented and network-oriented for the variable "development of resources" [10](Fig. 4).

If the works of Ahokangas (1998) and Ruzzier et al. (2006) represent an advance in the field on internationalization literature, our proposed model adds the variables "external" for the roots of resources and the labels "external" and "direct" for the direction of the development towards which they are valorized.

First, the addition of the word "external" stresses the importance on the fact that, when the firm overcomes its boundaries, the source of resources can reside in the network but can also be available elsewhere in the external environment.

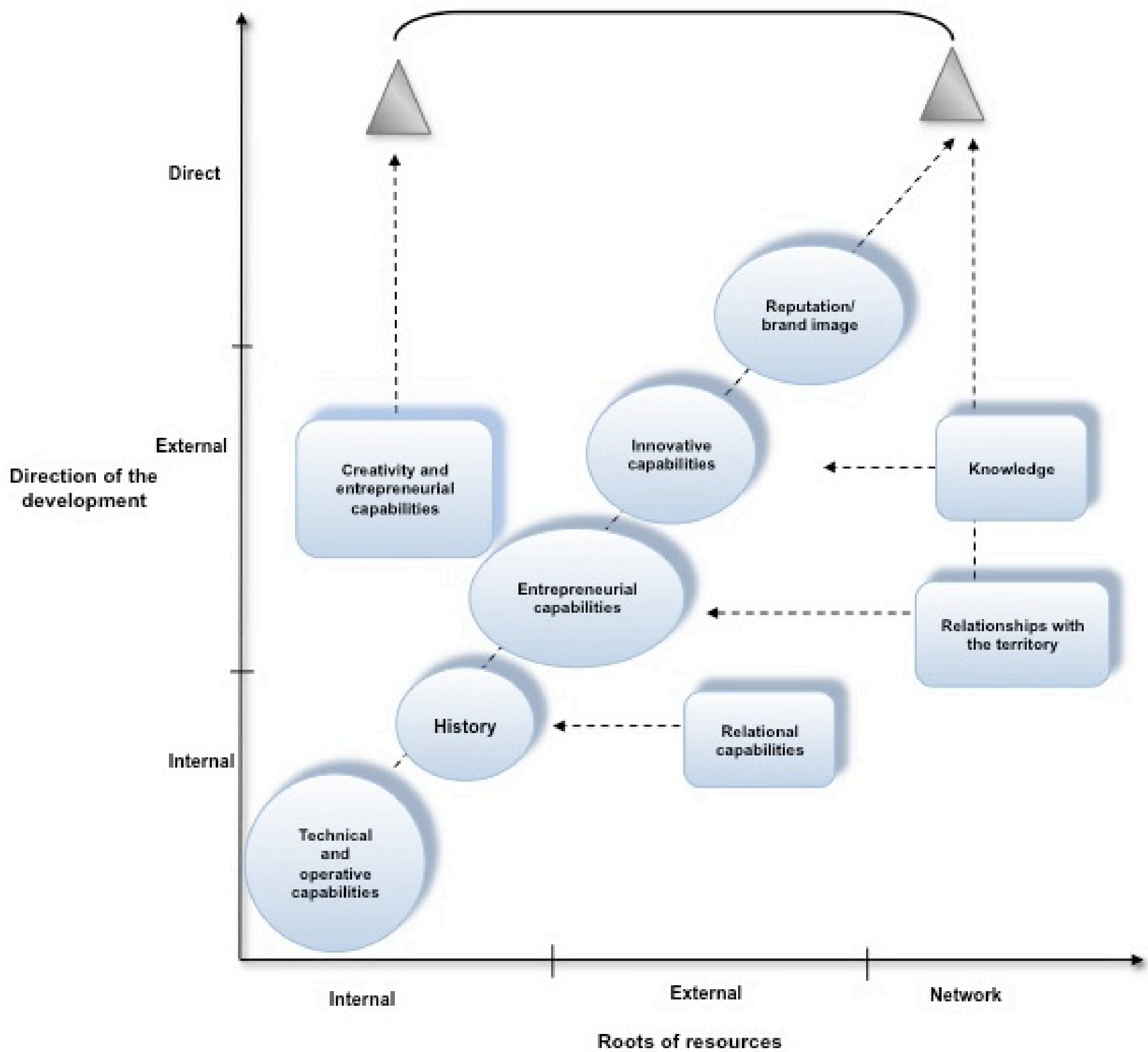
As regards the direction of development, this can be both internal and external with a direct progression.

More precisely, from the elaboration of this model, a matrix has been created, in order to analyze the source of resources and the direction towards which these resources are able to lead the firm, if they are well exploited and implemented by the organization. Hence, it is important to know the internal resources, mainly originated and developed by the main entrepreneurial and managerial competences of the single firm, at least, from the others human resources (referring to family members).

The external resources come from the external environment as well as from the interaction with actors that are outside firm's boundaries and, that are able to create sustainable competitive advantage.

Other resources are called "network resources" when they originate from firms' networks, more or less structured, able to create a real systemic development and to strengthen the level of the new meta-entity and, consequently, of the firms that belong to it. Managerial networking capabilities can influence the creation of relational advantage (Day, 1994) and facilitate the entrance in new market. This relational capital leads to the acquisition of external resources and to the formation of new assets that are able to adjust internal resources (McDougall *et a*l., 2003). Before positioning the resources, the analysis through the

Figure 4. Direction and roots of resources (Source: Our Elaboration)



above explained VRIO framework is suggested, in order to select the strategic resources that can lead the internationalization process.

Combining the RBT approach with SMEs' internationalization process, a theoretical model comes out as underlined in Figure 4.

This model shows the ways through which firms can grow according to the two axes: one that explains the direction of development that can be internal, external or direct (this is the case of born global firms); the other that indicates the places where dynamic capabilities reside (at an internal, external or network level). Crossing the two axis, it is possible to determine the strategic resources for the development.

The proposed model, indeed, takes into account the locus of resources and the direction of the resources, suggested by Ruzzier et al. (2006). These resources are able to drive SMEs' internationalization whether resources are adequately used and implemented in organizational terms.

Whether these assets are highly connected with the network, able to create a real systemic development that reinforces the competitive position of the SME and the network as a whole, the internationalization is specifically linked to the network resources. As regards the direction of resources, this can be more internal or pitched towards the external context and, in the cases of inter-firm collaboration, based the network logic.

The strength of this model resides in the explanation of both gradual and rapid internationalization.

For the latter, it is useful as it shows different kinds of resources and capabilities that have to interplay during a rapid process.

Besides, this model overlaps the resource-driven perspective with the opportunity-driven one, since the value of the considered strategic resources mainly lies in their capacity of favoring the relationship between the firm and its external context.

In this direction, the model highlights the role that organizational assets and resources (technical and operative capabilities) have in the evolution of internationalization process. The specific recall to the innovation capabilities concerns, as Amsden & Hikino (1994) underline, the necessity to own these resources in order to successfully compete and perform in turbulent and uncertain contexts. Indeed, these are critical in today's' hypercompetitive context.

In addition, entrepreneurial capabilities, that are also recalled by other internationalization models, influence the path of corporate development and the way through which entrepreneurs manage some critical aspects of the internationalization and if they involve the local community.

Furthermore, this model conceives the component of company's history, that other models have never emphasized. According to the RBT, a firm's history is one of the main sources that are difficult to imitate. Indeed, the unique historic conditions can allow the firm to acquire, develop and exploit strategic resources the company owns thanks to its previous and favorable historic conditions.

Finally, previous models have not explicitly linked the components of "reputation" and "brand image" to internationalization. The classical stage models describe the last phase as a stage where the firm achieves increases in sales' volumes without studying how reputation and brand image in foreign markets act upon this increase.

SMALL AND MEDIUM ENTERPRISES INTERNATIONALIZATION: GRADUAL VS. RAPID GROWTH

The main objective of this study is to verify the existence of an efficient model for the analysis of SMEs' internationalization, that can better explain both cases of rapid and of gradual development. Previous works on internationalization, indeed, developed the so-called stage models (U-model and I-model), focusing on a slow internationalization process shaped by different stages that are actually difficult to observe in the real life of firm's internationalization. Indeed, the strong theoretical distinctions between one stage and another make the managerial application of such models extremely difficult.

The in-depth study of existing models showed what are the main points, in terms of their strengths and weaknesses, on which it is possible to build a new tool. This path has led to the creation of the proposed model. In order to explore its validity, this section explores two histories of SMEs' internationalization with an in-depth case study analysis (Eisenhardt, 1989; Yin, 2003).

The first case study is Mosaicoon, that shows how a SME can carry out a rapid internationalization strategy. The path tracing its history helps understanding, according to the roots of resources and the direction towards which these are valorized, what are the strategic capabilities deployed for this fast success.

The core business of the firm is shaped by different activities such as viral communication, social media management, interactive advertising, mobile apps, advergames (advertisement + games), digital (Mosicoon, n. d.) tools.

This company is the result of the creativity of Ugo Parodi Giustino, founder and current CEO of Mosaicoon.

This SME was born in 2006 under the name of "Belsito media" to after become in 2007 "Mosaicoon." In 2009, there was a point of change thanks to a venture capital's entrance that allowed Mosaicoon's growth, operating in both production and distribution of big commercial campaigns.

While the above-mentioned case studies show a gradual internationalization process, Mosaicoon is the expression of a "born global" firm (Kalinic & Forza, 2012) that has been able to gain a satisfying degree of internationalization in a short lapse of time[11].

Indeed, Mosaicoon operates in international markets from the start. In this direction, the proposed model overlaps with the "born global" theory. Hence, the distinctive characteristic of the proposed model is that it can be applied to both born global and to gradual internationalization strategies.

Recalling the proposed internationalization model explained in the previous paragraph, it is possible to trace Mosaicoon's internationalization process according to that model.

According to the VRIO framework, it is possible to define if these resources can be considered strategic in the development of internationalization strategies. At the basis of the success, indeed, the technical and operational capabilities of the thirty employees of the company: they are marketing and Web experts. Right from the beginning of its history, these capabilities have been nested in the four creators that have then spread among all the members of the organization. In general, these capabilities are considered valuable and rare but not hardly or costly to imitate because people can gain them through training and specialization courses. According to the model, these resources are typical of an internal development because the firm owns them.

As regards the connection between history and relational capabilities, emphasized in the model, it is essential to outline the short history of Mosaicoon since from the analysis it emerges as an interesting issue. In the case of a "born global" firm, the use and the orchestration of relational capabilities can reveal to be more strategic than the history of the firm as acceleration factors in the internationalization. The history is considered a VRIO resource because it is impossible for other firms to replicate it and to acquire the same know-how and experience.

According to the relational view, Mosaicoon activated some strategic relationships that have led the firm to a rapid internationalization. Among the most important relationships, it is necessary to mention two of them. The first one was with Arca University Consortium[12] while the second with Vertis s.g.r., an Italian venture capital, which acquired a substantial amount of shares in 2009 considering the planned investments as profitable (Magi, 2010). Relational capabilities are valuable and rare and even if the imitability can be easy or not costly, it could not produce the same benefits of Mosaicoon if it is not exploited by the organization. For this reason, it is considered a VRIO resource. The presence of a venture capital underlines the importance of foreign capital for the international growth of Mosaicoon.

In the case of Mosaicoon, the deployment of relational capabilities has exactly traced its historical path. According to the model, these are network capabilities that can positively impact on the entrepreneurial ones, pushing the firm to a rapid growth. Furthermore, these resources are strategic in terms of creating a link between the firm and the external context through which it is able to invent or to see/catch new opportunities.

With reference to entrepreneurial capabilities, these have been important both in the start-up and in development phases. The founder, indeed, was able to create a new business through the exploration of opportunities, connected with the lack of innovative and creative business idea in the communication sector and the search of funds for original projects concerning innovation in the communication sector. At the same time, Ugo Parodi Giustino exploited technical capabilities of the other three members of the organization (Giuseppe Costanza, Juan Serrano Ortiz and Marco Imperato). Entrepreneurial capabilities are always a VRIO resource because they come from a long-term experience and a strong commitment that are very valuable, rare and hard to imitate.

The simplicity of Mosaicoon's organizational structure retraces the competences of the founders. Ugo Parodi Giustino is now the CEO of the company, Giuseppe Costanza the Head of R&D and Marco Imperato the Head of Seeding. These are the main functions to which belong to 30 employees, all under 35.

Furthermore, according to the model, entrepreneurial capabilities are displayed also through the relationship with territory. Also the transversal component of entrepreneurial creativity helps in addressing local opportunities and challenges (Scott, Gibbons & Coughlan, 2010). This creativity is testified by a number of obtained awards on this subject. Mosaicoon has been awarded by Unicredit Group (2012) as the most innovative firm thanks to its capabilities of know-how development in the field of digitalization. Its creativity can be also read in the creation of new business model since the company mainly operates online, exploiting the potentiality of new digital channels.

For the case of Mosaicoon, this connection takes place in two ways: although it has different offices in Italy, the headquarter is located in Mondello (Sicily) where the company is born and second, Mosaicoon favors the employment of local community.

Furthermore, there are then innovative capabilities that allow to produce innovation of product and process as in the case of Mosaicoon. This is possible thanks to the specific and sedimented knowledge at individual and organizational level.

From these reflections, it is possible to state that Mosaicoon exploits internal, external and network resources for its development on both local and foreign market.

The description of the case of Mosaicoon in the light of the proposed model has showed its rapid path of growth. If this model has been developed in the perspective of SMEs' internationalization, here the question is whether Mosaicoon operates on international markets?

The answer can be traced through the analysis of these markets. Considering its BtoB targets as well as geography and mode of operation, it is possible to underline that from the beginning the firm worked only the US market to after join the domestic one. Among its different international clients, Unilever, Microsoft, Seat and McDonalds are the most important ones. This demonstrates an overturn of perspective: although the classical scholars (Hessels & Parker, 2013; Lindstrand et al, 2011) conceive the internationalization as a process that moves from domestic markets to foreign ones, the case of Mosaicoon shows how a "born global" company can demonstrate an opposite tendency since it operate in a first phase in international market to after join the national context.

"Innovative" and "creativity" and their mix are the two key ingredients that describe Mosaicoon' success compared with its competitors (Cosenza, 2012).

The competitive scenario is, indeed, shaped by a wide range of digital media agencies, either traditional or innovative. The main competitors are Goviral, Unruling, Ebuzzing, GroupM, Zooppa, BootB, M&C Saatchi, Razorfish and Aegis. These are international companies operating in media and digital communications markets.

Furthermore its expansive customer portfolio includes international companies (i.e., McDonalds, Canon, Dove, Leroi Merlin, Paromout Pictore, Wind, Microsoft, etc.) for which Mosaicoon runs their online campaigns.

In this direction, Mosaicoon's vision is to set the standard for online campaigns, to become the leader in how campaigns are managed and executed. This vision underlines the competitive position to which the company wants to achieve.

As regards its suppliers, Mosaicoon looks always for the best publisher partners for distributing the commercial campaign once it is ready. Moreover, Mosaicoon decided to buy two software platforms (Plavid & Tracking) in order to offer "seeding and tracking services of contents produced externally, Video Marketing, Content and Social Media Marketing, Smartphone Applications, Interactive and Web Design" (Venturecapitaly, 2013).

In today's digital era, the role of the digital media agencies appears of high importance for international firms that outsource this activity because it requires specialized skills and competences. These latters concern the balance between technical expertise and broad knowledge about social media marketing.

Social media agencies, indeed, have to know how to "engage, collaborate, interact and harness intelligence crowd sourcing for marketing purposes" (Chikandiwa et al., 2013) and to intensely interact with their clients in order to be familiar with company's products/services, internal strategies and goals.

If technical and marketing abilities overlap in the right manner, there is the change to survive in a market where its dynamics show global competition and high and rapid changes in technologies and customers' needs and requirements.

Its recent history has now viewed large changes in management but some critical stage of start-up required specific resources and competence. In its first year, Mosaicoon faced the challenge to create the right standard for the Italian market.

In this situation, top managers deployed competences able to capture customers' needs. After this analysis, they identified the necessity to develop three different platforms and a new and original way for online campaigns. This led to the creation of a crowd-creativity platform, a seeding platform and a tracking platform (Mosaicoon, 2013).

While Mosaicoon represents the case of a fast internationalization, the case of Sebeto Group symbolizes a less rapid internationalization process.

Sebeto Group is a restaurant chain, specialized in restaurants and pizzerias of the traditional Neapolitan cosine operating under different brands: Rossopomodoro, Anema e Cozze, Pizza e Contorni, Rossosapore, Ham Holy Burger. Each of them has a specific culinary offer with an original concept of their stores.

It was born in 1988 thanks to the right mix between entrepreneurial and technical/operative capabilities. On one side, indeed, there are the entrepreneurial capabilities of the three founders that made it enter in the local market through the creation of new contents for the concept of casual dining. Their competences were complementary: marketing, operational and financial. On the other hand, the technical/operational capabilities, already nested in the entrepreneurs, have been acquired through the selection of expert human resources both in the field of restaurant sector and in commercial affairs. Furthermore, the connection with territorial identity is in the case of Sebeto Group, twofold: the use of local products also in international stores and the employment of the majority of human resources from the city of Naples.

This balance between entrepreneurial and technical/operational capabilities appears reading the composition of the top management group. Each member of the board has a specific resources personal endowment in terms of previous experiences and technical knowledge. In this direction, Sebeto has been able to transform a valuable and rare resource into a VRIO one: linking the entrepreneurial and the technical/operative capabilities, it avoids the possibility, for other firms, to acquire its specific competences due to its complexity and its exploitation within the organization. According to the model, as for Mosaicoon, these resources are typical of internal growth.

This firm has differentiated its offer thanks to its learning capacities, culture, organizational process and history, that are all considered VRIO capabilities. The organizational learning in the field of restaurant chains allows Sebeto Group to exploit the accumulated know-how to choose internationalization as strategic decision.

Furthermore, Sebeto Group relational capabilities have been of paramount importance. These relations firstly refer to its suppliers, considering one of the most important stakeholders of the firm. The accurate selection of its suppliers depends on Group's willingness in offering every day high quality products. The set of activated relations during the year has allowed the growth of the group, also at international level, thanks to the acquisition by the British found Change Capital of 37% of its shares.

From this acquisition, a development of firm's resources and management has been recorded. First, company's majority is owned by the English fund and the three founders became minority partners.

Although the supervision of the main firm's activities is covered by the founders, the three main managers have viewed the increase of their own roles since Change Capital has identified their capabilities as strategic for the growth of the group. On the other side, new hiring of foreign managers with international experience has been hired have been hired for the enhancement of the brand in the UK market. Furthermore, this underlines the importance of the role of foreign capital in the process of firm's internationalization.

Furthermore, this acquisition led to the development of resources such as the outlining of new brands. "Ham," based on the concept of "hamburger restaurant," is a well-fitting example. The peculiarity of this kind of restaurant is to use meat with "slow food" label and to have an advanced high-tech system where consumers also directly use these technologies.

Hence, the group structure is formed by the managers of that controls all other subsidiaries and by the three managers (Manna, Imperatrice and Montella) that represent the minority partners.

The continuous investments in quality, both in products and processes has helped in building, during the years, a clear reputation on the salient characteristics of the group (Fombrun & Rindova, 2000; Milewicz & Herbig, 1994). Brand and reputation are the most important factors that differentiate a firm to another and drive its development, as stated in the previous paragraph. The generation of a brand reputation is linked to the satisfaction of national and international consumers' needs. The good reputation has influenced the attraction of an increasing number of customers and, consequently, the opportunity to invest in foreign markets where high perceived quality by customers is recorded.

Nowadays, Sebeto Group operates in 130 different locations, both national and international, and its creativity is deployed through its brand differentiation and continuous changes in its commercial offers and marketing policies. The "flagship countries" for the international development are UK and US where the Group already operates.

As regards market dynamics of this sector, they concern, on one side, the growth in terms of sales rising and the increase in the number of consumer while it has view, on the other, a price reduction made by family-focused operators (Mintel, 2002).

The success of this group depends on how managers analyze its related competitive system as well as on how they enhance the group's competitiveness.

In its international markets (UK, USA, Japan, Denmark, Turkey, Egypt, Iceland) the group mainly operates through the "Rossopomodoro" brand which expresses the symbol of the combination between the classical pizzeria and the Neapolitan cuisine. Hence, its main competitors are pizza/

pasta restaurant that operate in the Italian-style segment, such as Gondola Group with its brands PizzaExpress, ASK/ASK Italian, Zizzi, Domino's Pizza, Pizza Hut, Papa John's, Pizza GoGo, etc. This fragmented situation shows a high competition and the consequent necessity to work on the concept of quality that Rossopomodoro pursues.

On the other side, brands such as Carluccio's and Jamie's Italian testifies the possibility of growth also for new entrances.

The bargaining power of consumers (young people, families, businessmen) is linked to the wide choice around different kind of brands. Indeed, they have a strong bargaining power that gives high vulnerability to this market. However, the fact that Rossopomodoro opened seven restaurants in UK, where there is a high pulverization of both international franchisees and individual brands, demonstrate the dynamic consolidation of the group in those markets.

As before underlined, the relationships with the main suppliers are one of the key feature of group's competitiveness. The continuity with suppliers and the attention on quality in terms of product and process ensure that their bargaining power remains low.

Indeed, the formula of its success is based on the strategic search of partners which have supported the Group from its origins. The basic idea is that these firms are necessary external since there is a strong willingness in concentrating all the efforts only on the core business of the restaurant activity. The only exception is constituted by the marketing function that is internalized since there are specific competences, owned by one of the founders and by his management team.

In the light of these reflections, it is possible to highlight that the logistic is one of the strategic activities of the Group and it is committed to external firms. The successful implementation of this process is due to the presence of two platforms (Mar and Malinconico) that work well, delivering daily fresh products also to distant places.

The active network works as a micro universe where all the partners are selected for their offer of high quality food and operate through reliable distribution channels.

This system allows to enhance the brand awareness and the reputation.

Also the concept of "identity" is of paramount importance in the light of the internationalization of the group. The format of its restaurant both in Italy and abroad is based on the quality of used products that are selected according to high quality standards. This shapes an exclusive feature since all products come from local producers that stress the attention on the freshness of rarity of products.

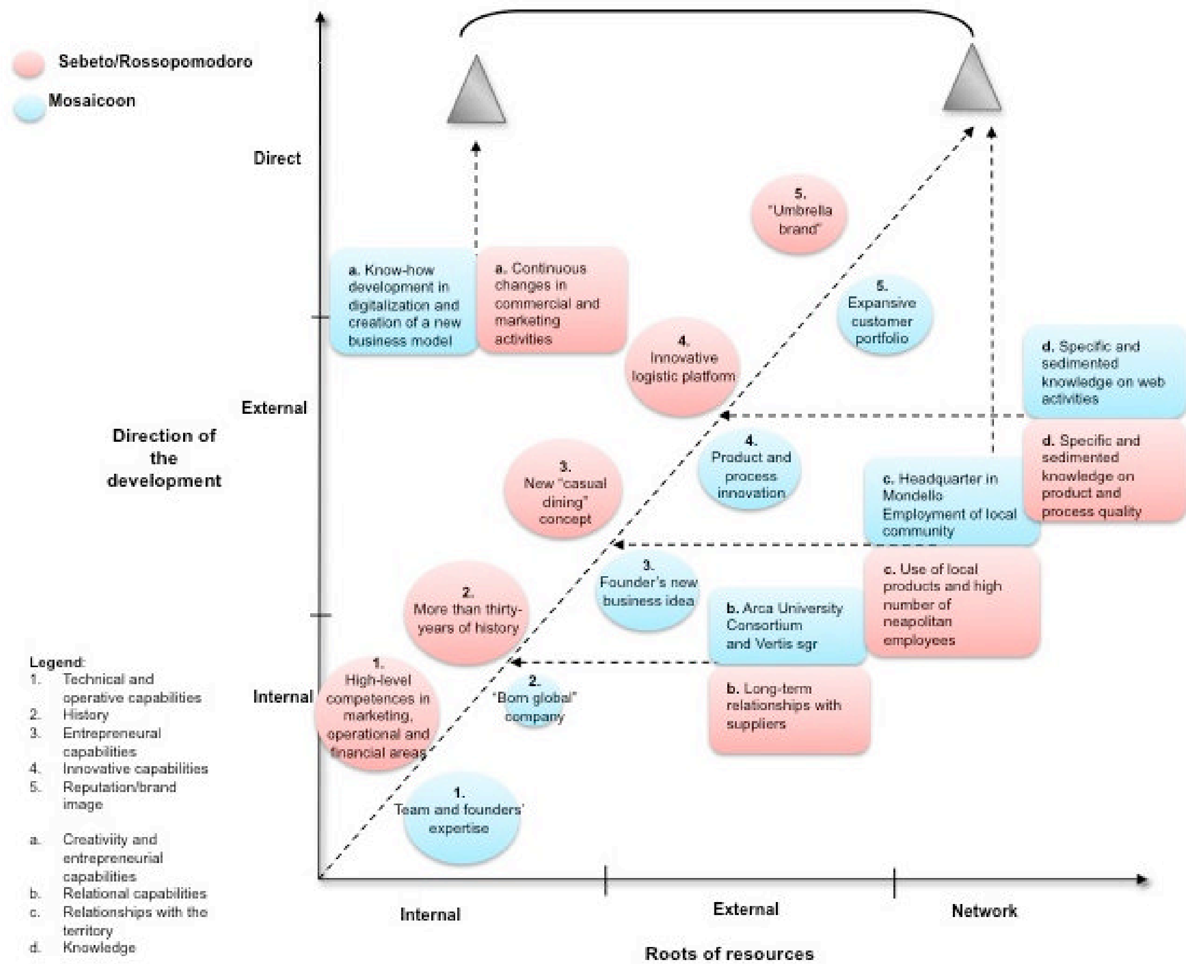
The philosophy to use selected and fresh Neapolitan products also in foreign markets, although the high costs, constitutes the ingredient of Sebeto Group' success. The Neapolitan identity in the globalization process has allowed to attract new segments, also in tourist terms, both in national and international context since its restaurants become important amenities in the destinations where the stores are located.

To summarize, these two studies shows how the interplay between strategic resources and competence led to a successful internationalization. As viewed, the resource-based perspective suggests that the roots of these resources can reside at organizational level (internal root), at network level (network root) or available elsewhere in the external context (external root) and used by the firm and they can be valorized towards either the firm or the network.

Figure 5 springs out from the analysis of these cases. More precisely, the bubbles show the different capabilities, identified in the theoretical model, according to their orders of magnitude. This allows to compare the two cases through the highlighting of different dimensions of the bubbles.

Indeed, according to this empirical analysis, the model shows how the interactions between different kinds of capabilities, the *locus* of strategic

Figure 5. Direction and roots of resources of the cases Mosaicoon and Sebeto (Source: Our elaboration)



resources and the direction of firm's development may influence the success of internationalization.

The paper helps managers and business people to increase the understanding of the importance of different kinds of resources and capabilities in the internationalization process. These resources have to be closely interrelated for a strategic internationalization growth.

Practical implications lead to the increase of knowledge about what mechanisms and resources interact in this process. Managers can use this model to support choices around the investment of specific resources and capabilities, necessary for a successful internationalization.

FUTURE RESEARCH DIRECTIONS

This research purposes some highlights that can lead future research. If this model can be considered as a useful tool in order to explain the SMEs internationalization, it is important to further test this model for verifying its validity. In this way, further researches could focus on the application of this model, using both qualitative and quantitative methodologies, taking into account if the different sector in which firms operate in order to highlight whether the belonging to one specific sector may influence the SMEs' internationalization process.

RECOMMENDATIONS

At the final stage of the research, it becomes necessary to underline some recommendations. The first one concerns the study of the proposed model in the light of the specific industry context.

Indeed, from the study of the context also depend the major problems that SMEs face when start to internationalize. The model, hence, needs to be contextualized in the specific industry context.

If the model has to be quantitatively tested, the variables to take into account are the result of capabilities' application.

CONCLUSION

The question about the trajectories of SMEs' internationalization, in terms of resources to use and the speed of development, occupied a central position in this work.

From here originates the research for the referring models within the internationalization literature and the understanding of their validity.

The first identified model was the Uppsala Model that stresses its attention on the interplay between slow acquisition of knowledge and commitment of resource. The experiential knowledge, contemplated in that model, is the key for a strategic internationalization since it reduces the market uncertainty, which influences the enterprise's commitment to the process of internationalization.

Consequently, the acquired knowledge allows the firm to achieve the internationalization through incremental steps. Furthermore, U-Model emphasizes the importance of network relationships, a concept recalled form literature on industrial marketing. The second identified framework was I-model. This literature analysis demonstrated that this is vague and not developed in theoretical terms. Works dealing with both models (Ruzzier et al., 2006) gives only a simple hint on I-model without explaining their contents. Indeed, as Li et al. (2004) underline, "latter contained unobservable concepts and delivered only trivial explanations of internationalization process."

There is then the knowledge-based model, that it is took into account for understanding the different dimensions of knowledge, overcoming the gap of U-model that considers the only market knowledge. The analysis of the case Kimpton Hotels & Restaurants demonstrated how the interplay between market knowledge and experiential knowledge leads to a successful process of growth allowing to reach foreign targets of customers.

Furthermore, other recent models have been analyzed in the current chapter. The international entrepreneurship conceptual model, conceptualized by Ruzzier et al. (2006) underlines that the internationalization process is the result of the interplay between entrepreneur's human and social capital, firm's characteristics and environmental characteristics. Another model is the integrated framework of the enablers of a non-sequential internationalization, developed by Osarenkhoe (2009), who claims the necessity to not conceive the internationalization as a gradual process and overlaps the transaction cost theory with the network theory.

The novelty of this model resides in the use of the transaction cost since it necessary to analyze choice analyzes both transaction cost and the possibility to market failure during the choice of internationalization.

Finally, the model of Jansson & Sandberg (2008) well explains the evolution of internationalization knowledge according to five stages but, at the same time, these steps remains too much theoretical.

From the analysis of these models, a new framework sprang out that led to the creation of a new model.

One of the major benefits of this model is the recognition of both gradual and rapid growth of internationalization, showing its dynamicity comparing to previous models.

In this scheme, time is not necessary a relevant factor, as well as the connection between the phases of the process and those of firm's development and growth. In RBT perspective, there is a clear overlapping approach, based on the combination of opportunity–driven (caught or created) and resource-driven (resources, competences and core competences to apply also in foreign contexts.

Of course this is a more conceptual chapter, where a renewed version of previous approaches is proposed. There is also the application of this vision on two case studies as preliminary test. However, an analytical empirical description is still missing. The main reason lies in the fact that deep analytical reflections were necessary in order to get to the model, that will be further applied empirically on a wider context.

Also the set of actors (teams, relationship with stakeholders) plays the role of eventual accelerator of the process. Such view explains the extreme varieties that characterizes SMEs' internationalization.

Research studies on the key resources and competences can explain the case of "born global" firm as well as the case of rapid internationalization process, in the wide variety of the SMEs world in the world!

REFERENCES

Aharoni, Y. (1966). *The foreign investment decision process*. Boston: Graduate School of Business Administration, Harvard University.

Ahokangas, P. (1998). 5 International orientation and external resource dependence of Nordic engineering firms. *The Internationalization of SMEs*, 81.

Amsden, A. H., & Hikino, T. (1994). Project execution capabilities, organizational know-how and conglomerate corporate growth in late industrialization. *Industrial and Corporate Change*, *3*(1), 111–147. doi:10.1093/icc/3.1.111

Andersen, O. (1993). On the internationalisation process of firms: A critical analysis. *Journal of International Business Studies*, *24*(2), 1–26. doi:10.1057/palgrave.jibs.8490230

Andersen, O. (1997). Internationalization and market entry mode: A review of theories and conceptual frameworks. *Management International Review*, *37*(2), 27–42.

Andersen, O., & Buvik, A. (2002). Firms' internationalization and alternative approaches to the international customer/market selection. *International Business Review*, *11*(3), 347–363. doi:10.1016/S0969-5931(01)00064-6

Andersson, S. (2000). The internationalization of the firm from an entrepreneurial perspective. *International Studies of Management & Organization*, 63-92.

Antonelli, C. (1987). L'impresa rete: Cambiamento tecnologico, internazionalizzazione e appropriazione di quasi rendite. *Annali di storia dell'impresa*, (3).

Axinn, C. N., & Matthyssens, P. (2002). Limits of internationalization theories in an unlimited world. *International Marketing Review*, *19*(5), 436–449. doi:10.1108/02651330210445275

Barkema, H. G., Bell, J. H. J., & Pennings, J. M. (1996). Foreign entry, cultural barriers and learning. *Strategic Management Journal*, *17*, 151–166. doi:10.1002/(SICI)1097-0266(199602)17:2<151::AID-SMJ799>3.0.CO;2-Z

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Barney, J. B. (2006). Risorse, competenze e vantaggi competitivi: manuale di strategia aziendale. M. Sciarelli, & V. Della Corte (Eds.). Carocci.

Bell, J., McNaughton, R., & Young, S. (2001). ''Born-again global'' firms – An extension to the ''born global'' phenomenon. *Journal of International Management*, *7*, 173–189. doi:10.1016/S1075-4253(01)00043-6

Bell, J., McNaughton, R., Young, S., & Crick, D. (2003). Towards an integrative model of small firm internationalisation. *Journal of International Entrepreneurship*, *1*(4), 339–362. doi:10.1023/A:1025629424041

Bianchi, C., Winch, G., & Cosenz, F. (2010). Generalising theories explaining the different modes of SME development and the associated growth trajectories. In U. Fueglistaller (Ed.), *Strategic Entrepreneurship–The Promise for Future Entrepreneurship, Family Business and SME Research*. Berlin: KMU-Verlag HSG.

Blomstermo, A., Eriksson, K., Lindstrand, A., & Sharma, D. D. (2004). The perceived usefulness of network experiential knowledge in the internationalizing firm. *Journal of International Management*, *10*(3), 355–373. doi:10.1016/j.intman.2004.05.004

Bloodgood, J. M., Sapienza, H. J., & Almeida, J. G. (1996). The internationalization of new high-potential US ventures: Antecedents and outcomes. *Entrepreneurship Theory & Practice*, *20*(4), 61–76.

Brush, C. (1992). *Factors motivating small firms to internationalize: The effects of firm age* (Doctoral dissertation). Boston University, Boston, MA.

Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing*, *12*(1), 9–30. doi:10.1016/S0883-9026(96)00003-1

Butel, L., & Watkins, A. (2006). Clusters of entrepreneurs: The application of ant colony optimisation modelling. *Journal of Modelling in Management*, *1*(3), 255–269. doi:10.1108/17465660610715230

Calof, J. L., & Beamish, P. W. (1995). Adapting to foreign markets: Explaining internationalization. *International Business Review*, *4*(2), 115–131. doi:10.1016/0969-5931(95)00001-G

Cavusgil, S. T. (1980). On the internationalization process of firms. *European Research*, *8*(6), 273–281.

Chikandiwa, S. T., Contogiannis, E., & Jembere, E. (2013). The adoption of social media marketing in South African banks. *European Business Review*, *25*(4), 365–381. doi:10.1108/EBR-02-2013-0013

Coase, R. H. (1939). The nature of the firm. *Economica*, *4*, 386–405. doi:10.1111/j.1468-0335.1937.tb00002.x

Cohen, B., & Winn, M. I. (2007). Market imperfections, opportunity and sustainable entrepreneurship. *Journal of Business Venturing*, *22*, 29–49. doi:10.1016/j.jbusvent.2004.12.001

Cosenza, F. (2012). Strategia e innovazione delle pmi italiane: Quali condizioni possono influenzarne il successo competitivo? Il caso Mosaicoon s.p.a. In *AA.VV., Scritti in onore di Vittorio Coda*. Milano, Italy: Giuffrè.

Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation of small software firms. *International Business Review*, *6*(4), 361–386. doi:10.1016/S0969-5931(97)00010-3

Cyert, R., & March, J. (1963). *The behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.

Devece, C. A., Palacios-Marques, D., & Fernandez, R. (2011). Entrepreneurship research in service industries: A literature classification and trend analysis. *The International Entrepreneurship and Management Journal*, *7*(4), 479–493. doi:10.1007/s11365-011-0205-0

Du, Y. (2003). *A challenge to traditional stage models of internationalization – An empirical research on a Chinese company's successful internationalizing processes.* Paper presented at EAMSA 20th Annual Conference, 2003, Stockholm University School of Business.

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10-11), 1105–1121. doi:10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E

Eisenhardt, K. M., & Zbaracki, M. J. (1992). Strategic decision making. *Strategic Management Journal*, *13*(S2), 17–37. doi:10.1002/smj.4250130904

European Commission. (2005). *The new SME definition: User guide and model declaration*. Brussels, Belgium: Enterprise and Industry Publications.

European Commission. (2009). *Report: Internationalisation of European SMEs.* Retrieved from http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm

European Commission. (2011), Small business, big world— A new partnership to help SMEs seize global opportunities (Communication from the commission to the European parliament, the council, the European economic and social committee and the committee of the regions). Brussels, Belgium.

European Commission. (n. d. a). *Fact and figures about the EU's small and medium enterprise (SME).* Retrieved from http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme definition/index_en.htm

European Commission. (n. d. b). *What is an SME?* Retrieved from http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/

European Commission Enterprise and Industry. (2010). *Internationalisation of European SMEs*. Brussels: Entrepreneurship Unit Directorate-General for Enterprise and Industry.

Fombrun, C. J., & Rindova, V. (2000). The road to transparency: Reputation. Management at Royal Dutch/Shell. In M. Schultz, M. J. Hatch, & M. H. Larsen (Eds.), *The expressive organization* (Vol. 7, pp. 7–96). Oxford: Oxford University Press.

Ford, D. (Ed.). (2002). *Understanding business marketing and purchasing*. London: Thomson.

Forsgren, M. (2002). The concept of learning in the Uppsala internationalization process model: A critical review. *International Business Review*, *11*, 257–277. doi:10.1016/S0969-5931(01)00060-9

Gankema, H. G., Snuif, H. R., & Zwart, P. S. (2000). The internationalization process of small and medium-sized enterprises: An evaluation of stage theory. *Journal of Small Business Management*, *38*(4), 15–27.

Gimeno, J., Folta, T., Cooper, A., & Woo, C. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, *42*, 750–783. doi:10.2307/2393656

Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*, 109–122.

Grønhaug, K., & Kvitastein, O. (1993). Distributional involvement in international strategic business units. *International Business Review*, *2*(1), 1–14. doi:10.1016/0969-5931(93)90002-E

Hadjikhani, A. (1997). A note on the criticisms against the internationalization process model. *MIR: Management International Review*, 43-66.

Hessels, J., & Parker, S. C. (2012). Constraints, internationalization and growth: A cross-country analysis of European SMEs. *Journal of World Business*.

Hu, S., Blettner, D., & Bettis, R. A. (2011). Adaptive aspirations: Performance consequences of risk preferences at extremes and alternative reference groups. *Strategic Management Journal*, *32*(13), 1426–1436. doi:10.1002/smj.960

Jansson, H., & Sandberg, S. (2008). Internationalization of small and medium sized enterprises in the Baltic Sea Region. *Journal of International Management*, *14*(1), 65–77. doi:10.1016/j.intman.2007.02.005

Java Javalgi, R. R. G., & Todd, P. R. (2011). Entrepreneurial orientation, management commitment, and human capital: The internationalization of SMEs in India. *Journal of Business Research*, *64*(9), 1004–1010. doi:10.1016/j.jbusres.2010.11.024

Johanson, J., & Mattsson, L. G. (1988). Internationalization in industrial systems – A network approach. In N. Hood, & J. E. Vahlne (Eds.), *Strategies in global competition* (pp. 287–314). London: Routledge.

Johanson, J., & Mattsson, L.-G. (1993). Internationalization in industrial systems – A network approach, strategies in global competition. In P. J. Buckley, & P. N. Ghauri (Eds.), *The internationalization of the firm: A reader* (pp. 303–322). London: Academic Press.

Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm – A model of knowledge development and increasing foreign market commitment.

Johanson, J., & Vahlne, J. E. (2003). Business relationship learning and commitment in the internationalization process. *Journal of International Entrepreneurship*, *1*, 83–101. doi:10.1023/A:1023219207042

Johanson, J., & Vahlne, J. E. (2006). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review*, *46*(2), 165–178. doi:10.1007/s11575-006-0043-4

Johanson, J., & Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411–1431. doi:10.1057/jibs.2009.24

Johnsen, R. E. (2007). The role of focal supplier in strategic networks for small and medium sized Italian and Thai silk suppliers firms. *Journal of Fashion Marketing Management*, *11*(1), 135–147. doi:10.1108/13612020710734454

Johnsen, R. E., & Johnsen, T. E. (1999). International market development through networks: The case of the Ayrshire knitwear sector. *International Journal of Entrepreneurship Behavior Research*, *5*(6), 297–312. doi:10.1108/13552559910306114

Kalinic, I., & Forza, C. (2012). Rapid internationalization of traditional SMEs: Between gradualist models and born globals. *International Business Review*, *21*, 694–707. doi:10.1016/j.ibusrev.2011.08.002

Kimpton Hotels and Restaurants. (n. d.). *Kimpton firsts and recent highlights*. Retrieved from http://www.kimptonhotels.com/about-us/kimpton-firsts.aspx

Klingebiel, R. (2012). Options in the implementation plan of entrepreneurial initiatives: Examining firms' attainment of flexibility benefit. *Strategic Entrepreneurship Journal*, *6*(4), 307–334. doi:10.1002/sej.1142

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 625–645. doi:10.1057/palgrave.jibs.8490248

Laursen, K., & Salter, A. (2006). Open for innovation: The role of openness in explaining innovation performance among UK manufacturing firms. *Strategic Management Journal*, *27*(2), 131–150. doi:10.1002/smj.507

Leonidou, L. C., & Katsikeas, C. S. (1996). The export development process: An integrative review of empirical models. *Journal of International Business Studies*, 517–551. doi:10.1057/palgrave.jibs.8490846

Li, L., Li, D., & Dalgic, T. (2004). Internationalization process of small and medium-sized enterprises: Toward a hybrid model of experiential learning and planning. *Management International Review*, 93-116.

Lim, J. S., Sharkey, T. W., & Kim, K. I. (1991). An empirical test of an export adoption model. *Management International Review*, *31*(1), 51–62.

Lin, Liu, Y., & Cheng K. (2011). The internationalization and performance of a firm: Moderating effect of a firm's behavior. *Journal of International Management*, *17*, 83–95. doi:10.1016/j.intman.2010.12.004

Lin, W. T. (2012). Family ownership and internationalization processes: Internationalization pace, internationalization scope, and internationalization rhythm. *European Management Journal*, *30*(1), 47–56. doi:10.1016/j.emj.2011.10.003

Lindstrand, A., Melén, S., & Nordman, E. R. (2011). Turning social capital into business: A study of the internationalization of biotech SMEs. *International Business Review*, *20*(2), 194–212. doi:10.1016/j.ibusrev.2011.01.002

Lu, J. W., & Beamish, P. W. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, *4*(1), 27–48. doi:10.1007/s10843-006-8000-7

Magi, L. (2010). Venture capital - I quattro che fecero l'impresa: Mosaicoon, ovvero da Palermo al mondo passando per la Rete. *Il Sole 24 Ore*.

McDougall, P. P., & Oviatt, B. M. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, *43*(5), 902–906. doi:10.2307/1556418

McDougall, P. P., Oviatt, B. M., & Shrader, R. C. (2003). A comparison of international and domestic new ventures. *Journal of International Entrepreneurship*, *1*, 59–82. doi:10.1023/A:1023246622972

McMullen, J. S., & Shepherd, D. A. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, *31*(1), 132–152. doi:10.5465/AMR.2006.19379628

Mejri, K., & Umemoto, K. (2010). Small-and medium-sized enterprise internationalization: Towards the knowledge-based model. *Journal of International Entrepreneurship*, *8*(2), 156–167. doi:10.1007/s10843-010-0058-6

Melin, L. (1992). Internationalization as a strategy process. *Strategic Management Journal*, *13*(S2), 99–118. doi:10.1002/smj.4250130908

Meyer, K. E., & Gelbuda, M. (2006). Process perspectives in international business research in CEE. *Management International Review*, *46*(2), 143–164. doi:10.1007/s11575-006-0042-5

Miesenbock, K. J. (1988). Small business and exporting: A literature review. *International Small Business Journal*, *6*(2), 42–61. doi:10.1177/026624268800600204

Milewicz, J., & Herbig, P. (1994). Evaluating the brand extension decision using a model of reputation building. *Journal of Product and Brand Management*, *3*(1), 39–47. doi:10.1108/10610429410053077

Mintel. (2002). Pizza and pasta restaurants, executive summary – UK – March.

Morgan, R. E., & Constantine, S., & Katsikeas. (1997). Theories of international trade, foreign direct investment and firm internationalization: A critique. *Management Decision*, *35*(1), 68–78. doi:10.1108/00251749710160214

Mosaicoon (2013). *Mosaicoon viral media company.* Paper presented at First International Entrepreneurship Research Exemplars Conference -Entrepreneurial Ecosystems and the Diffusion of Start-Ups, Academy of Management Conference.

Mosaicoon. (n. d.). *Website*. Retrieved from www.mosaicoon.com

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, 242–266.

Osarenkhoe, A. (2009). An integrated framework for understanding the driving forces behind non-sequential process of internationalisation among firms. *Business Process Management Journal*, *15*(2), 286–316. doi:10.1108/14637150910949498

Oviatt, B. M., & McDougall, P. (1995). Global start-ups: Entrepreneurs on a worldwide stage. *The Academy of Management Executive*, *9*(2), 30–44.

Oviatt, B. M., & McDougall, P. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, *43*(5), 902–906. doi:10.2307/1556418

Penrose, E. (1959). *Theory of the growth of the firm*. New York: John Wiley & Sons.

Rao, T. R., & Naidu, G. M. (1992). Are the stages of internationalisation empirically supportable? *Journal of Global Marketing*, 6.

Reid, S. D. (1981). The decision-maker and export entry and expansion. *Journal of International Business Studies*, *12*(Fall), 101–112. doi:10.1057/palgrave.jibs.8490581

Renko, M., Shrader, R. C., & Simon, M. (2012). Perception of entrepreneurial opportunity: A general framework. *Management Decision*, *50*(7), 1233–1251. doi:10.1108/00251741211246987

Rialp, A., Rialp, J., & Knight, G. A. (2005). The phenomenon of early internationalizing firms: What do we know after a decade (1993–2003) of scientific inquiry? *International Business Review*, *14*(2), 147–166. doi:10.1016/j.ibusrev.2004.04.006

Rogers, E. M. (1962). *Diffusion of innovations*. New York: The Free Press.

Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: Past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476–497. doi:10.1108/14626000610705705

Saarenketo, S., Puumalainen, K., Kuivalainen, O., & Kyläheiko, K. (2004). Dynamic knowledge-related learning processes in internationalizing high-tech SMEs. *International Journal of Production Economics*, *89*(3), 363–378. doi:10.1016/S0925-5273(03)00185-3

Salmi, A. (2000). Entry into turbulent business networks. A case of a western company on the Estonian market. *European Journal of Marketing*, *34*(11/12), 1374–1390. doi:10.1108/03090560010348632

Schumpeter, J. A. (1934). *The theory of economic development*. Cambridge, MA: Harvard University Press.

Schweizer, R., Vahlne, J., & Johanson, J. (2010). Internationalization as an entrepreneurial process. *Journal of International Entrepreneurship*, *8*, 343–370. doi:10.1007/s10843-010-0064-8

Scott, P., Gibbons, P., & Coughlan, J. (2010). Developing subsidiary contribution to the MNC—Subsidiary entrepreneurship and strategy creativity. *Journal of International Management*, *16*, 328–339. doi:10.1016/j.intman.2010.09.004

Senik, Z. C., Scott-Ladd, B., Entrekin, B., & Adham, K. A. (2011). Networking and internationalization of SMEs in emerging economies. *Journal of International Entrepreneurship*, *9*, 259–281. doi:10.1007/s10843-011-0078-x

Simmonds, K., & Smith, H. (1968). The first export order: A marketing innovation. *British Journal of Marketing*, *2*, 93–100.

Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, *69*, 99–118. doi:10.2307/1884852

Stinchcombe, A. (1965). Social structure and organizations. In J. G. March (Ed.), *Handbook of organizations* (pp. 153–193). Chicago: Rand McNally.

Todd, P. R., & Javalgi, R. R. G. (2007). Internationalization of SMEs in India: Fostering entrepreneurship by leveraging information technology. *International Journal of Emerging Markets*, *2*(2), 166–180. doi:10.1108/17468800710739234

Turnbull, P. W., & Valla, J.-P. (1986). *Strategies for International Industrial Marketing*. London: Croom Helm.

Vahlne, J., & Ivarsson, I., & Johanson. (2011). The tortuous road to globalization for Volvo's heavy truck business: MExtending the scope of the Uppsala model. *International Business Review*, *20*, 1–14. doi:10.1016/j.ibusrev.2010.05.003

Venkataraman, S. (1997). The distinctive domain of entrepreneurship research: An editor's perspective. In J. Katz, & R. Brockhaus (Eds.), *Advances in entrepreneurship, firm emergence, and growth* (Vol. 3, pp. 119–138). Greenwich, CT: JAI Press.

Venturecapitaly. (2013). *Mosaicoon: Growth & funding of the leading Italian media viral company.* Paper presented at Venturecapitaly: Venture Capital and Startups made in Italy.

Vermeulen, F., & Barkema, H. (2002). Pace, rhythm, and scope: Process dependence in building a profitable multinational corporation. *Strategic Management Journal*, *23*(7), 637–653. doi:10.1002/smj.243

Welch, L. S., & Luostarinen, R. (1993). Internationalization: Evolution of a concept. In P. J. Buckley, & P. N. Ghauri (Eds.), *The internationalization of the firm: A reader* (pp. 155–171). Stamford, CT: Cengage Learning.

Williamson, O. E. (1975). *Markets and hierarchies*. New York: The Free Press.

Yin, R. K. (2003). *Case study research: Design and methods*. Thousand Oaks, CA: Sage Publications.

Zain, M., & Ng, S. I. (2006). The impacts of network relationships on SMEs' internationalization process. *Thunderbird International Business Review*, *48*(2), 183–205. doi:10.1002/tie.20092

Zeng, S., Xie, X. M., Tam, C. M., & Wan, T. W. (2009). Relationships between business factors and performance in internationalization: An empirical study in China. *Management Decision*, *47*(2), 308–329. doi:10.1108/00251740910938939

KEY TERMS AND DEFINITIONS

Born Global Model: The born global model is conceived as "international-oriented" from its conception and it reaches a degree of internationalization in a short run period.

Five/Five Stages Model: This model contemplates five stages that are interconnected by numerous network relationships activated for the achievement of the different stages of internationalization as well as by the firm's bundle of resources and capabilities.

I-Model: The I-model is based on the assumption that each stage of internationalization process represents the result of an innovation and it is shaped by three fundamental stages: the pre-export stage, the early stage and the advanced stage.

Integrated Framework of Internationalization: This framework grounds its theoretical assumptions within the transaction cost approach and the network approach, focusing on the "minimization of transaction cost and the conditions underlying market failure."

International Entrepreneurship Conceptual Model: The international entrepreneurship conceptual model underlines that the internationalization process is the result of the interplay between entrepreneur's human and social capital, firm's characteristics and environmental characteristics.

Knowledge-Based Model: This model overlaps three internationalization phases (pre-internationalization, novel internationalizing, experienced internationalizing phase) with four kinds of knowledge (entrepreneurial knowledge, cultural knowledge, network knowledge and market knowledge).

Models: Theoretical models used for the analysis of SMEs' internationalization can help underline the referring theories as well as their main variables and contents.

Resource-Based Theory: Firms are bundles of resources that contribute to value creation. Through the resource-based theory, it is possible to understand what are the firm's strategic competences, knowledge and resources to develop an internationalization process. In order to generate competitive advantage, resources must be valuable, rare, and difficult to imitate or substitute, and exploited by the organization.

SMEs' Internationalization: The SME's internationalization is a process of transition from national, to international, to multinational company (now also global and/or trans-national) according to firm's dimension in terms of employees, turnover or balance sheet total.

U-Model: It is defined as "stage model" or "gradual model" since it conceives internationalization as a slow process that requires internal changes in routines, capabilities and resources. This view deepens its roots in the idea that the transformation from national to international firm represents a complicated challenge.

ENDNOTES

1. The European Commission (2010, p. 17) identifies as mode of internationalization the following categories: SME with direct exports, SME with direct imports, SME has invested abroad, SME with technological cooperation with enterprises abroad, SME has been a subcontractor to a foreign main contractor, SME had foreign subcontractors, SMEs with at least one of these 6 international activities.
2. "The annual balance sheet total refers to the value of your company's main assets" (European Commission Enterprise and Industry Publication, 2005, p.15).
3. This company has been selected through the 2013 Great Place to Work Italian list of Small and Medium Enterprises.
4. This company has been selected through the list of FORTUNE's "100 Best Companies to Work For."
5. For example political, environmental, social and technological factors can be considered

external factors that are not included in the analysis of these models. Besides, internal factors refer to all endogenous firms' strengths.

6 This company is listed in FORTUNE's "100 Best Companies to Work For."

7 Kimpton Hotels and Restaurants, n. d.

8 Kimpton Hotels and Restaurants, n. d.

9 Globalization forces concern the environmental changes and, hence, all the dynamics that claim "worldwide independence" such as the "globally networked economy" or the "worldwide homogenization of preferences" Technological forces refer to the dynamic development of ICT, in its broader meaning from Internet to all related technologies, and the role they play as facilitators for SME's internationalization process. Business specific factors are related to both features and nature of products/services that firms sell on international markets.

10 Also Ruzzier et al. (2006) develop a model of analysis that considers the sources of the resources (internal or external) and the direction where these resources are valorized and developed (towards the firm or the network).

11 Bell et al. (2003) indicate that if a firm reaches a certain degree of internationalization between three and six years can be considered born global.

12 Arca University Consortium is shaped by Palermo University, Sintesi Association and Easy Systems Integration. Its purpose is to promote the creation and the development of spin-off academic activities starting from achieved results from the research centers of Sicily.

Section 4

Strategic Management at Different Types (Subgroups) of SMEs

This section presents specific performance of strategic management in different subgroups of SMEs starting with family enterprises. Among observation and discussion about specific manifestations of SM in family firms, attention is also paid to knowledge transfer strategies within family firm succession. Succession issues in non-family firms are also analyzed as a separate theme. The section includes interesting discussions about the ways strategic decisions are taken using the democratic approach, supported by some case studies as appendix.

Chapter 12
Strategic Management of Family SMEs:
Experience from Belgium

Wouter Broekaert
KU Leuven, Campus Brussels, Belgium

Jan Degadt
KU Leuven, Campus Brussels, Belgium

Johan Lambrecht
KU Leuven, Campus Brussels, Belgium

ABSTRACT

In spite of the vast literature on 'strategy,' there is no consensus on a common delineation of the term. Similarly, although the need for strategic flexibility is acknowledged by the literature, there is little research that analyses the nature and direction of strategic change, especially where family firms are concerned. This chapter proposes building blocks for the formulation and implementation of strategy. A clear definition of competitive strategy is distilled from various perspectives on strategy available in the literature. Finally, three categories of strategic change are defined, namely Restructuring, Expansion and Transformation. Case study research of five Flemish family firms shows that none of the strategic change scenarios is naturally preferable to the others, but that each scenario offers its own set of advantages and risks.

INTRODUCTION

Although there is no unique definition of a family firm, it is beyond discussion that it is a very common type of business. Numbers for Europe indicate that more than 60% of all firms can be considered family firms (European Commission, 2009). Astrachan and Shanker (2003) analyze the situation in the US by comparing different family firm definitions. With a broad definition, US family firms yield almost 90% of all 2000 business tax returns. With a more strict definition that percentage drops to 11% but that still comprises 54% of all firms with employees. Latin America,

DOI: 10.4018/978-1-4666-5962-9.ch012

Southeast Asia and Africa are even assumed to score relatively higher with regard to family firm importance (Nordqvist & Melin, 2010). Degadt (2010) points out that the disappearance of the family business has been predicted more than once but they continue to exist and thrive today in various sectors, dimensions and countries.

The European Commission (see Lambrecht & Naudts (2008); Mandl (2008); European Commission (2009)) proposes a definition referring to ownership as well as involvement in management, resulting in members of a family needing a majority of decision-making rights. More specifically it recognizes three essential elements that all have to be fulfilled:

A firm, of any size, is a family business, if:

(1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
(2) The majority of decision-making rights are indirect or direct.
(3) At least one representative of the family or kin is formally involved in the governance of the firm.

Furthermore 'Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.'

A family business, like any business, must be competitive in the market in order to survive. One of the main instruments for any company to remain competitive is a clear company strategy. Strategic management is not only relevant but essential for every business, including family businesses. Research shows that having a clear business strategy and implementing it in a coherent, consistent, disciplined and passionate way improves firms' chances of achieving sustainable corporate success (Miller & Le Breton-Miller, 2005; Rosenzweig, 2007; De Waal, 2008). In a recent research project on the failure of small businesses (Lambrecht & To, 2009) in Belgium, lack of strategic management or making the wrong strategic choices is quoted as one of the main causes of failure. Examples of wrong strategic choices include delaying the introduction of new technologies or machines for too long, hanging on to products which were successful in the past but have become obsolete, focusing on a limited number of big customers and accepting large long-term projects without a sufficient financial (liquidity) base.

However, the literature shows little agreement on a common delineation of 'strategy' and it is therefore no wonder that many companies are deluded about their strategy. A survey of Flemish firms showed that only 54 percent of the contacted family firms believed they had a strategic mission statement. For non-family firms, that number even drops to 43 percent (Lambrecht &To, 2008). Similarly, although the need for strategic flexibility is acknowledged by the literature, there is little research that analyses the nature and direction of strategic change, especially where family firms are concerned. Adding to the confusion, the concepts of strategy and strategic change are often mixed up, which may lead firms to believe that they have a clear strategy while that is not the case.

This chapter aims to contribute to the existing literature first of all by proposing a clear definition of competitive strategy. We analyze different definitions suggested by the literature and conclude with a definition of our own, applicable both to family and non-family firms. We then use our concept of strategy to construct three broad categories of strategic change and indicate where the family background may impact the change process. We illustrate different strategic changes with family firm case studies and point out potential advantages and challenges associated with each category.

In the first three sections we start by discussing the concept of strategy. In the second section we discuss various ways in which a family firm can formulate a strategy. The third section deals with the actual implementation of the corporate strategy. In the fourth section we discuss the importance of strategic change and define three classes of strategic change. Each class is analysed in more detail in the fifth section and illustrated with case studies of Belgian family businesses. The final section presents our conclusions and recommendations for managers and owners of family businesses.

DEFINING STRATEGY

When asked, most entrepreneurs will agree that every business needs a strategy and will claim to have one. However, many may be deluding themselves, not in the least because of the obscurity of the term 'strategy'. The word has been used to denote a wide variety of different concepts. Managers are supposed to have a strategy for each and every thing, creating production strategies, marketing strategies and financial strategies. The word has been so often used and misused that most people are not capable of giving a clear definition. The literature itself yields a wide array of definitions of the concept of 'business strategy'. Some focus on the importance of being unique, of differentiating oneself from competitors in order to achieve a sustainable advantage (e.g. Porter, 1996; Ireland & Hitt, 1997) and, in effect, create barriers to market entry (Greenwald & Kahn, 2005). Such differentiation can be based on a product's characteristics but also on an exclusive distribution network or extensive customer service (Akan, Allen, Helms & Spralls, 2006). It may even involve exploring completely new markets (Ohmae, 1988). Others, like Chandler (1990), stress the importance of defining long-term company objectives and developing the actions to attain them. Still other researchers expand the definition of strategy to incorporate an analysis of the industry's structure and dynamics (Oliver, 2001), a company's core values or corporate philosophy (Harris, Martinez, & Ward, 1994) or even the choice of organizational structure (Macmillan & Tampoe, 2000).

Multiple definitions of strategy for an entrepreneurial firm have been formulated. Zimmerer, Scarborough and Wilson (2008, p. 107) define strategy as 'a road map of the actions an entrepreneur draws up to achieve a company's mission, goals and objectives.' Wickham (2006, p. 349) defines strategy as 'the actions an organization takes to pursue its business objectives.'

Managing a strategy is not only a matter of designing the strategy but also of planning and implementing it. In other words, there not only needs to be a component of 'thinking' but a component of 'action' as well. It will take several steps to define and implement the strategy. '(…) the mission, goals, and objectives spell out the ends, and the strategy defines the means for reaching them. A strategy is a master plan that covers all of the major parts of the organization and ties them together into a unified whole. The plan must be action oriented; it should breathe life into the entire planning process. (…)' (Zimmerer et al.,2008, p. 107). Wickham (2006, p. 349) makes a basic distinction between, 'the content of a business strategy, the strategy process that the business adopts to maintain that strategy, and the environmental context in which the strategy must be made to work.'

The literature on strategy and its typology is very extended. Porter, who inspired a large part of this literature, takes into account the size of the market as well as the internal strength of the market. Following his analysis, as discussed by Zimmerer et al. (2008, p. 107), a firm has three basic strategic options:

1. **Cost Leadership:** 'A strategy in which a company strives to be the lowest-cost producer relative to its competitors in the industry.'

2. **Differentiation:** 'A strategy in which a company seeks to build customer loyalty by positioning its goods or services in a unique or different fashion.'
3. **Focus:** 'A strategy in which a company selects one or more market segments, identifies customers' special needs, wants, and interests, and approaches them with a good or service designed to excel in meeting those needs, wants, and interests.'

Wickham (2006) identifies three components in what he calls the strategy content. 'Strategy content relates to three things: the final product range, the customers it serves and the advantage it seeks in the marketplace' (Wickham, 2006, p. 349). In a similar vein we propose three essential building blocks from which to construct a corporate strategy, based on the answer to three questions concerning what, who and why. More specifically, a company should stake out what it wants to offer and who should be the target audience. Finally, the why-question not only asks 'Why do I make my offer to the customers?', but also 'Why would the customers accept the offer?' The first part refers to what the entrepreneur wants to achieve, his goals. High profits or expanding market share can be the primary goal but also more family related objectives like providing job security to family members or maintaining a sense of family harmony (Van Gils, Voordeckers & Van Den Heuvel, 2004). The second part of the why-question takes the customers' perspective and forces the company to fundamentally distinguish itself from its competitors in a manner that is hard to imitate (Habbershon & Williams, 1999).

The who-question is about the customers. It is about the market scope and market segment. The what-question is about the products and the product range. The two questions are clearly interlinked. '(…) it may be better for the entrepreneur to regard themselves as facing a single set of decisions about the combined product-market domain of the firm' (Wickham, 2006, p. 350). To sum up, we largely follow Haines and McKinlay (2007) and define competitive strategy as 'the clear delineation of a company's goods or services, its target customers and its unique selling proposition'.

We deliberately refrain from distinguishing family firms from non-family firms at this point. Having a clear competitive strategy is equally important for both types of organizations. The general composition of our strategy construct, i.e. consisting of the three essential components, is not family-specific but can be seen as a universal framework and requirement for all types of organisations. The distinctive characteristics of family firms will reveal their relevance when we discuss the formulation of strategy in the next section. Obviously there are various stages in the strategy making process where family businesses may use their unique strengths or weaknesses to their advantage, as we will mention later in this chapter. Specific family firm characteristics may also influence how a company fills in the proposed strategic framework but that does not change the fundamentals of the strategic structure.

The business has to define its core competences. Core competences arise from using the company's knowledge base, its collective experience and skills to create value for customers in ways that are hard for competitors to imitate (Prahalad & Hamel, 1990; Mooney, 2007). Instead, many businesses merely have the illusion of having a strategy. They define a strategy as being the first, the best, the leader, the largest. They communicate their ambition to be the best, to be excellent, etc. Evidently there is a problem of credibility if the competitors tell exactly the same story. Defining a strategy as being the best, the first or the leader is not only implausible but also unclear and vague. For some business leaders being the best means offering products of superior quality. For others it means do be innovative or realizing the highest profit margin. This type of strategy is superficial and volatile. When a business offers a product of superior quality it can do so only temporarily until the product is copied.

Likewise, strategy should not be confused with operational excellence. Both are essential for good management but they are clearly different. Strategy is about effectiveness: doing the right things. Operational efficiency means doing the things rightly. Porter (1996, p. 91) stresses the importance of distinguishing the two concepts:

Managers must clearly distinguish operational effectiveness from strategy. Both are essential, but the two agendas are different. The operational agenda involves continual improvement everywhere there are no trade-offs. Failure to do this creates vulnerability even for companies with a good strategy. The operational agenda is the proper place for constant change, flexibility, and relentless efforts to achieve best practice. In contrast, the strategic agenda is the right place for defining a unique position, making clear trade-offs, and tightening fit. The strategic agenda demands discipline and continuity; its enemies are distraction and compromise.

At the same time it is futile to do redundant things with the greatest efficiency:

There is surely nothing quite so useless as doing with great efficiency what should not be done at all (Drucker, 2006, p. 147).

Operational excellence is solely inspired by the actions of competitors and focuses on essentially doing the same as the competitors, albeit a little better or more efficiently. In order to get a strategic advantage a firm needs to go much further by doing or making fundamentally different things instead of merely fine-tuning what already exists. Strategic choices are primarily inspired by what the market wants or by what the market may want if the firm has the ambition to develop new markets. Hence, competitors are not analysed in order to imitate them but in order to distinguish oneself from them.

The distinction is not always clear and sharp. For example a strategy of cost leadership as defined by Porter implies technical mastery of the production process and operational efficiency to minimize the costs. In Belgium a well-known example is the family business Colruyt, which operates a chain of supermarkets. Their identity is: 'To shop fast and efficiently at the lowest prices.' Their explicit strategy is cost leadership (in the sense of Porter), but evidently they also need the operational competence to implement it.

When businesses cannot specify their differences, they naturally resemble each other. Their competition may still be very intensive but finally they will end up in a merger or a take-over. Following Kim and Mauborgne (2005) the business leader needs to create a 'blue ocean', i.e. a new market beside the existing markets ('red oceans'), by being different. Lambrecht and Baetens (2005) refer to a family business where a picture is shown of a field with many red flowers and one yellow flower. The superscript reads 'Pour se faire remarquer, il faut se distinguer' (in order to be observed, you need to distinguish yourself).

A final remark refers to another area of frequent misunderstanding. Strategy as we have defined it is inspired by the market, what Porter (1987) refers to as 'competitive strategy'. Porter distinguishes two strategic levels: the corporate strategic level and the competitive strategic level. The corporate strategy offers a bird's eye perspective and determines in which markets the company is present and how it integrates the whole range of company activities. The competitive strategy spells out how the company can achieve competitive advantage in each of its markets (Porter, 1987), based on valuable and rare company-internal resources or specific capabilities (Barney, 1995). Hence, competitive strategy is situated at a 'lower' organizational level but it is nevertheless the cornerstone of a company's overall strategic success as it is the competitive strategy that connects the customers to the company. However, a business may want to take action on focus, growth and diversification as well. Although these are called strategies (with names like 'focus strategy', 'growth strategy' and 'diversification strategy'), Lambrecht and Broekaert (2008) point out that they are not real competitive strategies because they are usually not driven by market or customer concerns but by purely company-internal motives. Hence, diversification is a possible corporate strategy and can only be successful when each of the separate competitive strategies are a success (Porter, 1987). Diversification can be very useful for the business to spread its risk but this is not relevant for the customer. A customer will never buy the products of a business simply because the business is diversified. Likewise, we consider focus to be a corporate strategy as well, meaning that the business will concentrate on niche markets: a geographic area or some specific group of customers. In practice this policy must always be combined with a competitive strategy such as cost leadership or differentiation since focus in itself does not provide the customer a reason to buy from a particular business.

At the same time, growth is not a competitive strategy either. There is a large literature that shows that size matters. Managing an SME is different from managing a large enterprise (Welsh & White, 1981). This discussion is very relevant for the business owners and the stakeholders but the business size in itself does not create any added value for the customer. Growth in itself is not always proof that the business has conducted a successful strategy in the past. Growth can even be proof that there has been a lack of strategy. The business may have looked exactly like its competitors because there was no differentiation. Hence, the only option left to limit competition would have been to merge or to take over the competitor, resulting in growth due to a lack of strategy.

FORMULATING STRATEGY

A company's strategy needs to be formulated and communicated. A strategic mission is an appropriate tool to do that. A strategic mission contains the expression of being different in one strong statement, which is not merely a commercial slogan. The strategic mission must show what the business is doing and why it is unique. The mission statement includes statements about the purpose of the company, its product and its values. As such, the mission statement should contain the answer to the who, what and why questions. Some businesses may try to make a mission statement with several sentences or even several pages. However, when the text is too long, it means that the management is not capable of phrasing the company's strategy clearly. In addition, a long statement will soon be forgotten by those who have to implement it. Belgian family brewer Duvel Moortgat's mission statement illustrates nicely how it should be done:

Driven by quality, Duvel Moortgat is determined to occupy a leading position as a niche player in the profitable segments of speciality beers and premium brands, both in Belgium and in priority export markets.

Lievens and Lambrecht (2007) introduce five source materials from which family firms can construct a strategy: the study of family values, the questioning of stakeholders, the study of the past, the study of the competition (the analysis of the value curve) and the analysis of internal information flows of the business. Although information from stakeholders, competitors, internal sources and the past are available to all organizations, family businesses may have the additional benefit of strong value systems that can help shape and define their competitive strategy.

Study of Family Values

The strategy of the family business must be linked to the value system of the business family. Lievens and Lambrecht (2007) quote the example of Filliers, a Belgian producer of a strong brand of alcoholic beverages. The business family wants to keep the tradition and the craftsmanship, so it chooses for a branding policy in its strategic mission. The product name is the family name, linking the product to the family values.

Another business family emphasizes the well-being of the working community as its value. It operates in a sector with economies of scale and with much increase in sale, mergers and take-overs. Several years ago, the family considered to sell the family business. It finally decided not to do so because the sale would not be the best solution for the working community. It even decided independence would be the best policy. Eventually, the word 'independent' got a prominent place in the mission of the business.

Questioning of the Stakeholders

Any stakeholder, including collaborators, customers and suppliers, can give valuable assistance in formulating the strategy. They know the family business and its competitors and they can indicate what will (or can) make the business different from the others.

Study of the Past

The history of the business can provide valuable information. To reconcile the past and the present can give a strong competitive advantage, especially for family businesses. Evidently the successes of the past may not be a pretext to postpone any necessary changes today.

A good example is the British family business Burberry, established in 1856 by Thomas Burberry. At the end of the twentieth century it had become a sleepy business, serving a respected clientele, most of them of senior age. In 2001 Burberry hired a young designer, Christopher Bailey. In the company's archives he discovered the book 'Open Spaces', describing the high quality of Burberry products in providing protection for polar explorers like Roald Amundsen and Ernest Shackleton. Christopher Bailey offered a copy of the book to every member of the management team and used this history to promote the business and its products, stating *'if you don't know where you're coming from, then you don't know where you're going.'* (Van Der Borght, 2006).

Study of the Competition

Research describes competitive intelligence as the result of collecting and analyzing a company's competitive environment, which may aid the company in formulating an effective strategy (Gilad, 1989; Tarraf & Molz, 2006). We referred earlier to the idea of the blue ocean of Kim and Mauborgne (1997, 2005), i.e. the need to be different from the competition. They developed the concept of a value curve to visualize the competitive position of a firm. The value curve of a given product shows on the horizontal axis elements of features which define the product and where the firm can define where it is different from its competitors. The vertical axis shows the score of the main actors for each competitive factor. The authors note that most companies have very similar value curves, making it hard for customers to distinguish between them. Therefore it pays for companies to build a different value curve. Wal-Mart provides a good example because it clearly distinguishes itself with its low prices, broad product range and good accessibility. The performance boost in those areas is in large part possible because of Wal-Mart's strategic choice not to invest heavily in ambience and shop assistance (Collis & Rukstad, 2008).

Analysis of Internal Information Flows of the Business

Most family businesses have a very large set of data at their disposal but such data are often exploited insufficiently. The basic information should be transformed into readily available intelligence which can be used for management in general and for the formulation of a strategy in particular. For example statistics about the consumer profile can help the business to develop a strategy towards its customer base.

Figure 1 sums up the strategic process.

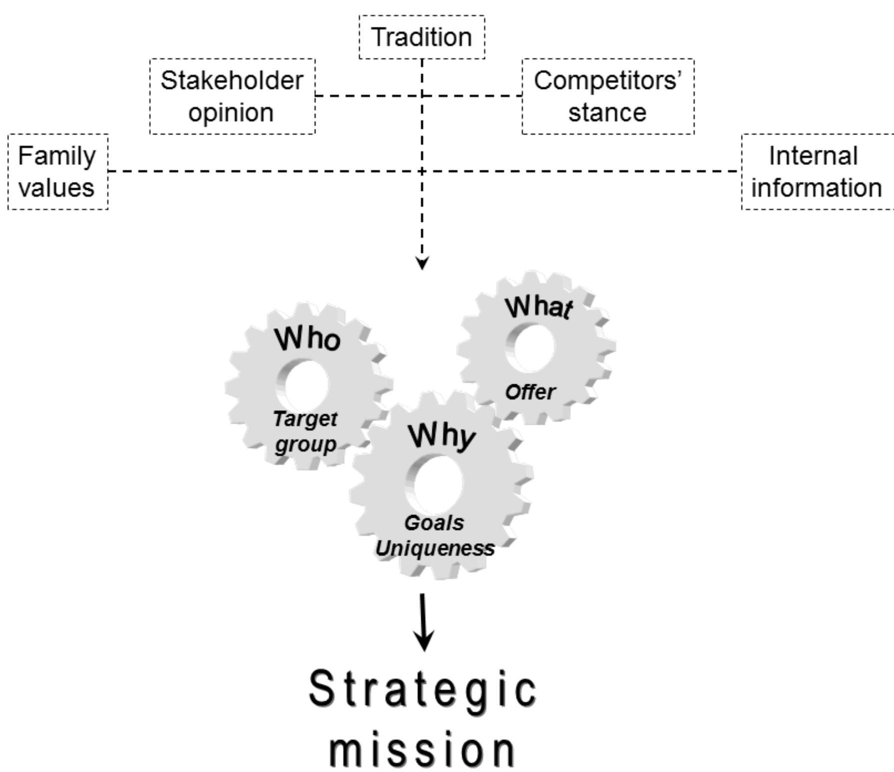
Implementing Strategy

Lievens and Lambrecht (2007) refer to a newspaper comment from 2005, reporting that 70% to 90% of all organizations do not succeed in implementing their strategy. Obviously, even a brilliant strategy loses its relevance if it is not implemented and if there is no adequate follow-up. Lievens and Lambrecht recommend three tools for the implementation of strategy: communication, measurement and the four-leaf clover (coherence, consistency, discipline and passion).

Communication

Lievens and Lambrecht (2007) refer to a press release about a survey by StepStone (27 July 2006), indicating that more than one third of the Belgian employees do not know what their company's strategy is. About one quarter of the employees even think that their employer has no strategy at all. Kaplan and Norton (2005) perceive an even more dire situation with on average only 5 percent of the employees knowing or understanding their company's strategy.

Figure 1. Strategic process



Evidently a strategy cannot be implemented if the employees have no knowledge about it. The question arises whether they are allowed to know it as some businesses conceal their strategic mission for their own collaborators. Those companies consider it sufficient when the board and the management know about the exact strategy. Ideally, however, strategy is a form of knowledge that should penetrate all organizational levels. A collaborator who does not know the strategy will feel excluded. Adequate internal communication of the strategy is therefore necessary to inspire and motivate everybody who is involved. Every collaborator in the business, at whatever level in the organization, needs to know and understand its strategic mission. Evidently the leaders who communicate the mission need to believe and understand it themselves. If not, the collaborators will not believe in them either.

Communication must follow certain rules. It is not sufficient to communicate and explain the strategic mission once. Changes in behaviour need to be induced by repetition. The strategic mission should be written down and shown to everybody at a very visible place, or even several visible places in the business. Leading managers should discuss the strategic mission on several occasions. Regular discussion also ensures that everybody agrees and will act accordingly. That is particularly important when there is more than one leader, for instance when the family business is managed by several people. If the leading team does not have a common strategy, it will disintegrate.

Even with multiple and clear communication channels, some collaborators will oppose the strategy. Especially collaborators with a high seniority may be inclined to oppose. In order to neutralize this threat it can make sense to communicate the new strategy first to external people, for example important customers, so they will communicate the strategy (and their appreciation of it) to the collaborators inside the business.

Measurement

Quantitative, measurable information is important for good management but very often businesses are drowned (or drown themselves) in a parallel world of numbers.

Relevant quantitative information is indispensable for the implementation of the strategy, at least if certain conditions are met. First of all the realization of the strategy must be measured. This should be done by indicators which allow a follow-up of the realization of the strategy. The selection of the indicators must be based on the strategy. The ‘Balanced Scorecard’ was originally developed by Robert Kaplan and David Norton in the nineties (Kaplan and Norton, 1996). Today it has become a very commonly used management tool. All too often businesses use a ‘Balanced Scorecard’ with figures which are not relevant for their strategy (Kaplan and Norton, 2000). The Scorecard usually includes four perspectives: finance, customers, internal processes and collaborators. However, it is not necessary to include indicators for all four of these perspectives. In some cases they can even create an illusion that they are measuring strategy. Some businesses even go further and show a ‘Balanced Scorecard’ without having a strategic mission. They measure for the art of measurement and not as an instrument for knowledge.

Furthermore the number of measures should be constrained. A sample of ten measures can do the job and can be memorized. The measures should also be presented in an attractive way and should be easy to consult. Graphical representations are therefore recommended. The production of measures should be available in an automatic procedure, making it easy to update them. Finally, the measures should be simple but not simplistic. For example, averages should be handled with caution. Reporting the average sales per customer means little when a very small number of key customers accounts for most of the turnover.

The measurement and follow-up of the implementation of the strategy should support the management and collaborators of the business with the realization of its mission. When a measuring instrument or indicator is introduced for the first time to the collaborators, they will in general be reserved. They will consider the instrument as a potential instrument for control and evaluation. It is therefore important to explain the instrument to its users, as well as the expected results and how those results will be used.

Four-Leaf Clover: Coherence, Consistency, Discipline and Passion

Coherence

All the actions of the family business should be in accordance with its strategic mission. Entrepreneurs sometimes worry that a strategy can be copied. However, if the whole organization is focused on a strategy, it is easy to copy some parts or segments of this organization but never the whole strategy. All the relevant elements such as the site of the production, promotion policy, pricing strategy, the product, recruitment and evaluation policy of the staff members have to be in accordance with the strategy of the business (Porter, 1996). It is even possible that the business with the original strategy will feel supported by the copier. This was shown in a case of price competition between supermarket/hypermarket chains in Belgium in 2005. Carrefour challenged the strategy of the Colruyt chain by engaging in a price war. The attempt proved unsuccessful, partly because Carrefour could not match Colruyt's organizational structure and its coherent strategic policy.

Consistency

The same messenger, especially the CEO, must always spread the same, consistent and credible message. Even if there is more than one leading manager, the whole management team must support and communicate the same strategic mission.

Discipline

Strategy demands continuity and should not be changed all too often (Porter, 1996). On the other hand, a strategy should not be maintained for ever either (Ward, 1988,1997; Markides, 2004; Carroll & Mui, 2008). If the external environment such as the market conditions change, the family business has to act but there should always be a proper balance between discipline and the occasional need for flexibility.

Passion

Personal intensity, passion and the will to set the good example are essential. It does not make sense to have a strategy without passion and without a clear vision of the people who create, communicate and implement it.

STRATEGIC CHANGE

Coherence and long-term thinking are the foundations for any successful strategy. Frequent changes to the strategic course inhibit a company from developing unique skills and building a strong relationship with customers. Porter (1996) advises that a chosen strategic position should be maintained for at least ten years. Changing course more frequently is not only costly but also makes the thorough execution of the strategy impossible. However, uncompromising strategic stubbornness can be as detrimental as constant volatility (Lengnick-Hall & Wolff, 1999). After all, companies should be able to react flexibly when important changes in the market occur (Ward, 1988,1997; Markides, 2004; Carroll & Mui, 2008). Although a relatively static strategic approach may be preferred for those companies that operate in stable and predictable industries, a much more dynamic and flexible strategic stance is required to survive in fast-changing industries (Reeves & Deimler, 2011; Reeves, Love & Tillmanns, 2012). In reality, it is often hard for most managers to spot changing trends that originate from outside their core markets (Ofek & Wathieu, 2010), yet it is exactly at the periphery of the market that promising new opportunities for the company may lie (Nunes & Breene, 2011).

There are many events in a firm's life cycle that may prompt a change process but only one of them takes a much more prominent role in family firms than in other businesses: succession. Hall (2003) points out two opposite forces. The first is a harmonious force, with the young generation of successors striving for the approval of the older generation. In that case the cohesion of the family and the firm is maintained or even strengthened, as is the strategic continuity. Hence, strategic change may be impeded because the new generation is reluctant to rock the boat. Contrary to the drive to maintain family solidarity is the newcomers' urge to stress their individuality and their competence. The successors may want to prove they deserve their new position. Such an approach may rejuvenate the company and give it back its enthusiasm. On the other hand, it may also lead to changes that merely serve the successors' need to create a distinct profile for themselves but that lead the company away from its main strength. Each family member may start his own pet projects thereby jeopardizing the consistency of the company's course and goals. Although it may enable the successors to show their competence, it is a risky option as they may still lack the necessary credibility to make it a success (Lambrecht & Broekaert, 2008).

Family companies that succeed in combining the positive results of both forces without falling victim to extremes can greatly benefit from the succession dynamics. As an example, Hall (2003) points to the Swedish family company Indiska, a second generation distributor of Indian commodities. When both the owner's son and daughter took up management positions in the company they implemented their own new ideas without throwing away the existing strategic focus on Indian quality goods. While the son strengthened the company's marketing activities, his sister designed new products with resources from their existing suppliers. As such, the story of Indiska is but one example to illustrate that it is crucial for firms to achieve the right balance between strategic consistency on the one hand and flexibility on the other (Aronoff & Ward, 1997; Lamberg, Tikkanen, Nokelainen & Suur-Inkeroinen, 2009).

A considerable body of literature exists addressing the technical and operational aspects associated with strategic change, for instance on appropriate management methods for guiding those changes. The role of different actors, the management and the Board of Directors is extensively discussed, as well as applicable leadership styles (Bruch, Gerber & Maier, 2005).

In their book 'Ten Rules for Strategic Innovators' Govindarajan & Trimble (2005) analyse how 'strategic experiments' may aid companies in conquering new markets. Such experiments consist of constructing a separate, innovative department charged with exploring the new market. The authors identify three success factors for such strategic experiments, namely autonomy, borrowing capacity and learning capacity. First of all, the new department needs to be able to distance itself sufficiently from the mother company's corporate culture, experience and processes. Separate leadership or even hiring external experts can help ensure such independence. However, complete separation from the financial and logistic support of the mother company is a step too far. Instead, autonomy and borrowing capacity should balance each other out. The ultimate goal of the strategic experiment is to learn what's feasible and what's not. Therefore the innovative department must have the freedom to make mistakes, as long as it analyses those mistakes and learns from them.

Although change is often unpredictable, that shouldn't mean that companies should be caught completely off guard. Instead, monitoring the environment is vital and can help recognize early warning signs of change (Kernelgor, Johnson, & Srinivasan, 2000). Preparing for changing environments and constructing 'what-if' plans can help organizations to react quickly and appropriately (Colvin, 1999).

When considering the speed of a strategic change process there are essentially two options: evolution or revolution. Evolution involves constant but incremental changes over a longer period of time, enabling the company to implement changes that require an extensive learning process or a big attitude shift (De Wit & Meyer, 2005). Furthermore, if change is promoted from the bottom up, it is usually easier to get support from top management when the proposed changes fit within the general business plan. At the same time however, such an approach creates a 'conservative bias' that hinders radical change (Dutton, Ashford, O'Neill, & Lawrence, 2001). Revolutionary strategic change leads to fast and radical changes. Both internal resistance to change and rapid action from competitors may necessitate revolutionary change and a sense of crisis may in fact provide the necessary impetus to set the changes in motion (De Wit & Meyer, 2005).

The literature offers no consensus as to which approach is preferable. Proponents of revolutionary change point out that pressure and conflict are often necessary to overcome people's natural resistance to change. However, they also point out that revolutions put considerable strain on the company and therefore strong leadership is needed to keep those periods as short as possible. Afterwards, periods of stabilization and consolidation are required. However, evolution advocates argue that radical changes shut the door on experimentation and learning, leading to temporary and short-sighted solutions (De Wit & Meyer, 2005). Reality tends to be less black-and-white. Most of the actual changes companies go through are relatively small, indicating a preference for evolution. However, both within revolution-oriented and evolution-oriented companies, researchers find a wide variety with regard to breadth and intensity of changes (Fornaciari, Lamont, Mason, & Hoffman, 1993). Advocates of a middle course propose an ambidextrous combination of revolution and evolution: radical change when needed while at the same time maintaining a solid base of gradually evolving existing processes and products (Tushman & O'Reilly III, 1996; Simon, 2009).

Although the literature analyses issues like organizational structure and procedures, as well as the question whether to go for evolutionary or revolutionary change, the very heart of the matter, namely the nature of specific strategic changes and the possible pros and cons associated with them, are hardly addressed. And yet it seems only logical that entrepreneurs would start by asking themselves *what* they want to change and *why*, before wondering *how* to implement the changes.

However, not every change is a strategic one. After all, companies are always evolving: new people are hired while others are leaving the firm, products and procedures are upgraded, new marketing campaigns are launched, and so forth (De Wit & Meyer, 2005). In order to define strategic change we go back to the three components of strategy: what, who and why. Only when there is a fundamental change to at least one of those elements, we label it as a strategic change. Mindful of the long-term character of strategy we focus on the impact a change has on the firm. Therefore, a change should absorb considerable resources during a long period of time in order to deserve the 'strategic' label.

STRATEGIC CHANGE SCENARIOS

In this section we outline three strategic change scenarios and illustrate them with examples from our own case study research of five Flemish family firms (Lambrecht & Broekaert, 2008).

Methodology

In order to construct different categories of strategic change, we started from the three components (the three Ws) of competitive strategy outlined earlier. First of all, we listed possible changes to each of those components. A company's offer (What) may either be decreased or increased in breadth or scope, as can the company's target groups (Who). For example, increasing the breadth of the company's offer implies that the firm will produce more of its existing products while decreasing the scope of its target groups means that it will strive for less diverse customers. Furthermore the firm may abandon its current products or customers completely and try to switch to different ones. Additionally, the company's uniqueness (Why) may change.

Next, we listed all possible combinations of changes to one or more of the three Ws. Finally we grouped combinations that were conceptually similar to arrive at three strategic change categories: Restructuring, Expansion and Transformation. Table 1 shows the changes to the three W's for each of those categories.

As can be observed from Table 1, both positive and negative growth (Expansion and Restructuring) can be strategic change processes, even though we noted earlier that we do not consider growth to be a real competitive strategy. It is important to keep in mind the difference between strategy and strategic change, as both serve a different purpose. Strategy is essentially a static position that aims to make the company competitive and successful while strategic change is the transition process between strategies.

We then proceeded by analysing several case studies in order to gain more detailed insight into the proposed scenarios of change. Yin (1989) describes a case study as an empirical research method that uses multiple sources to study a phenomenon within its natural environment. Case studies are an appropriate research method when the boundaries between the phenomenon that is analysed and the context surrounding it are vague (Yin, 1989) and are perfect for answering 'how'- and 'why'-questions (Eisenhardt, 1989; Chetty, 1996). Furthermore, case studies are extremely well suited for studying subjects that are not sufficiently explained by existing theories, which we already noted seems to be the case for strategic change in family firms. Finally, case studies show the evolution over time of specific events, which is essential for the study of strategic change in family firms.

The process of selecting our case studies began with a broad collection of newspaper and magazine articles as well as many personal contacts with entrepreneurial families and family firms during seminars and meetings. From this pool we selected a first sample of companies that seemed to be both relevant and interesting for the current research. To construct the final sample we made sure to include companies of different sizes and from various sectors (see Table 2) that implemented different strategic change scenarios. Finally, we conducted face-to-face interviews of approximately one hour each with the CEO of each of the family firms.

Table 1. Strategic change scenarios

Scenario	What		Who		Why
Restructuring	↓	and/or	↓	and	=
Expansion	↑	and/or	↑	and	=
Transformation	↔	or	↔	or	↔

↓: decrease, ↑: increase, =: no change, ↔: switch.

Table 2. Characteristics of the cases

Company	Industry	Company size*
Case 1	Transport	M
Case 2	Transport	M
Case 3	Publishing	L
Case 4	Software development	S
Case 5	Clothing design	M

*: S = small enterprise (10-49 employees), M = medium sized enterprise (50-249 employees) and L = large enterprise (at least 250 employees) in accordance with the European definition of small, medium sized and large enterprises.

Restructuring

Restructuring changes the composition of a company's product or customer portfolio resulting in the selective disposal of specific activities (what) or target customers (who). We distinguish two subtypes. A first type of Restructuring consists of limiting the range of goods or services offered to the customers. Products making a loss or little profit are thereby dropped, freeing up more resources for those that are more successful. A second kind of Restructuring occurs when the company chooses to cut into its customer base by dropping the least profitable customers.

Restructuring is basically a purification process aimed at achieving a more efficient distribution of resources, whereby underperforming product or customer segments are discarded while the company strengthens its existing position in more promising segments. As such, Restructuring may but need not necessarily lead to a smaller company. It should however result in a stronger company, as the example of the transport company in case 1, a second generation family business, illustrates. The company had eventually reached a point where it had about a hundred trucks operating in a very competitive sector, with a small number of big players driving profit margins down. When the company noticed that its own steady expansion became difficult to sustain financially, it analysed the composition of its customer base and initiated a Restructuring process. Convinced that the main asset of the company was a healthy customer base, it disposed of its least profitable customers and consequently reduced the size of its fleet. The strategic change turned out to be dead on target: the company's financial situation quickly improved and created room for renewed growth. As the owner notes: 'Our priority is to deliver on time. As long as our customers can trust us to do that, the price is not an issue for them.'

Limiting the company's activities creates several advantages that go beyond the more efficient use of available resources. It increases managerial oversight and control since budding problems are less likely to escape the attention of an overburdened management. Moreover, a more focused firm fights on a smaller battle field, limiting the number of competitors, while limiting its customer diversity allows the company to spend more time and effort on the high value customers. Finally, at the strategic level, Restructuring often sharpens the company's profile. Hence, a vague and inconsistent strategy can gain focus and clarity after the company has returned to its core activities.

Although Restructuring in many cases decreases the risks for a company – you only do what you clearly do best – it presents potential pitfalls as well. Narrowing down the target market too much may lead to excessive dependence on one specific segment or sector. In turn, that may undermine the independence of the firm, either by creating subordination or by closing off possible alternatives in case of trouble. However, the main hurdle for many entrepreneurs is likely to be psychological. Restructuring or scaling down a company's activities goes against the misguided but overpowering view that growth is synonymous with success. However, a controlled Restructuring can provide the necessary breathing space the company needs to digest previous investment costs and regain a stable footing in a changing environment.

Expansion

The strategic changes in this category involve expanding either the number and diversity of goods being offered, the what-component of strategy, or the target audience, the who-component.

The first type occurs when the company attempts to capture a bigger 'share of wallet' of the existing customers' expenses. Expanding the share of wallet of one's own clientele has the considerable advantage that an existing network as well as an atmosphere of mutual confidence already exist. The risks are mitigated because the company and its customers have a shared past, making it easier to introduce new products or services. However, there is also a drawback. If the strategic change fails, the damage may be considerable as the company loses face with all of its customers. For this kind of growth to work, it is therefore essential for the company to have good relations with its customers and to have a keen insight into their needs and wishes. The objective is not to palm new products off on the customers but to create long term advantages for both sides.

Our cases provide two examples of such a strategic change. Case 2 started out transporting high-grade, temperature-sensitive pharmaceuticals and delivering them to hospitals, pharmacists and doctors within the Benelux countries. However, as the owner points out: 'You can't start thinking you're irreplaceable. It's important to provide the customers with new services.' Therefore, through its personal and close contact with both customers and suppliers the company started expending its scope from merely transporting to storing pharmaceutical products. As a result, the company itself grew and its suppliers, the pharmaceutical companies, could return to their core production activities and cut their costs. On the other hand, case 3, a large Belgian publisher of numerous newspapers, magazines and books in 1989 faced the arrival of the first Flemish commercial television channel. Revenues from advertising that used to go mainly to the printed press were now up for grabs. This new reality forced the company to react quickly and to follow 'their' advertisers to the audio-visual media. To do so, the company heavily invested in the television channel's parent company. Originally the company's strategic growth was a defensive change, designed to protect an important source of revenue. In the words of the CEO: 'We invest defensively, to preserve our advertising revenues. If we risk getting into trouble because of the arrival of a new medium, we always join in.' The move however provided the group with access to new media that complemented its existing products and enabled it to both broaden its product offering and its target audience.

Expanding the sphere of action is a second growth option. During such a change the company radically boosts its production numbers, usually by going international. Additionally, this kind of growth may involve rousing the interest of a new kind of customer (who) in the existing products. The company's ability to internationalize depends to a large extent on its financial strength. For some family firms this may be the biggest hurdle if they are ill-disposed toward external capital (Fernández & Nieto, 2005). Furthermore, using the existing goods to target new, additional customer groups carries its own uncertainty. Although the company builds upon proven and reliable products and services, it encounters unknown customers, whose reaction may be hard to predict.

Transformation

Transformational strategic change implies that the company decides to start with a clean slate for one or more of the three strategic components. The company may decide to abandon its current activities and switch to a completely different set of products or services (what) or to a different customer segment (who). The third component that can be transformed is the why-component, the company's unique selling point. The latter is also the most far-reaching change since the why-component is intricately connected to the other two components, what and who. A transformation on the why-level requires building a completely new identity and represents a considerable investment. When successful however, Transformation can give the company an enormous new impetus. It creates the perfect opportunity to make a clean sweep and re-evaluate the firm's strategy. However, it is also the most difficult change to pull off because it involves changing the very nature of the company. This may lead to customer confusion, especially when the firm attempts to change its image. For example, a price leader who changes to an exclusive brand strategy may well lose cost-conscious customers. At the same time he may find himself unable to attract a new clientele if they are put off by the old, 'cheap' image (Parnell, 1994).

Two of the CEOs that we interviewed successfully guided their company through a transformation process. Case 4 involves a software company that launched a software package for the simplification of document design and creation in 2000. The software, with its relatively low price, online sales and free test-downloads, was initially aimed at a broad audience. However, the company quickly realized it was unable to expand its customer base beyond university students and early adopters. That base was too narrow to make the product profitable so a drastic decision was taken. As the CEO suspected that perception was the biggest problem, or as he put it: 'Big customers don't consider it possible that a problem can be adequately solved for a mere 2,000 $,' the software was repositioned as a 'business output solution' and a much higher sales price was set, no longer targeting the low end of the market but medium to large enterprises instead. The switch greatly enhanced the credibility of both the company and its solutions, and attracted the interest of big corporations. The university public was permanently exchanged for a corporate public, paving the way for the company's international push. Now, the company boasts a worldwide presence with customers including the United Nations, the Bank of America and Siemens.

The company in case 5 started out as a textile wholesale business. However, by the end of the seventies it became clear that continuing on the traditional strategic course was no longer a viable option. Discounters flooded the market and the company was in need of a new concept in order to distinguish itself from its competitors. It decided its future lay in the creation of its own brand of clothing, with a higher added value for its customers. The Transformation from wholesaler to designer was all but smooth and it would take the company more than ten years to complete – and to digest – the turnaround. The biggest problem proved to be the lack of know-how, both in design, quality assurance and marketing. As a result, the company made costly mistakes and was at first unable to disconnect its new brand name from the image of being a 'wholesaler of stockings and underwear'. The entry of the next generation of the family marked the turning point. As we noted earlier, succession within the family business often creates the necessary drive to implement strategic changes. The company hired a designer to create an attractive identity for the brands and invested heavily in marketing and market research. Eventually the team succeeded in creating what the owner called 'a symphony without any false notes, where strategic mission, communication and shop layout are all perfectly aligned.' The new approach was a success, leading the company to break even from the start. The change created an 'embryo' within the company, which would eventually, by the end of the nineties - when the whole product range consisted of the company's own brands -, grow into a true brand builder. Now, the brand can be found in hundreds of Belgian clothes shops as well as in its own concept stores.

CONCLUSION AND RECOMMENDATIONS

One of the primary tasks of any company is to develop a clear competitive strategy. Such a strategy should always answer three questions: what do we want to offer, who is our target audience and why should our customers come to us? Those three Ws work together to show the uniqueness and the long term orientation of the company. A true competitive strategy stresses effectiveness instead of efficiency. It clarifies the main goal of the company and in doing so it strengthens the company's decisiveness and boosts the employees' motivation.

However, only a minority of all firms possessing a true competitive strategy also succeed in implementing it. Therefore, making sure that all stakeholders know and understand the company's strategy is essential. A strategy should be formulated such that it is clear for all the „stakeholders" of the business including the business family, management, staff, customers, suppliers. Hence it should be captured in a short mission statement, without however being reduced to a sales slogan. Long or complex mission statements not only display the management's inability to think clearly but they also impede the actual implementation of the company's strategy. Both the basic structure, the three W's, as the implementation of the competitive strategy are equally important for family and non-family firms.

However, when it comes to changing the competitive strategy, the context of family adds an important dimension. On the one hand, it is important to stick to a set strategic course. Constantly changing one's strategy shows a lack of vision but also prevents the company from developing unique skills or building a reliable image. Strategy demands discipline and continuity. Family firms may possess an inherent advantage in that regard if they are less focused on short term financial results and instead adopt a more long-term vision. On the other hand, no strategy lasts forever when the environment changes. Again, family firms can be in a good position for strategic change. Close contact with their stakeholders can alert them to changing trends or environments, while family bonds and trust can enable swift corporate decisions without falling into the trap of 'deciding not to decide'. Neither should strategic change imply that the past should be completely abandoned. Both the past and the future are embedded into a family firm's DNA, with the older family generations representing the value of tradition while the younger generations represent innovation.

Our case studies show that none of the strategic change scenarios is naturally preferable to the others. Which scenario is best for a certain company depends on the interplay of numerous factors like market conditions, financial status, employee interaction, corporate culture. Therefore, each scenario offers its own set of advantages and risks. Deciding which strategic change scenario is appropriate – if any – is something each company needs to decide for itself, there are no universally guaranteed recipes for success. Furthermore, it is important for managers and entrepreneurs to realize that the strategic change scenarios that we outlined are not corporate strategies in themselves. Instead they represent transitional phases within a strategic type or, in case of transformation of the why-component, between strategic types. Hence, although strategic change can be essential, it should never substitute for a true strategy. Research proposes numerous determinants of a firm's success but with one constant, namely the importance of a clear and strong strategy (Rosenzweig, 2007).

Finally, family firms always need to remain perceptive and open to changes. The obvious threats are the external ones, coming from the usual suspects, i.e. existing competitors, changing customer preferences, etc. However, the biggest danger may lie within the company. Numerous examples show the downfall of complacent companies falling prey to the illusion of infallibility. Among them are those companies that were too late to recognize new and unexpected threats, those that did spot them but underestimated their impact or those that simply could not bring themselves to react appropriately (Kotter & Rathgeber, 2006). Like the frog that stays in the gradually heating water until it is boiled to death, some companies might ignore gradual changes in the market whereas a sudden crisis might force them into action (Tichy & Devanna, 1986 in Chowdhury & Lange, 1993).

REFERENCES

Akan, O., Allen, R. S., Helms, M. M., & Spralls, S. A. (2006). Critical tactics for implementing Porter's generic strategies. *The Journal of Business Strategy*, *27*(1), 43–53. doi:10.1108/02756660610640173

Aronoff, C. E., & Ward, J. L. (1997). *Preparing your family business for strategic change*. Marietta, GA: Family Enterprise Publishers.

Astrachan, J. H., & Shanker, M. C. (2003). Family businesses' contribution to the U.S. economy: A closer look. *Family Business Review*, *16*(3), 211–219.

Barney, J. B. (1995). Looking inside for competitive advantage. *The Academy of Management Executive*, *9*(4), 49–61.

Bruch, H., Gerber, P., & Maier, V. (2005). Strategic change decisions: Doing the right things right. *Journal of Change Management*, *5*(1), 97–107. doi:10.1080/14697010500067390

Caroll, P. B., & Mui, C. (2008). *Billion dollar lessons. What you can learn from the most inexcusable business failures of the last 25 years*. New York: Penguin Group.

Chandler, A. D. (1990). *Strategy and structure: Chapters in the history of the American industrial enterprise*. Cambridge, MA: Massachusetts Institute of Technology.

Chetty, S. (1996). The case study method for research in small- and medium-sized firms. *International Small Business Journal*, *15*(1), 73–86. doi:10.1177/0266242696151005

Chowdhury, S. D., & Lange, J. R. (1993). Crisis, decline and turnaround: A test of competing hypotheses for short-term performance improvement in small firms. *Journal of Small Business Management*, *31*(4), 8–17.

Collis, D. J., & Rukstad, M. G. (2008). Can you say what your strategy is? *Harvard Business Review*, *86*(4), 82–90. PMID:18435009

Colvin, G. (1999, March 29). When it comes to turbulence, CEOs could learn a lot from sailors. *Fortune*, 194–196.

De Waal, A. (2008). *Maak van je bedrijf een toporganisatie! De vijf pijlers voor het creëren van een high performance organisatie*. Culemborg, The Netherlands: Van Duuren Management.

De Wit, B., & Meyer, R. (2005). *Strategy synthesis: Resolving strategy paradoxes to create competitive advantage*. London: Thomson Learning.

Degadt, J. (2010). *Strategic entrepreneurship in family business – Experience from Belgium*. Paper presented at the Rencontres de Saint-Gall.

Drucker, P. F. (2006). What executives should remember. *Harvard Business Review*, *84*(2), 144–152. PMID:16485812

Dutton, J. E., Ashford, S. J., O'Neill, R. M., & Lawrence, K. A. (2001). Moves that matter: Issue selling and organizational change. *Academy of Management Journal*, *44*(4), 716–736. doi:10.2307/3069412

Eisenhardt, K. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

European Commission. (2009, November). *Overview of family-business relevant issues: Research, networks, policy measures and existing studies.* (Final report of the expert group).

Fernández, Z., & Nieto, M. J. (2005). Internationalization strategy of small and medium-sized family businesses: some influential factors. *Family Business Review*, *18*(1), 77–89. doi:10.1111/j.1741-6248.2005.00031.x

Fornaciari, C. J., Lamont, B. T., Mason, B., & Hoffman, J. J. (1993). Incremental and revolutionary strategic change: An empirical test of common premises. *The International Journal of Organizational Analysis*, *1*(3), 273–290. doi:10.1108/eb028792

Gilad, B. (1989). The role of organized competitive intelligence in corporate strategy. *The Columbia Journal of World Business*, *24*(4), 29–35.

Govindarajan, V., & en Trimble, C. (2005). *Ten rules for strategic innovators: From idea to execution.* Boston: Harvard Business School Press.

Greenwald, B., & Kahn, J. (2005). All strategy is local. *Harvard Business Review*, *83*(9), 95–104. PMID:16171214

Habbershon, T. G., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1–25. doi:10.1111/j.1741-6248.1999.00001.x

Haines, S. G., & McKinlay, J. (2007). *Reinventing strategic planning: The systems thinking approach*. San Diego, CA: Systems Thinking Press.

Hall, A. (2003). Strategising: Contributions and challenges of a new perspective in strategy research. In *Proceedings of the 17th Scandinavian Academy of Management.*

Harris, D., Martinez, J. I., & Ward, J. L. (1994). Is strategy different for the family-owned business? *Family Business Review*, *7*(2), 159–174. doi:10.1111/j.1741-6248.1994.00159.x

Ireland, R. D., & Hitt, M. A. (1997). Performance strategies for high-growth entrepreneurial firms. In P. D. Reynolds (Ed.), *Frontiers of entrepreneurship research* (pp. 90–104). Wellesley, MA: Babson College.

Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: Translating strategy into action*. Boston, MA: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. (2000). Having trouble with your strategy? Then map it. *Harvard Business Review*, *78*(5), 167–176. PMID:11143152

Kaplan, R. S., & Norton, D. P. (2005). The office of strategy management. *Harvard Business Review*, *83*(10), 72–80. PMID:16250626

Kernelgor, B. H., Johnson, S. D., & Srinivasan, S. (2000). Forces driving organizational change: A business school perspective. *Journal of Education for Business*, *75*(3), 133–137. doi:10.1080/08832320009599003

Kim, C. W., & Mauborgne, R. (1997). Value innovation: The strategic logic of high growth. *Harvard Business Review*, *15*(1), 103–112. PMID:10174449

Kim, C. W., & Mauborgne, R. (2005). *Blue ocean strategy: How to create uncontested market space and make the competition irrelevant*. Boston: Harvard Business School Publishing.

Kotter, J., & Rathgeber, H. (2005). *Our iceberg is melting*. New York: St. Martin's Press.

Lamberg, J.-A., Tikkanen, H., Nokelainen, T., & Suur-Inkeroinen, H. (2009). Competitive dynamics, strategic consistency, and organizational survival. *Strategic Management Journal*, *30*, 45–60. doi:10.1002/smj.726

Lambrecht, J., & Baetens, K. (2005). *Teammanagement van het Familiebedrijf*. Tielt, Belgium: Lannoo Campus.

Lambrecht, J., & Broekaert, W. (2008). *Het Roer Omgooien. Strategische Verandering van het Familiebedrijf*. Roeselare, Belgium: Roularta Books.

Lambrecht, J., & Naudts, W. (2008). *Overview of family business relevant issues, Country Fiche Belgium* (project conducted on behalf of the European Commission in the framework of the study 'Overview of Family Business Relevant Issues').

Lambrecht, J., & To, W. T. (2008). *Waardecreatie door familiebedrijven in Vlaanderen*. Brussels, Belgium: Instituut voor het Familiebedrijf, Studiecentrum voor Ondernemerschap.

Lambrecht, J., & To, W. T. (2009). *Falingsoorzaken bij zelfstandigen en KMO's. Een kwantitatieve en kwalitatieve analyse* (project conducted on behalf of Liberaal Verbond voor Zelfstandigen).

Lengnick-Hall, C. A., & Wolff, J. A. (1999). Similarities and contradictions in the core logic of three strategy research streams. *Strategic Management Journal*, *20*, 1109–1132. doi:10.1002/(SICI)1097-0266(199912)20:12<1109::AID-SMJ65>3.0.CO;2-8

Lievens, J., & Lambrecht, J. (2007). *Met uw Familiebedrijf naar de Champions League*. Roeselare, Belgium: Roularta Books.

Macmillan, H., & Tampoe, M. (2000). *Strategic management process, content and implementation*. Oxford, UK: Oxford University Press.

Mandl, I. (2008). *Overview of family business relevant issues (Study conducted by the Austrian Institute for SME Research on behalf of the European Commission)*. Enterprise and Industry Directorate-General.

Markides, C. (2004). What is strategy and how do you know if you have one? *Business Strategy Review*, *15*(2), 5–12. doi:10.1111/j.0955-6419.2004.00306.x

Miller, M., & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Boston: Harvard Business School Press.

Mooney, A. (2007). Core competence, distinctive competence, and competitive advantage: What is the difference? *Journal of Education for Business*, *83*(2), 110–115. doi:10.3200/JOEB.83.2.110-115

Nordqvist, M., & Melin, L. (2010). Entrepreneurial families and family firms. *Entrepreneurship and Regional Development*, *22*(3/4), 211–239. doi:10.1080/08985621003726119

Nunes, P., & Breene, T. (2011). Reinvent your business before it's too late. Watch out for those S curves. *Harvard Business Review*, *89*(1/2), 80–87.

Ofek, E., & Wathieu, L. (2010). Are you ignoring trends that could shake up your business? *Harvard Business Review*, *88*(7/8), 124–131.

Ohmae, K. (1988). Getting back to strategy. *Harvard Business Review*, *66*(6), 149–156.

Oliver, R. W. (2001). What is strategy anyway? *The Journal of Business Strategy*, (November–December): 7–10. doi:10.1108/eb040202

Parnell, J. A. (1994). Strategic consistency versus flexibility: Does strategic change really enhance performance? *American Business Review*, *12*(2), 22–29.

Porter, M. E. (1987). From competitive advantage to corporate strategy. *Harvard Business Review*, *65*(3), 43–59. PMID:17183795

Porter, M. E. (1996). What is strategy? *Harvard Business Review*, *74*(6), 74–91.

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, (May): 79–91.

Reeves, M., & Deimler, M. (2011). Adaptability: The new competitive advantage. *Harvard Business Review*, *89*(7/8), 134–141. PMID:21714390

Reeves, M., Love, C., & Tillmanns, P. (2012). Your strategy needs a strategy. *Harvard Business Review*, *90*(9), 76–83. PMID:22741420

Rosenzweig, P. (2007). *The halo effect…and the eight other business delusions that deceive managers*. New York: Free Press.

Simon, H. (2009). *Hidden champions of the twenty-first century: The success strategies of unknown world market leaders*. New York: Springer. doi:10.1007/978-0-387-98147-5

StepStone. (2006, 27 July). *Eén op drie Belgische werknemers heeft geen idee van bedrijfsstrategie.* Retrieved on 26 March 2013 from http://www.stepstone.nl/content/be/bnl/foremployers/een_op_drie_belgische_werknemers_geen_idee_bedrijfsstrategie.htm.

Tarraf, P., & Molz, R. (2006). Competitive intelligence at small enterprises. *SAM Advanced Management Journal*, *71*(1), 24–34.

Tushman, M. L., & O'Reilly, C. A. III. (1996). Ambidextrous organizations: Managing evolutionary and revolutionary change. *California Management Review*, *38*(4), 8–30. doi:10.2307/41165852

Van Der Borght, A. (2006, September 16). Ruitenkoning viert feest. Brits modehuis Burberry bestaat 150 jaar. *Bestedingen*, *66*, 16–18.

Van Gils, A., Voordeckers, W., & Van Den Heuvel, J. (2004). Environmental uncertainty and strategic behavior in Belgian family firms. *European Management Journal*, *22*(5), 588–595. doi:10.1016/j.emj.2004.09.015

Ward, J. L. (1988). The special role of strategic planning for family businesses. *Family Business Review*, *1*(2), 105–117. doi:10.1111/j.1741-6248.1988.00105.x

Ward, J. L. (1997). Growing the family business: special challenges and best practices. *Family Business Review*, *10*(4), 323–338. doi:10.1111/j.1741-6248.1997.00323.x

Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, *59*(4), 18–32.

Wickham, P. A. (2006). *Strategic entrepreneurship* (4th ed.). Harlow, UK: Prentice Hall.

Yin, R. K. (1989). *Case study research: Design and methods*. London: Sage.

Zimmerer, T. W., Scarborough, N. M., & Wilson, D. (2008). *Essentials of entrepreneurship and small business management* (5th ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

KEY TERMS AND DEFINITIONS

Competitive Strategy: The answer to three questions concerning what is offered, who is the target audience and why customers would accept the offer.

Expansion: Strategic change that involves expanding either the number and diversity of goods being offered (what) or the target audience (who).

Family Firm: A company in which members of the same family have a majority of decision-making rights.

Restructuring: Strategic change to the composition of a company's product or customer portfolio, resulting in the selective disposal of specific activities (what) or target customers (who).

Strategic Change: A fundamental change to at least one of the three components of strategy (what, who, why), that absorbs considerable resources during a long period of time.

Strategic Mission: Short and strong statement that contains a company's expression of being different.

Transformation: Strategic change due to the company switching to a completely different set of products or services (what), to a different customer segment (who) or to a different unique selling point (why).

Chapter 13
Knowledge Transfer Strategies within Family Firm Succession

Isabella Hatak
WU Vienna University of Economics and Business, Austria
& Johannes Kepler University Linz, Austria

Dietmar Roessl
WU Vienna University of Economics and Business, Austria

ABSTRACT

A firm's knowledge is considered a key strategic asset in the course of generating competitive advantages. However, especially within family firm succession, there is a high risk that knowledge embedded in the predecessor leaves the organization. Thus, in order to maintain the family firm's competitive advantage an understanding of the challenges regarding the knowledge transfer within family firm succession is needed. In this chapter, the authors employ a qualitative empirical approach to identify context-based knowledge transfer strategies and develop a typology of transfer constellations. The results provide insight for students, researchers, consultants, policy makers and family firm leaders, who are searching for the most appropriate knowledge transfer strategy given the nature, philosophies and traditions of specific small and medium sized family firms.

INTRODUCTION

A firm's specific knowledge, as well as the ability and willingness to transfer it, is considered a key strategic asset in the course of generating competitive advantages (Spender & Grant, 1996). Knowledge is viewed as the sum of expertise, skills and abilities applied by individuals in the form of theoretical knowledge and modes of dealing to solve problems (Leonard & Sensiper, 1989). It can include facts and information, as well as understanding gained through experience, education or reason.

Especially in family firms, which represent 80-95% of all businesses (Nordqvist & Melin, 2010) and make a major contribution to employment, revenues, and GDP in most capitalist countries (Sharma, Chrisman, & Chua, 1996), the success of the multistage succession process can be determined by preserving the predecessor's knowledge (Mazzola, Marchisio, & Astrachan, 2008).

DOI: 10.4018/978-1-4666-5962-9.ch013

However, within family firm succession, the knowledge transfer is most often not managed at all or poorly managed at best and in many cases does not work out the way participants wish it would (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). The typical characteristics of family firms, like their small size, informal organization structures and a restrictive information policy (see e.g., Gallo, 1995) applied by the main entrepreneur, implicate lower pressure and lower propensity to make contextual information, framed experiences, values and expert insights, which are embedded in or hoarded by the main entrepreneur in the majority of cases (Cabrera-Suárez et al., 2001; Hatak & Roessl, 2013), explicit. With the family entrepreneur as the central information source leaving the firm in the course of a generation change, questions arise as to whether the firm is going to irrecoverably loose the knowledge together with the predecessor, or whether it will be transferred to the successor or to another employee and, thus, placed in another personal storage, or whether the predecessor's knowledge will be stored in the firm (i.e., in a database), independent of individual people.

In order to develop and maintain the family firm's competitive advantage and to set the basis for innovating and improving efficiency, thus realizing the potential value of the predecessor's knowledge, an understanding of strategic managerial challenges associated with the knowledge transfer within family firm succession is needed. This chapter therefore aims at identifying context-based knowledge transfer strategies and at developing a typology of transfer constellations. By identifying the associated management requirements, the chapter wants to provide insight for students, researchers, consultants, policy makers and family firm leaders, who are searching for the most appropriate knowledge transfer strategy given the nature, philosophies and traditions of specific small and medium sized family firms.

The chapter is structured as follows: First, the challenges regarding the family firm succession process are systematized against the background of the knowledge-based view. In this context, Nonaka's theory (1991) of knowledge creation and knowledge-creating space is applied to the family firm succession process. The analysis of the knowledge identification problem and the knowledge transfer problem provide the basis for the empirical study. Second, a qualitative empirical approach was adopted in order to explore the knowledge transfer process within family firm succession. 70 extended semi-structured interviews with 35 predecessors and the matching 35 successors were conducted. Third, the content analysis of the empirical data results in a typology of transfer constellations based on stock, supply and demand of knowledge, which provides the framework for the derivation of context-based knowledge transfer strategies within small and medium sized family firms. The results are concluded and converted into implications taking into account the limitations at the end of the chapter.

CHALLENGES OF KNOWLEDGE TRANSFER WITHIN FAMILY FIRM SUCCESSION

As no generally accepted definition (Chittoor & Das, 2007) concerning the term "family firm" exists, a literature-based definition needs to be applied. Here, a family firm is defined as a firm (1) in which several family members – not necessarily the core family – hold capital shares (Westhead & Cowling, 1998) or work in the firm as contributory staff members, (2) whose capital majority is held by one or more family members that make strategic decisions (Barnes & Hershon, 1976), (3) on whose economic development the family depends existentially (Sharma & Manikutty, 2005), and (4) which has an important influence on the mind-set and on the lifestyle of the family members involved (Habbershon & Williams, 1999).

Basically, family firms possess unique characteristics which play a prominent role in economies worldwide (Shanker & Astrachan, 1996). The assessment of their uniqueness and the linking of such uniqueness to an advantage in the marketplace require reference to a firm's specific strategies, resources and skills (Habbershon & Williams, 1999). According to resource-based theorists (e.g., Penrose, 1959; Wernerfelt, 1984), firms need to possess valuable and rare resources in order to attain a competitive advantage and enjoy an improved performance in the short run. Furthermore, these resources must also be inimitable and non-substitutable so that the firm can sustain this advantage in the long run (Barney, 1991).

However, to achieve and ensure success, a firm requires not only a unique bundle of resources, but also the knowledge embedded in the firm's routines to mobilize, integrate and coordinate resources efficiently (Grant, 1991). According to the knowledge-based view of the firm (Bierly & Chakrabarti, 1996), performance levels can be improved by creating and transferring a firm's specific knowledge (McGrath, Tsai, Venkataraman, & MacMillan, 1996) as knowledge is inherently difficult to imitate, thus facilitating sustainable differentiation (Wiklund & Shepherd, 2003). According to Polanyi (1958; see also Nonaka & Takeuchi, 1995), two types of knowledge can be transferred within succession in the family firm context; explicit knowledge is knowledge that is articulated in the form of documents or databases. It has a universal character, enabling to act across contexts. Tacit knowledge, on the other hand, is knowledge anchored in action, procedures, routines, commitment, ideals, values and emotions (Nonaka, Toyama & Nagata, 2000). It contains not only unarticulated mental models, beliefs and insights which are essential for perceiving and defining the environment, but also the abilities, know-how and skills to perform tasks (Nonaka & Takeuchi, 1995).

Due to its specific elements, knowledge does not always flow easily within the firm (Cabrera-Suárez et al., 2001; Hatak & Roessl, 2013). Especially in a generation change, where the entrepreneur as the central information source leaves the firm, the management of knowledge is associated with challenges relating to the identification and the transfer of relevant knowledge.

Identification Problem

Due to the fact that there is hardly any change in the person of the main decision-maker in family firms for decades (McConaughy, 2000), a large amount of knowledge is generated over time without the necessity to distribute this knowledge within the firm. In fact, the predecessor often has established strong personal relationships not only with the family firm's internal stakeholders such as employees, shareholders and/or family members, but also with its external stakeholders such as customers, suppliers and the relevant public (Sharma, 2001). Aside from the fact that deciphering the structure of existing networks is extremely difficult, the transactional content of each relationship is not easily communicated. Relationships are not always what they appear to be, i.e. they often provide other resources than officially stated or initially intended (Granovetter, 1985). As a result, in many cases, the predecessor is the only repository for knowledge of how the business functions strategically (Steier, 2001) so that the existence of the firm depends on his or her knowledge (Cabrera-Suárez et al., 2001). Beyond that, the parsimony which is typical for small and medium sized family firms (Roessl, 2005) leads to an avoidance of a resource-intensive storage of explicit knowledge. Therefore, knowledge and skills are not multi-existent in the family firm (Hatak & Roessl, 2013).

However, not all knowledge which has been accumulated by the predecessor over time is relevant for future operations because environmental changes may have devalued formerly important knowledge (Chirico & Salvato, 2008). Hence, to get the process of managing knowledge up and running, as a first step it has to be identified what relevant knowledge the entrepreneur possesses and what additional knowledge is needed for future operations (Makadok, 2001). In this connection, the fact that the predecessor is not directly aware of his or her tacit knowledge poses a significant challenge (Brown & Duguid, 1998). In order to solve this identification problem, the predecessor has to reflect on his or her actions and decisions so that he or she can envision the knowledge which is of importance for the successor as a precondition for its articulation and thus its explicit circulation (Kransdorff & Williams, 2000). To avoid incommensurability of the successor's knowledge with the predecessor's transferred knowledge and to disclose the successor's knowledge deficits, the successor also has to make himself or herself aware of his or her tacit knowledge. Dysfunctional knowledge assets that make future businesses difficult (Leonard-Barton, 1992) need to undergo a process of organized "unlearning" in order to ensure the firm's flexibility (Rebernik & Sirek, 2007).

Transfer Problem

Against the background that knowledge is seen as the main resource supporting a competitive advantage (Bierly & Chakrabarti, 1996), its transferability "determines the period over which its possessor can earn rents from it" (Spender & Grant, 1996, p. 7). According to the knowledge spiral of Nonaka and Takeuchi (1995; see also Nonaka (1991)), knowledge can be transferred via four processes: socialization, externalization, combination, and internalization (often referred to as the SECI model). Whereas socialization and externalization relate to the transfer of tacit knowledge, combination and internalization are associated with the conversion of explicit knowledge. As the transfer of explicit knowledge via systematized language or codes is comparatively unproblematic (Kogut & Zander, 1992), the focus of the problem lies on the transfer of tacit knowledge which is embedded in the context in which it was developed (Grant, 1996; Brown & Duguid, 1998).

In the course of socialization, the predecessor's tacit knowledge is immediately converted into the successor's tacit knowledge through shared experience (Nonaka, 1991). The successor learns through observance, imitation, as well as trial and error. As the knowledge remains not only tacit on the part of the predecessor, but also on the part of the successor, the effectiveness of the knowledge transfer can only be evaluated on the basis of the successor's subsequent actions. Moreover, the knowledge transfer by means of socialization is time-consuming. By contrast, in the course of externalization, the predecessor's tacit knowledge is made explicit and, thus, becomes transferable through direct communication. A prerequisite for a successful externalization is that the predecessor is able to translate his or her tacit knowledge into a suitable coding such as narratives, metaphors, analogies, or visuals (Osterloh & Frey, 2000).

However, with regard to small family firms, externalization is associated with challenges as the high proportion of tacit knowledge and the inadequate technical infrastructure in small family firms hinder the application of complex knowledge management tools and hence make the conversion of tacit knowledge into explicit knowledge and the latter's storage difficult (Cabrera-Suárez et al., 2001). Furthermore, as the central managerial tasks are assigned to the same family members for decades in small family firms, no routines regarding the knowledge transfer will be established (Miller, Steier, & Le Breton-Miller, 2003), thus hampering the externalization of knowledge. Moreover, personal trust-based relationships resulting from flat structures and hierarchies promote the use of direct and informal communication channels for sharing information and experience (Szulanski, 1996). Although informal communication can have a positive effect on the socialization of knowledge, it can also exacerbate its externalization (Hatak & Roessl, 2013).

Notwithstanding the firm size, the problems associated with the transfer of tacit knowledge in family firms result primarily from the interlocking of the systems "family" and "firm," because the predecessor's knowledge of not only the system "firm," but also of the system "family" has a specific importance which originates from the intrinsic logic of the systems. The transfer of exclusive knowledge induces a shift of power and can have extensive consequences for the overlapping systems of family and firm; if the predecessor refuses to transfer his or her knowledge, he or she can ensure influence within the firm and the "patriarchal position" within the family (Szulanski, 1996). Moreover, as the continuation of the firm and its continuation by members of the family organization constitute the main goals of the family firm, role conflicts can occur (Kets de Vries, 1993). As an entrepreneur interested in a successful continuation, the predecessor can evaluate a family member as being unqualified to become a successor; but in his or her position as a member of the family organization he or she can still prefer this family member as the successor (Handler, 1990). Normally, the predecessor has to transfer his or her knowledge to the family member in his or her role as successor, but facing the successor's lack of technical and motivational competencies the predecessor fears for the firm's future and conceals his or her tacit knowledge in order to maintain influence and to delay the succession (Hatak & Roessl, 2013).

EMPIRICAL STUDY

Method

In order to explore the critical managerial challenges associated with the knowledge transfer within family firm succession, 70 guided interviews were held with predecessors and successors in 35 Austrian family firms which were in the process of succession. In order to ensure proximity to the event of succession itself as well as comparability, only such family firms were included in the survey in which the succession process had been started no more than 2 years earlier. 49 percent of these SME fall into the category of "trade and craft," 23 percent into the category of "commerce," 17 percent belong to the group of "information and consulting," and 11 percent to the "manufacturing industry."

The audio transcriptions of the interviews recorded on sound storage media were analyzed in the form of a qualitative content analysis according to Mayring (2000). This offered a methodically guided procedure of distilling those areas and aspects of family firm succession which relate to the transfer of knowledge between the successor and the predecessor. In order to limit perceptive distortions, the interpretation was carried out at two levels: at the first level, by the interviewers, and at the second level, by knowledgeable non-interviewers (interpretation of the interpretations). Discrepancies in interpretation were resolved in feedback loops.

Analysis

The results of the systematic analysis indicate that there are six factors which influence the type of knowledge transfer and the subsequent company development: (1) predecessor's stock of relevant knowledge (s/he possesses relevant knowledge), (2) predecessor's knowledge awareness (s/he is aware of the relevance of her or his knowledge), (3) predecessor's willingness to transfer knowledge, (4) successor's need for knowledge (knowledge deficit), (5) successor's demand awareness (s/he is aware of her or his knowledge deficit), and (6) successor's willingness to demand knowledge (s/he is willing to demand knowledge from the predecessor).

The analysis shows that in the majority of cases, the predecessor possesses relevant management knowledge, is aware of its importance and willing to transfer this knowledge to the successor, who in turn is aware of deficits in his or her management knowledge and consequently demands the predecessor's knowledge.

To be precise, in two thirds of the cases there is a continuation in the spirit of both parties; a successor shows demand for the predecessor's relevant management knowledge which the latter willingly provides. Owing to his or her management competence, the successor does not accept the knowledge transferred without criticism, but adds to his or her existing knowledge in a process of reflection and continues the operation of the firm in a way which can resort to the old knowledge, but is not dependent on it.

As one predecessor puts it, "My daughter is so clever and already so experienced that she can easily take over. She also knows about everything, as we have worked and discussed a lot with each other. I am trying to [...] give to her everything she needs. And she accepts it eagerly, that makes me so happy." The successor, "I have [...] completed the tool making apprenticeship [...] and know my stuff fairly well. Dad is [...] bursting with knowledge. I want to make this my own by observing and asking. But I'll do a few things differently, dad is simply too lenient [...]."

Approximately one tenth of the cases constitute a continuation in the spirit of the predecessor; the successor lacks the knowledge which would enable him or her to reflect on the transferred knowledge so that knowledge is transferred without criticism and the successor – who is almost exclusively equipped with the predecessor's relevant knowledge – can continue operations in the spirit of the predecessor.

As one predecessor puts it, "One has to transfer knowledge by talking about everything with each other and by providing a living example so that may daughter learns everything in the course of time." The successor, "The succession will be [...] a process over a period of three years, when I will learn everything [...] I can always ask mum!"

Two cases need to be characterized as continuation of operations without the possession of knowledge. In these cases, the knowledge transfer to the successor is severely limited. Moreover, the successor lacks the necessary management knowledge:

As one predecessor puts it, "[...] I want to transfer knowledge mainly by talking to, and working with, each other [...]. One has to overcome differences." The successor, "No, I have completed no education or courses. No, I am not acquiring my father's knowledge; I don't have time for that."

One fifth of the cases can be characterized as continuation in the spirit of the successor. One case mirrors the constellation, in which a competent successor is willing to learn from the predecessor, who does not initiate any knowledge transfer, however:

As one predecessor puts it, "My daughter has worked with me for many years. [...] I could not prepare her specifically for succession because I have suffered a stroke." The successor, "[...] have done all the administrative things. I have tried to acquire the experience and the vast knowledge of my father as much as possible under the circumstances – but frequently this was impossible, and so I have had to look for my own way!"

The following statements warrant assignation to the constellation in which a competent successor is unwilling to accept knowledge offered by the predecessor:

As one predecessor puts it, "[…] one can say that he certainly has obtained 40 percent of his knowledge in school and education. But the rest he has definitely gathered by observing me." The successor, "[...] have no knowledge deficits. In most areas [...] I know more than my father."

As one predecessor puts it, "She works in other firms [...]. But my knowledge is very relevant [...]. So that my [...] knowledge is not lost, I pass it on to colleagues." The successor, "[...] granted, he certainly has relevant knowledge, but everyone *has to acquire knowledge by themselves and make their own experiences."*

The transfer of knowledge to other individuals within the firm addressed in the above example illustrates one possible course of action when the successor refuses the knowledge transfer offered by the predecessor.

The following case constitutes an example of a constellation where no knowledge transfer takes place; the successor possesses management knowledge of his or her own and there is no need to learn from the predecessor:

As one predecessor puts it, "[...] she has always known everything. I did not have to pass any knowledge on to her." The successor, "Following my studies of business administration, I have worked in a business consulting firm. In SMEs you have to be able to do everything. [...] Then I took over the firm and started out with my own knowledge, gathered experiences and made my own decisions."

TYPOLOGY OF TRANSFER CONSTELLATIONS WITHIN FAMILY FIRM SUCCESSION

By linking the results of the empirical study and the theoretical considerations with the existent management knowledge concerning succession, eight constellations regarding the knowledge transfer (KT) and the subsequent company development can be derived. (see Table 1)

1. Continuation in the spirit of the predecessor (constellation one): If the successor lacks his or her own relevant knowledge for reflecting the conventionalized knowledge of the predecessor, an unfiltered knowledge transfer takes place in such a way that the successor – faced more or less only with the predecessor's knowledge – can continue operations only in the spirit of the predecessor. The strong commitment of the successor to conventionalized knowledge and thinking can hinder the prospective flexibility of the firm.

Table 1. Consequences of stock, supply and demand of knowledge

		predecessor **successor**	**KT supplied**	**KT not supplied**
no own management knowledge	**KT demanded**	willing to learn from predecessor	*Constellation 1* harmonious road to continuation (without criticism) in the spirit of the predecessor	*Constellation 2* contentious road to continuation of operation without knowledge possession (only a small share of the predecessor's tacit knowledge, which is made explicit through other people, is available)
	KT not accepted	not willing to learn from predecessor	*Constellation 3* contentious road to continuation of operation without knowledge possession (only the explicable share of the predecessor's knowledge is available)	*Constellation 4* harmonious road to continuation of operation without knowledge possession
own management knowledge	**KT demanded**	willing to learn from predecessor	*Constellation 5* harmonious road to continuation of operation in the spirit of both parties (by joint reflection of conventionalized knowledge)	*Constellation 6* road to continuation in the spirit of the successor (forced break-up with conventionalized knowledge)
	KT not accepted	not willing to learn from predecessor	*Constellation 7* contentious road to continuation of operation in the spirit of the successor (break-up with conventionalized knowledge)	*Constellation 8* no knowledge transfer, harmonious road to continuation in the spirit of the successor (break-up with conventionalized knowledge)

2. Continuation in the absence of knowledge (constellations two, three and four): These constellations are characterized by a restricted knowledge transfer to the successor, who additionally lacks the required management knowledge. If the tacit knowledge embedded in the predecessor was of existential relevance, the prospective development of the firm is threatened, provided that the predecessor in constellation three was not able to embed his or her knowledge in the firm (independently of the successor).
3. Continuation in the spirit of both parties (constellation five): This is the ideal case. A successor with a high level of management knowledge demands the knowledge of the predecessor, which the latter supplies willingly. Due to the existent management knowledge, the successor does not accept the transferred knowledge without criticism. In fact, a reflective process of knowledge extension takes place, leading to a continuation of operation which can indeed recruit on "old" knowledge, but does not depend on it.
4. Continuation in the spirit of the successor (constellations six, seven and eight): Within these constellations no old knowledge is transferred due to various reasons, but the successor possesses his or her own management knowledge as to the continuation of operation. Therefore, the prospective development of the firm will only marginally be influenced by the predecessor's thinking. Although these constellations are differently anchored and are characterized by distinct areas of conflict, they have in common that the predecessor's knowledge is irreplaceably lost and can no longer be accessed by the firm after succession. The knowledge base of the successor then consists only of his or her own and the organizational knowledge.

The constellations worked out here show how the knowledge transfer is linked with the family firm strategy: Depending on the type of knowledge transfer, there may be a break from the strategy to date, there may be a continuation of operation in the spirit of both parties, i.e. predecessor and successor, by joint reflection of the strategy to date, or the strategy to date may continue to be employed.

KNOWLEDGE TRANSFER STRATEGIES WITHIN FAMILY FIRM SUCCESSION

The following derivation of context-based knowledge transfer strategies is structured according to the knowledge spiral by Nonaka and Takeuchi (1995): On the one hand, the predecessor's tacit knowledge can be converted into the successor's tacit knowledge by means of an interpersonal knowledge transfer. On the other hand, the predecessor's tacit knowledge can, after externalization, be converted into organizational knowledge.

From Intrapersonal Knowledge to Interpersonal Knowledge

The results suggest that in certain cases (like in constellations one and five) the predecessor's tacit knowledge can be easily converted into the successor's tacit knowledge by means of an interpersonal knowledge transfer. In this context, factors like internal social capital, commitment to change, the quality of the relationship between successor and predecessor, and their reciprocal connectivity promote the bilateral active knowledge transfer and therefore a successful continuation of the family firm (Chirico & Salvato, 2008).

As bilateral knowledge transfer emerges from repeated interactions and is intensified through "close-knit-groups," whose members identify themselves with a larger collective (Kogut & Zander, 1992), the knowledge transfer is favored in family firms; if the family-internal relations are backed with social capital, stable relations can be built in the long run (Nahapiet & Goshal, 1998; Hatak & Roessl, 2010), promoting the transfer of tacit knowledge (Sirmon & Hitt, 2003). Interdependence and repeated interaction foster social capital (Chirico & Salvato, 2008). Thus, the density of communication within the family has to be increased, as the development of shared beliefs based on consensus leads to renewed collective actions. Another factor that affects the generation of social capital and therefore facilitates the knowledge transfer is delineation; as strong communities, family firms distinguish insiders from outsiders on the basis of kinship and thus enhance the creation of clear boundaries through the emergence of shared norms (Etzioni, 1996). The resulting common system of meanings strengthens social capital (Tagiuri & Davis, 1996; Chirico & Salvato, 2008), which in turn promotes an active knowledge transfer.

The willingness to transfer knowledge is determined by commitment to change (Randall, Fedor & Longenecker, 1990). Commitment to change increases cooperative behavior and facilitates the flexible use of individual potentials (Sharma & Manikutty, 2005). This commitment results from the satisfaction individuals experience by feeling that they are contributing to the success of their own business and to its continuity over time. However, as "feelings and emotions related to change are likely to be deeper and more intense" in family firms (Dyer, 1994, p. 125), also resistance to change, which influences the predecessor's willingness to transfer knowledge negatively, can arise in the family firm context (Roessl, 2005). Therefore, apart from the family, especially the predecessor has to commit himself or herself to change in order to enable an efficient knowledge transfer (Sharma, Chrisman, & Chua, 2003).

"[T]he lack of formalized systems and structures to deal with conflict […] and the commingling of business and family roles" (Harvey & Evans, 1994, p. 345) increase the conflict potential in family firms. In this context, Jehn (1995) empirically observed that conflicts have greater negative consequences in highly closed and interdependent communities than in other groups. Therefore, and because Eddlestone and Kellermanns (2007) found that relationship conflicts resulting from interpersonal relational incompatibilities among actors within a group (Jehn, 1995) are the main obstacle to the knowledge transfer in family firms, trust-based relationships between generations need to be strengthened. After all, it has been shown that trust facilitates knowledge transfer within family firm succession (Le Breton-Miller, Miller, & Steier, 2004; Hatak & Roessl, 2013).

The alternating connectivity increases if predecessor and successor share a common system of meanings (= "Ba") in which "participants share their contexts and create new meaning through interactions" (Nonaka & Toyama, 2003, p. 7). Thus, if the knowledge content is interpersonally adaptive, the transfer of tacit knowledge will be more effective. The relevance of "Ba" within the knowledge transfer in family firms originates from the tacit knowledge being specific to context – the transfer of tacit knowledge is hence promoted if the actors share their experiences in a shared context. The efficiency of the knowledge transfer increases depending on the fit of values which constitute "Ba," the contents which need to be transferred and the transfer methods applied (Braennback, Carsrud, & Schulte, 2008). If the "Ba" of a family values rationality and attachment to regulations, the knowledge transfer should focus on the methodical knowledge of the predecessor. If the family has created a "Ba" in which there is a tradition of sharing and loyalty, then the transfer should focus on tacit knowledge which is often embedded in stories (storytelling). Owing to his or her loyalty, the successor accepts the antecedent knowledge, so that an early involvement of the successor in the firm – also in the form of action-trainings, in which situations that refer to working life and action are practiced – makes sense (Matthews, Moore, & Fialko, 1999).

From Intrapersonal Knowledge to Organizational Knowledge

In situations in which knowledge is offered but not accepted (like in constellations three and seven), the direct transfer of tacit knowledge is blocked. Therefore, the knowledge of the predecessor has to be secured in the firm, detached from its person. Otherwise “the organization’s hard-won and expensively acquired knowledge” (Kransdorff & Williams, 2000, p. 109) acquired by the predecessor leaves the organization. In this case, the successor would have to relearn the lost knowledge. If the loss of the predecessor’s tacit knowledge is associated with substantial negative consequences, the intrapersonal knowledge either needs to be tied as tacit knowledge to other individuals in the firm (loyal employees of many years) or is to be saved as organizational knowledge following its externalization. To enable a transfer of tacit knowledge through direct communication, the predecessor needs to be aware of his or her tacit knowledge so that he or she can then decode it. The externalization can be done via debriefing methods (for example, experimental learning histories according to Kleiner and Roth (1997), learning audits according to Kransdorff and Williams (2000)):

When applying these methods, first, a loyal employee has to be chosen as debriefer and to be provided with specific guidance on areas of importance to be covered in the debriefing. Prior to the actual debriefing, the predecessor has to compile monthly reports, helping the debriefer to categorize and group the questions that will be asked in the debriefing. The transcripts of the debriefings (interviews) are finally sectionalized on the basis of the categories used, edited to ensure clarity, continuity and readability, and indexed for key words to provide accessibility (Kransdorff & Williams, 2000). To avoid the problem of “defensive reasoning” (Argyris, 1999, p. 100) - when individuals screen out criticism and put the “blame” on anyone and everyone but themselves – debriefing should be undertaken at regular intervals. The knowledge generated in this way is saved in the firm so that tacit knowledge has been transformed into organizational knowledge: “As a succession planning tool, it has considerable value for the new entrant and the company. It is an extremely effective way to quickly familiarize one’s successor with all the subtle aspects of […] a new job” (Kransdorff, 2006, p. 141). Thus, these debriefing programs act as a makeshift instrument for securing the originally tacit knowledge of the predecessor – independent of the parties’ ability and willingness to transfer knowledge – within the firm.

As an alternative to knowledge transfer within the process of succession, the problem can be mitigated at an earlier stage if the predecessor makes his or her knowledge explicit ex ante, by continuously saving parts of his or her expertise independently of individual persons (databases, check lists, etc.).

In situations in which knowledge is demanded but not supplied (like in constellations two and six), the successor needs to receive the predecessor’s knowledge despite the latter’s resistance; on the one hand, he or she can instruct a knowledge broker to collect and document knowledge and use other family members as knowledge sources (oral debriefing). On the other hand, he or she can exert his or her influence within the family network in such a way that it enables the setting up of a knowledge-management infrastructure in time.

In situations characterized by a bilateral resistance to knowledge transfer (like in constellations four and eight), only other family members can grasp the nettle of securing the predecessor’s tacit knowledge independent of other people within the firm.

REFLECTIONS, LIMITATIONS, AND RECOMMENDATIONS

In a generation change, the entrepreneur as central source of knowledge leaves the firm. The question arises which knowledge the predecessor possesses and how this knowledge is managed in the succession process; is the knowledge transferred to the successor or to other employees in the course of succession and hence again tied to central sources of knowledge, is it stored in the firm independently of individual persons, or is it withdrawn from the firm? Consequently, in the course of succession, there is the risk that tacit knowledge embedded in the departing entrepreneur is lost to the firm. Owing to the informal organization structures and the resulting high relevance of the predecessor's knowledge, knowledge transfer in smaller firms is associated with strategic managerial challenges.

The problems associated with the transfer of knowledge in small and medium sized family firms primarily result from the interdependence of the systems "family" and "firm," as in either of the systems the knowledge of the predecessor has a specific relevance that results from the logic of the respective system. The transfer of exclusive knowledge leads to shifts in power and can have far-reaching consequences in the context of the systems of family and firm overlapping.

On the one hand, interpersonal knowledge transfer can serve to transform the tacit knowledge embedded in the predecessor immediately into tacit knowledge embedded in the successor or – where this is fraught with conflict – tacit knowledge embedded in other employees. On the other hand, it can be transformed into organizational knowledge by means of externalization. To avoid incommensurability of the successor's knowledge with the predecessor's transferred knowledge and to disclose the successor's knowledge deficits, the successor also has to make himself or herself aware of his or her tacit knowledge. As an alternative to knowledge transfer within the succession process, the problem can be mitigated at an earlier stage if the predecessor makes his or her knowledge explicit ex ante by continuously saving parts of his or her expertise independently of individual persons (databases, check lists, etc.).

In situations in which knowledge is demanded, but not supplied, or where it cannot be supplied as the entrepreneur leaves the firm suddenly, the successor must attempt to acquire knowledge, occasionally in the face of resistance on the part of the predecessor; on the one hand, he or she can instruct a knowledge broker to collect and document knowledge and use other family members as knowledge sources (oral debriefing). On the other hand, where appropriate, he or she can exert his or her influence within the family network in such a way that a knowledge-management infrastructure can be expanded in time. In situations characterized by a bilateral resistance to knowledge transfer, only other family members can take the initiative of anchoring the predecessor's knowledge within the firm independently of individual persons.

Summing up the empirical findings obtained from 70 interviews on knowledge transfer conducted with predecessors and successors, it can be stated that the overwhelming majority of family firms examined are continued for the shared purpose of predecessor and successor; a successor who possesses high management knowledge shows a demand for the knowledge of the predecessor, who offers it readily. Owing to his or her management knowledge, the successor does not uncritically accept the knowledge transferred. Rather, a process of reflection serves to add to already existing knowledge and eventually leads to continuation of the firm in a way which offers recourse to the old knowledge, but is not dependent on it. Reasons for this positive state of affairs can primarily be identified in the characteristics of successful family firms. These include the social capital within the family and the quality of the relationship between predecessor and successor associated with it, which determines the parties' mutual connectivity.

To sum up, this chapter tried to examine and systematize the knowledge transfer constellations within intra-family succession and, consequently, to derive recommended courses of action. What was excluded in this context was the issue of the determinants of the timing and the selection of the successor. Besides unforeseeable events (e.g., death of the presumptive successor), family strategy, firm strategy and individual decisions of the actors need to be mentioned here.

Even if this chapter is not explicitly limited to the "standard situation" with parents as predecessors and their son or daughter as successors, it does focus on the knowledge transfer between a predecessor and a successor bound by personal ties. While this will often correspond to the succession from parents to their children, it may also concern other family relationships.

In situations where those close ties do not exist (e.g., between predecessor and son-in-law, but also, for example, between the father as predecessor and the daughter growing up in the separate household of the mother as successor), it may be assumed that constellations 3, 4, 7 and 8 occur more frequently.

In order to simplify the complexity of the knowledge transfer problem, the focus was on situations with only one successor. If several family members (e.g., three siblings) are to take over the family firm, the ideal-typical constellations identified here may overlap; while knowledge transfer to a successor may, for example, constitute constellation 5, another successor may, for example, block the knowledge transfer. It is also possible that the predecessor may be prepared to varying degrees to pass on knowledge to the individual successors. This situation may arise, for example, if person A is considered unfit from the perspective of the system "firm," but if the logic of the system "family" makes it impossible to prevent person A as successor.

The time available for the succession process also affects the form of the knowledge transfer. As one of our case studies illustrates, constellation 6 may arise if the predecessor had to leave suddenly because of illness or accident: The successor demands knowledge which is not transferred by the predecessor. This leads to the continuation in the spirit of the successor.

The opposite may apply in a situation in which the predecessor stays on in the family firm or is readily available to the successor otherwise. Thus, the predecessor might want to stay in the firm to maintain his or her "patriarchal position" in both, the system "firm" and the system "family," while the successor is trying to block such influence (constellations 3 or 7). It is also possible that the predecessor is not really convinced of the successor's leadership qualities - to what extent the successor accepts the further knowledge transfer offered would likely depend on the latter's self-assessment.

This multitude of possible specific cases is not completely covered by the 35 cases examined here. The reality is characterized by a myriad of "shades of grey"; for this chapter - in order to be able to cope with the complexity - we made the conscious choice to focus on the "standard situation."

It is generally recommended, however, that corporate governance codes and family constitutions are composed in such a way as to preclude possible knowledge transfer problems within family firm succession from occurring altogether. Thus, with regard to succession arrangements, family constitutions should endeavor to avoid knowledge transfer constellations with a great potential for conflict (e.g., arrangements that may lead to a situation in which several persons from different family lines are designated as successors). Above all, the density and openness of communication within the family has to be increased. Since, however, conflicts in the course of the knowledge transfer cannot be excluded (e.g., a shift in the intentions of the presumptive successor due to a new partnership), data storage should be effected independent of specific individuals as much as possible (databases, check lists, etc.). After all, the knowledge of the predecessor is rarely about critical operating secrets that one may not want to store independent of specific individuals, but many small bits and pieces of knowledge that can be stored independent of specific individuals immediately upon occurrence so that no tacit knowledge arises in this respect that the predecessor might then not be able to articulate in the succession process (e.g., ongoing documentation on the peculiarities of business partners). Against this backdrop, a wide field of activities is opening up for advisors and consultants in connection with the development of such non-person-specific documentation tools. A special challenge for small and medium sized firms in this context is to make sure that those databases must be fed information irrespective of the intensity of day-to-day business to allow them to fulfill their task of ensuring that the knowledge of the organization is maintained beyond succession processes.

REFERENCES

Argyris, C. (1991). Teaching smart people how to learn. *Harvard Business Review*, *4*(2), 99–109.

Barnes, L. B., & Hershon, S. A. (1976). Transferring power in the family business. *Harvard Business Review*, (July-August): 105–114.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Bierly, P., & Chakrabarti, A. (1996). Generic knowledge strategies in the U.S. pharmaceutical industry. *Strategic Management Journal, 17*(Winter Special Issue), 123-136.

Braennback, M., Carsrud, A., & Schulte, W. D. (2008). Exploring the role of Ba in family business context. *Vine*, *38*(1), 104–117. doi:10.1108/03055720810870923

Brown, J. S., & Duguid, P. (1998). Organizing knowledge. *California Management Review*, *40*(3), 90–111. doi:10.2307/41165945

Cabrera-Suarez, K., De Saa-Perez, P., & Garcia-Almeida, D. (2001). The succession process from a resource- and knowledge-based view of the family firm. *Family Business Review*, *14*(1), 37–46. doi:10.1111/j.1741-6248.2001.00037.x

Chirico, F., & Salvato, C. (2008). Knowledge integration and dynamic organizational adaption in family firms. *Family Business Review*, *21*(2), 169–181. doi:10.1111/j.1741-6248.2008.00117.x

Chittoor, R., & Das, R. (2007). Professionalization of management and succession performance - A vital linkage. *Family Business Review*, *20*(1), 65–79. doi:10.1111/j.1741-6248.2007.00084.x

Dyer, W. G. (1994). Potential contributions of organizational behavior to the study of family-owned businesses. *Family Business Review*, *7*(2), 109–131. doi:10.1111/j.1741-6248.1994.00109.x

Eddleston, K. A., & Kellermans, F. W. (2007). Destructive and productive family relationships: A steward-ship theory perspective. *Journal of Business Venturing*, *22*(4), 545–565. doi:10.1016/j.jbusvent.2006.06.004

Etzioni, A. (1996). The responsive community: A communitarian perspective. *American Sociological Review*, *61*(1), 1–11. doi:10.2307/2096403

Gallo, M. A. (1995). The role of family business and its distinctive characteristic behavior in industrial activity. *Family Business Review*, *8*(2), 83–97. doi:10.1111/j.1741-6248.1995.00083.x

Granovetter, M. S. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, *91*, 481–510. doi:10.1086/228311

Grant, R. (1991). A resource-based perspective of competitive advantage. *California Management Review*, *33*(3), 114–135. doi:10.2307/41166664

Habbershon, T. G., & Williams, M. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1–25. doi:10.1111/j.1741-6248.1999.00001.x

Handler, W. C. (1990). Succession in owner-managed and family firms: A mutual role adjustment between the entrepreneur and the next generation. *Entrepreneurship Theory and Practice*, *15*(1), 37–51.

Harvey, M., & Evans, R. E. (1994). Family business and multiple levels of conflict. *Family Business Review*, *7*(4), 331–348. doi:10.1111/j.1741-6248.1994.00331.x

Hatak, I., & Roessl, D. (2010). Trust within interfirm cooperation: A conceptualization. *Our Economy - Review of Current Issues in Economics, 56*(5-6), 3-10.

Hatak, I., & Roessl, D. (2013). Relational competence-based knowledge transfer within intra-family succession: An experimental study. *Family Business Review*. doi:10.1177/0894486513480386

Jehn, K. A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *Administrative Science Quarterly*, *40*(2), 256–282. doi:10.2307/2393638

Kellermans, F. W., & Eddleston, K. A. (2004). Feuding families: When conflict does a family firm good. *Entrepreneurship Theory and Practice*, *28*, 209–228. doi:10.1111/j.1540-6520.2004.00040.x

Kets de Vries, M. F. R. (1993). the dynamics of family controlled firms: the good and the bad news. *Organizational Dynamics*, *21*(3), 59–71. doi:10.1016/0090-2616(93)90071-8

Kleiner, A., & Roth, G. (1997). How to make experience your companies best teacher. *Harvard Business Review*, *75*(5), 172–177. PMID:10170330

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*(3), 383–397. doi:10.1287/orsc.3.3.383

Kransdorff, A. (2006). *Corporate DNA: Using organizational memory to improve poor decision-making*. Aldershot, UK: Gower Publishing Company.

Kransdorff, A., & Williams, R. (2000). Managing organizational memory (OM), the new competitive imperative. *Organization Development Journal*, *18*(1), 107–117.

Le Breton-Miller, I. L., Miller, D., & Steier, L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, *28*, 305–328. doi:10.1111/j.1540-6520.2004.00047.x

Leonard, D., & Sensiper, S. (1998). The role of tacit knowledge in group innovation. *California Management Review*, *40*, 112–132. doi:10.2307/41165946

Leonard-Barton, D. (1992). Core capabilities and core rigidities. *Strategic Management Journal*, *13*(1), 111–125. doi:10.1002/smj.4250131009

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability view of rent creation. *Strategic Management Journal*, *22*(5), 387–401. doi:10.1002/smj.158

Matthews, C. H., Moore, T. W., & Fialko, A. S. (1999). A theory of leadership succession in the family firm. *Family Business Review*, *12*(2), 153–170. doi:10.1111/j.1741-6248.1999.00159.x

Mayring, P. (2000). Qualitative content analysis. *Forum Qualitative Sozial Forschung*, *1*(2).

Mazzola, P., Marchisio, G., & Astrachan, J. H. (2008). Strategic planning in family business: A powerful developmental tool for the next generation. *Family Business Review*, *21*(3), 239–258. doi:10.1177/08944865080210030106

McConaughy, D. L. (2000). Family CEO vs. non-family CEOs in the family controlled firm: An examination of the level and sensitivity of pay performance. *Family Business Review*, *13*(2), 121–131. doi:10.1111/j.1741-6248.2000.00121.x

McGrath, R. G., Tsai, M., Venkataraman, S., & MacMillan, I. C. (1996). Innovation, competitive advantage, and rent. *Management Science*, *42*(3), 389–403. doi:10.1287/mnsc.42.3.389

Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change and failure in family business. *Journal of Business Venturing*, *18*(4), 513–531. doi:10.1016/S0883-9026(03)00058-2

Nahapiet, J., & Ghoshal, S. (1998). Social Capital, Intellectual Capital, and the Organizational Advantage. *Academy of Management Review*, *23*(2), 242–266.

Nonaka, I. (1991). The knowledge creating company. *Harvard Business Review*, *69*, 96–104.

Nonaka, I., & Takeuchi, H. (1995). *The knowledge creating company. How Japanese companies create the dynamics of innovation*. Oxford, UK: Oxford University Press.

Nonaka, I., & Toyama, R. (2003). The knowledge-creating theory revisited: Knowledge creation as a synthesizing process. *Knowledge Management Research & Practice*, *1*(1), 2–10. doi:10.1057/palgrave.kmrp.8500001

Nonaka, I., Toyama, R., & Nagata, A. (2000). A firm as a knowledge-creating entity: A new perspective on the theory of the firm. *Industrial and Corporate Change*, *9*(1), 1–20. doi:10.1093/icc/9.1.1

Nordqvist, M., & Melin, L. (2010). Entrepreneurial families and family firms. *Entrepreneurship and Regional Development*, *22*(3/4), 211–239. doi:10.1080/08985621003726119

Osterloh, M., & Frey, B. S. (2000). Motivation, knowledge transfer, and organizational forms. *Organization Science*, *11*(5), 538–550. doi:10.1287/orsc.11.5.538.15204

Penrose, E. T. (1959). *The theory of the growth of the firm*. New York: John Wiley.

Polanyi, M. (1958). *Personal knowledge: Towards a post-critical philosophy*. Chicago: University of Chicago Press.

Randall, D. M., Fedor, D. B., & Longenecker, C. O. (1990). The behavioral expression of organizational commitment. *Journal of Vocational Behavior*, *36*(2), 210–224. doi:10.1016/0001-8791(90)90028-Z

Rebernik, M., & Sirek, K. (2007). Fostering innovation by unlearning tacit knowledge. *Kybernetes*, *36*(3/4), 406–419. doi:10.1108/03684920710747039

Roessl, D. (2005). Family businesses and inter-firm cooperation. *Family Business Review*, *18*(3), 203–214. doi:10.1111/j.1741-6248.2005.00042.x

Shanker, M. C., & Astrachan, J. H. (1996). Myths and realities: Family businesses' contribution to the U.S. economy: A framework for assessing family business statistics. *Family Business Review*, *9*(2), 107–123. doi:10.1111/j.1741-6248.1996.00107.x

Sharma, P. (2001). Stakeholder management concepts in family firms. In *Proceedings of 12th Annual Conference of International Association of Business and Society* (pp. 254-259). Sedona, AZ.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1996). *A review and annotated bibliography of family business studies*. Boston: Kluwer Academic Publishers. doi:10.1007/978-1-4419-8768-6

Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). Succession planning as planned behavior: Some empirical results. *Family Business Review*, *16*(1), 1–15. doi:10.1111/j.1741-6248.2003.00001.x

Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice*, *29*(3), 293–312. doi:10.1111/j.1540-6520.2005.00084.x

Sirmon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management and wealth creation in family firms. *Entrepreneurship Theory and Practice*, *27*(4), 339–358. doi:10.1111/1540-8520.t01-1-00013

Spender, J. C., & Grant, R. M. (1996). Knowledge and the firm: Overview. *Strategic Management Journal, 17*(Winter Special Issue), 5-10.

Steier, L. (2001). Next-generation entrepreneurs and succession: An exploratory study of modes and means of managing social capital. *Family Business Review*, *14*(3), 259–276. doi:10.1111/j.1741-6248.2001.00259.x

Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal, 17*(Winter Special Issue), 27-43.

Tagiuri, R., & Davis, J. A. (1996). Bivalent attributes of the family firm. *Family Business Review*, *9*(2), 199–208. doi:10.1111/j.1741-6248.1996.00199.x

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, *5*(2), 171–180. doi:10.1002/smj.4250050207

Westhead, P., & Cowling, M. (1998). Family business research: The need for a methodological rethink. *Entrepreneurship Theory and Practice*, *23*(1), 31–57.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, *24*(13), 1307–1313. doi:10.1002/smj.360

KEY TERMS AND DEFINITIONS

Combination: Explicit knowledge is transferred through direct communication and reconfigured (combined) through sorting, adding, recategorizing, and recontextualizing (from explicit knowledge to explicit knowledge).

Explicit Knowledge: Knowledge that is articulated in the form of documents or databases.

Externalization: Tacit knowledge is made explicit and, thus, becomes transferable through direct communication (from tacit knowledge to explicit knowledge).

Family Firm: A firm (1) in which several family members hold capital shares or work in the firm as contributory staff members, (2) whose capital majority is held by one or more family members that make strategic decisions, (3) on whose economic development the family depends existentially, and (4) which has an important influence on the mind-set and on the lifestyle of the family members involved.

Internalization: Explicit knowledge is transferred through action, practice, and reflection ("learning by doing") (from explicit knowledge to tacit knowledge).

Knowledge Transfer: Knowledge can be transferred via four processes: socialization, externalization, combination, and internalization (Nonaka's SECI model).

Knowledge: The sum of individuals' expertise, skills and abilities applied in the form of theoretical knowledge and modes of dealing to solve problems.

Socialization: Tacit knowledge is transferred through shared experience (without language; from tacit knowledge to tacit knowledge).

Tacit Knowledge: Knowledge anchored in action, procedures, routines, commitment, ideals, values and emotions.

Chapter 14
Strategic Aspects of Non-Family SMEs Succession

Susanne Durst
University of Liechtenstein, Principality of Liechtenstein

Simon Katzenschlager
University of Liechtenstein, Principality of Liechtenstein

ABSTRACT

While reviewing SME succession literature, an empirical dearth in internal non-family SMEs succession research was detected. This situation is somewhat surprising considering the demographic developments and the fact that in many countries (e.g. Belgium and the Netherlands) the majority of business transfers are actually non-family. In this chapter, internal non-family succession is explored in a smaller Austrian company to shed light on how the firm is preparing for this type of succession. With regard to succession preparation, insights into the aspects of successor selection, successor training, employee involvement in the succession process, and performance measurement systems are provided. The findings this chapter reports may be useful for both academics and practitioners.

INTRODUCTION

Succession represents a subject that is frequently discussed in academic research. A noticeable majority of research focuses on issues relating to family businesses succession (e.g. Handler, 1994; Sharma, Chrisman, & Chua, 1997; Cabrera-Suárez, De Saá-Perez, & García-Almeida, 2001; Dyck et al., 2002; Sharma, Chrisman, & Chua, 2003; Le Breton-Miller, Miller, & Steier, 2004; De Massis, Chua, & Chrisman, 2008; Van der Merwe, Venter, & Ellis, 2009) and corporate succession (Friedman, 1986; Zajac, 1990; Bagby, 2004; Groves, 2007). The study of non-family succession / SME business transfers to externals, however, appears to be rather scarce in quantity. This situation is somewhat surprising considering the demographic developments and the fact that in many countries (e.g. Belgium, the Netherlands), the majority of business transfers are actually non-family (Camerlynck, Ooghe, & De Langhe, 2005; Van Teeffelen, Uhlaner, & Driessen, 2011; Van Teeffelen, 2012), or are set against the background of declines of family business succession, for example, in Austria (Mandl & Obenaus, 2008), Germany (Schlömer & Kay, 2008) as well as in

DOI: 10.4018/978-1-4666-5962-9.ch014

other European countries (European Commission, 2002). Additionally, as Sambrook (2005) rightly stressed "not all small businesses are family firms, where there are "natural" (and possibly competing) successors waiting within the "family labor market" (p. 583). Finally, regarding the type of succession, recent findings from Switzerland reveal that management-buy-ins (MBI) are as frequent as family succession (Christen et al., 2013). The study further shows that in micro companies, management-buy-outs (MBO) are increasing compared with MBI. This underlines the need for a more balanced study of different types of succession.

Addressing this issue, this study attempts to contribute to a better understanding of (internal) non-family succession. Given the relevance of (internal) non-family succession, advancing our understanding of different types of succession is important. In this study, the main interest is on succession planning. It is assumed that rigorous succession planning increases the likelihood of a successful succession (Sharma, Chrisman & Chua, 2003). Yet, observations suggest that many firms do not have a systematic succession planning process at hand (Ip & Jacobs, 2006). As the pool of potential successors for small firms is smaller than for larger public firms (Le Breton-Miller, Miller, & Steier, 2004), the failure to plan properly can be dangerous as it may lead to company closures. Thus, it is of particular interest to better understand the underlying assumptions underpinning certain actions in the succession planning process.

Against this background, a single-case study was conducted to explore internal non-family succession preparation as carried out by a smaller Austrian company. The objective was to illustrate how a company approaches the issue of succession. A single-case study approach has the power to provide rich and unique insights into topics which are under-researched (Eisenhardt, 1989). Moreover, case studies, according to Denscombe (2003), have the capacity to supply in-depth information on processes and relationships, bestowing researchers with the opportunity to gain sui generis insights, and scrutinize nuances of the investigated phenomenon. Such an approach has frequently been used in the fields of SMEs (e.g., Ojasalo, 2008; Deep et al., 2008) and company succession (e.g., Howorth & Ali, 2001; Au et al., 2013). A single-case study was chosen, as the focus of interest is a company that was, at the time of study, preparing its succession. Thus, findings are presented which provide insights into real-time activities and not into retrospective descriptions.

In the case study presented, the focus is on the preparation phase, meaning the phase from the initial decision of the owners to planning the necessary procedures for the transfer of management from the incumbents to the successor. More specifically, the emphasis will be on successor selection, successor training, employee involvement in the succession process, and performance measurement systems as they represent the preparation aspects as found in the case company. Thereby the incumbent´s perspective has been taken.

In the following, important domains relevant to the study are introduced briefly. This is followed by a section that describes the method employed. Then, the case firm and its background are presented. Following this, the findings are outlined, and in the final section, the conclusion and possible future research directions are presented.

BACKGROUND

Relevance of Succession to SMEs

Company succession refers to the transfer of property and/or management of a firm from one individual to another (Ip & Jacobs, 2006) regardless of whether this individual has family connections to the firm, already works for the firm or is an outsider (Olbrich, 2005). In light of estimations that one-third of EU entrepreneurs (primarily company founders) will leave their firms within the next ten years (Commission of the European Communities, 2006), the issue of company succession becomes highly relevant. In absolute terms, this means some 690,000 SMEs and 2.8 million jobs will be affected every year. However, the number of potential successors does not match these figures for two reasons: 1) the majority of Europeans prefers being an employee rather than an employer, and 2) the aging population will reduce the group of potential successors over the coming decades (Commission of the European Communities, 2006). Closely related to this point is the decline in the number of family successions (European Commission, 2002). For Germany, this is confirmed by Kerkhoff, Ballarini and Keese (2004) who predicted, based on a survey of company succession in SMEs in Baden-Württemberg (federal state of Southern Germany), that from 2002 only one out of two companies will be passed on to family members.

Since succession is less frequent in SMEs than in large companies, practical experience is relatively low (Kesner & Sebora, 1994). That is why Kesner and Sebora (1994) spot a special significance of succession in smaller firms. Moreover, the pool of potential successors for SMEs is smaller than for larger public firms (Le Breton-Miller, Miller, & Steier, 2004). Thus in the worst case, the company is closed or the owner continues to lead the enterprise beyond the pensionable age. In addition, the centrality of the owner (incumbent) is regarded as a reason for making succession in SMEs more difficult (Commission of the European Communities, 2006). Company succession has implications for all the parties involved and may symbolize an episode of danger to the further survival of the company (Shepherd & Zacharakis, 2000). Additionally, the process of succession often causes other changes as well, such as employee exits or key shifts in strategy (Kesner & Sebora, 1994).

Types of Succession

On the foundational level of SME succession, the dichotomy between family and non-family succession awaits distinguishing. Le Breton-Miller, Miller, and Steier (2004) defined the family firm succession process as securing adequate leadership across multiple generations by cultivating and instating family members in top managerial positions, and transferring ownership to family members. Accordingly, non-family succession is concerned with the equivalent, except for the slight alteration of excluding family members and including employees as succeeding managers or owners. Both of the aforementioned examples are concerned with the postulate of internal succession, heralding the next level for differentiation in the succession process, namely internal or external succession depending on the company-relation of the successor, and the thereby resulting buy-out and buy-in scenarios. Figure 1 depicts different scenarios regarding types of ownership and management succession according to Pfannenschwarz (2006).

The blue sections deal with internal family succession, which will be discussed in brief. A solely family-internal scenario occurs if both ownership and management of the firm is transferred to a family member or members. Additionally, so-called mixed-forms of succession are also encountered in practice. With mixed company management, all or the majority of shares remain in family possession, while the management is entrusted to a non-related managing director if a firm has experienced rapid growth, or if the firm lacks very specific expertise. Another possible succession scenario is to include investors, such as silent partners or a holding company, in order to obtain the additional financial resources necessary for growth, to overcome a financial crisis, or to finance the succession itself. The final scenario of internal family succession, which rarely occurs in practice however, is the inclusion of active partners (Felden & Pfannenschwarz, 2008).

Figure 1. Types of succession

Ownership succession to: / Management succession to:	Family member	Mixed family and non-family	Non-family member
Family member	Traditional, solely family-related internal succession	Mixed company management	Ownership succession with external management, by lease
Mixed family and non-family	Partner, venture capitalist, holding	Including active partner	Trust
Non-family member	Limiting case: Continued employment of family members after sale of company		Sale: a) strategic b) personal

Non-family succession can also be approached with various solutions. On the one hand, the firm can be leased or transferred to external management, and on the other hand, the firm may be sold to non-related internal (Management Buy-Out (MBO)) or external (Management Buy-In (MBI)) management. The firm may also be sold to longtime employees (Employee Buy-Out (EBO)) (Fueglistaller, Müller, & Volery, 2008). A further option would be going public (IPO) or selling the firm to third parties. Finally, a firm could also be made into a trust; this means the assets or the company shares of the firm are transferred to a trust (Thom & Zaugg, 2005). However, Figure 1, which represents an overview of the possible company succession scenarios, must be supplemented with one further scenario, namely the liquidation of the firm (Kailer & Weiss, 2005).

Succession Process and Succession Preparation

Succession is conventionally regarded as a process rather than a distinct incident (Pitcher, Chreim, & Kisfalvi, 2000). This applies to both family and non-family succession, even though the former process might be longer, as family successors are often prepared from childhood for later succession (Longenecker & Schoen, 1978), whereas non-family successors make this choice of taking charge of a business during a later part of their life. A possible consequence of this situation can be that non-family successors dispose of higher levels of qualification and higher degrees of professional experience in order to compensate for a reduced succession preparatory stage (Durst, Baldegger, & Halter, 2010). Additionally, the role of emotions, often discussed in family business research (e.g., Zellweger & Astrachan, 2008), will influence the profile of the family business succession process. In contrast, in non-family succession a more rational approach is likely to be found. Nonetheless, the decision to run a company implies far-reaching consequences for both types of successor. Thus, it is recommended that they critically assess the decision. This comprises, amongst others, the analysis of the successor's aptitude, skills (managerial and human relationship), and the readiness to run a business long-term as well as an examination if one is able to finance the transaction (Sharma, Chua, & Chrisman, 1997; Fueglistaller, Müller, & Volery, 2008).

Existent literature provides several models aimed at illustrating this succession process (e.g., Longenecker & Schoen, 1978; Handler (1989) in Handler, 1994; Felden & Klaus, 2003; Olbrich, 2005; Ip & Jacobs, 2006). Ballarini and Keese (2006), for example, distinguish among five phases, which are planning, preparation, realization, retreat and retirement. The focus of this study is placed on the preparation phase, meaning the phase from the initial decision of the owners that the managerial succession will be executed within the next three to five years, to planning and initiating the necessary procedures for the transfer of management from the incumbents to the successor. In general, succession planning does not only refer to the identification and selection of a suitable individual but also to the preparation of the firm for this event (Cashman, 2001). Indeed the firm itself must be ready for it. Areas to be considered may be the firm's organizational structure, its financial health, its management and control systems, any slack resources, its business processes and operations, its culture, its staff, its other stakeholders etc. Therefore, succession planning, which is "the transfer of a business that results from the owner's wish to retire or to leave the business for some other reason. The succession can involve a transfer to members of the owner's family, employees, or external buyers. Successful succession results in a continuation of the business, at least in the short term" (Ip & Jacobs, 2006, pp. 326-327), and succession planning is expected to support this challenge (Sharma, Chrisman, & Chua, 1997). Consequently, forward-looking companies have succession plans at hand to remain competitive (Sambrook, 2005).

Extant literature has suggested a variety of aspects which succession planning should address such as successor selection, successor training, the development of a vision or strategic plan for the period after succession, the definition of a new role of the departing owner(s), as well as the communication of the succession decision to critical stakeholders (Cashman, 2001; Dyck et al., 2002; Sharma, Chrisman, & Chua, 2003; Van der Merwe, Venter, & Ellis, 2009). With regard to the case company presented in this chapter, the aspects of successor selection, successor training, employee involvement and performance measures will be introduced briefly, as they represent the preparation topics found in the case company under investigation.

Successor Selection

When the time is appropriate for the owner of an organization to select his or her successor and eventually remove himself or herself from the firm, it is important for the firm's permanence that not only the topic of succession be addressed before it becomes a personal and emotional issue, but that the owner has a specific successor in mind before the succession process takes place (Van der Merwe, Venter, & Ellis, 2009). From the incumbent's point of view, it is also vital that the candidate not only have the necessary characteristics and knowledge required to fulfill the role, but that the candidate desires to serve as the successor. Additionally, the successor must believe in his or her ability to successfully manage the company, and the incumbent must also be wholeheartedly committed to the process and convinced of the successor's abilities. Voeller, Fairburn, and Thompson (2002) recommend that the owner first define what kind of leadership the business will require in the years ahead, and whether the company should be led in an entrepreneurial or a managerial fashion. The next step would be to determine what specific qualities, abilities and other criteria the chosen type of leadership will require. These criteria could include, but are not limited to, the minimum amount of education the incumbent feels is necessary, the amount of relevant experience the successor has had within the industry, any relevant prior work experience outside the business, and whether the successor has worked inside the company in positions of increasing responsibility (Van der Merwe, Venter, & Ellis, 2009). The incumbent must then decide upon the internal or external origin of the candidate. According to

Sambrook (2005), the internal selection process for a future successor can potentially start at the time of hiring that employee.

Hiring and promoting employees internally is a useful strategy for SMEs, especially if the business is thriving at the time of succession. If the business is not performing well, it may prove better to hire an external candidate for the high-level position of manager (Hambrick & Mason, 1984; Pitcher, Chreim, & Kisfalvi, 2000).

Successor Training

It is viewed as pivotal to prepare the succession candidate as completely as possible for filling the position of managing director. It is also expected that higher formal education acquired by the successor positively affects the transition process and post-succession performance of a company (Morris et al., 1997). Additionally, research suggests that superiors need to actively engage in training employees for their ensuing positions as leaders (Tichy, 2004), because mentoring high-potential employees increases the likelihood of a variety of positive aftereffects: for example, their excelling in job performance, invigorated organizational commitment, and vocational satisfaction (Lankan & Scandura, 2002; Dwyer, Richard, & Chadwick, 2003).

A common and effective training method for internal succession nominees is that of relay succession, as characterized by Vancil (1987), wherein the incumbent analyzes the company's high-potential employees and determines an heir apparent sufficiently in advance of the actual transfer of power, and then utilizes the time between selecting and crowning the new managing director to train and develop the heir's skills. The benefits of said method coincide with alleviating the process of transfer of power from the preliminary incumbent to the successor (Vancil, 1987); providing sufficient time for the various company-involved stakeholders to get accustomed to the heir apparent, which results in diminishing incipient organizational turmoil (Cannella & Lubatkin, 1993); selecting a successor and introducing him/her to the stakeholders prior to the succession indicates that the succession process is planned, signals a certain process structure and thereby ensures stability for the stakeholders (Cannella & Lubatkin, 1993); and the successor can acclimate to managing director-relevant tasks even before the transfer of management by being involved in operational procedures undertaken by the incumbent, mitigating a company's risk of under-performing due to the successor's gained context-specific knowledge (Harris & Helfat, 1997).

Employee Involvement

Employees are imperative stakeholders for companies and are undoubtedly influential assets for a company's performance (Mouritsen & Bukh, 2005); nonetheless, they are conceivably neglected during the process of succession (Durst & Gueldenberg, 2010), potentially resulting in negative ramifications for the succession. This pernicious and undesirable outcome, nurtured by the act of completely segregating employees from the succession process, can be abated by integrating essential employees into the process, and thereby attaining their commitment and support while utilizing their topic-relevant knowledge. By including crucial employees in change processes, the achievement of which can be derived from the gain of their commitment, support and knowledge sharing as mentioned earlier, employees are more prone to reaching a nigh harmonious level of cognitive dissonance regarding their outlook on the forthcoming organizational amendment.

Performance Measurement Systems

Performance measurement systems (PMS) as defined by Neely, Adams, and Kennerley (2002) consist of a set of metrics used to quantify both the efficiency and effectiveness of actions, and furthermore, it "enables informed decisions to be made and actions to be taken because they quantify the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data" (p. xiii).

Although not in the context of company succession, Hudson, Smart, and Bourne (2001) elaborated on the topic of theory and practice of performance measurement systems in SMEs. Their work investigates deployable financial and non-financial performance measurement systems and describes how strategic performance measurement development and implementation is obligatory for the competitiveness of SMEs. Summating the findings by the authors, a logical connection as to why PMS are a relevant topic for company succession can be derived. The importance of measuring the successor's performance during the training stage, as well as after the succession has taken place, can be considered crucial; if the performance of the successor-to-be dissents from the established goals, and is thus highlighted by the established PMS in a timely manner, the incumbent can react appropriately. Additionally, PMS can support the overall succession process as they would provide feedback about the current stage of development and providing the opportunity for modifications to be made if necessary.

Despite the apparent benefits of PMS, research on PMS in combination with SME succession seems to have been neglected, indicating that the gap regarding this aspect still prevails (Le Breton-Miller, Miller, & Steier 2004).

METHODOLOGY

This paper is based on a single-case study. Yin (2009) specifies three requirements that affect the applicability of a case study design: namely, enunciation of the "how" and "why" research questions; the researcher's control over events; and the focus on an au courant phenomenon within its real-life context. Due to the fact that the inquiry into a small firm's preparation phase for internal company succession complies with the three requirements, a case study approach was considered suitable. Against the background that an opportunity existed to investigate a firm that was, at the time of study, preparing its succession, a single-case study approach was preferred to multiple-case studies. This situation provided the chance to study internal non-family succession from a real-time perspective rather than a retrospective perspective. Moreover, as one of the researchers was involved in working with the company, full access to the company with regard to different techniques of data collection was possible. Additionally, the researchers have no influence on any decisions made by the owners or any other involved parties bearing executive powers within the company during the research process. Therefore, the real-life context criterion is fulfilled because research will be conducted in an operating SME that, at the time of study, was preparing its company succession.

On a procedural note, Yin (2009) stresses the importance of clearly defining the case to be investigated as well as the unit of analysis. In this study, the case of inquiry is the preparation phase of internal non-family succession, and the unit of analysis is the case company G.A.M.E. (for confidentiality reasons the name of the firm has been changed) and its relevant environment. From a timeline perspective, the preparation phase for G.A.M.E.'s internal company succession process begins after the owners have made the decision to transfer the company to the new managing director, to the point where the actual transfer of power from the incumbents to the successor has taken place.

Data Collection

Yin (2009) discusses six sources of evidence for data collection which are documentation, archival records, interviews, direct observation, participant observation and physical artifacts. In the present study, data collection happened through three different techniques, these being interviews, observations, and documentary sources. The use of a mix of data collection techniques allows researchers to benefit from the combined advantages of each of the chosen methods and from triangulation (Saunders, Lewis, & Thornhill, 2007).

Succession planning and succession preparation were the central themes discussed in the interviews. The interviews were conducted with the two owners individually to obtain different perspectives. To provide further context to the interviews, observations and documentation were added. With regard to observation, one of the researchers utilized what could be regarded as a hybrid of the observation roles of complete participant and participant observer approaches. At the time the observations of G.A.M.E. were made, this researcher was involved in working with the company. These observation roles were selected because the owners were aware of the observations and had approved of their occurrence, while the employees of the company were unaware that observations were taking place (Bryman, 2012). The owners encouraged these partially covert observations because they did not want the regular workflow to be disturbed. Seeing as previous relationships between the covert researcher and studied group members exist, the researcher's inquiry would not interfere with the social reality of the situation and therefore would be more likely to receive unbiased information (Neergaard & Ulhoi, 2007).

The case company´s email database served as a foundation for the document sighting for this case study. Because of the privacy issues connected with prospecting other individual's email accounts, the scope of the search was limited to the researcher's emails. Thereby succession-relevant documents were addressed.

Data Analysis

The data generated from conducting the two interviews with the case owners were conducted on 18th May 2012, recorded and transcribed the next days. The data analysis of interviews was conducted by applying Miles and Huberman's (1994) data display and analysis approach. This process involves three sub-processes comprising data reduction, data display, and drawing and verifying conclusions. The primary task of the data reduction process was to select and simplify the collected data. This reduced set of data was then displayed with the help of matrices (Excel file). Using the data displayed, it then became possible to identify certain patterns. Regarding the data gathered through conducting observations and the resulting written-out texts about the observed scenario, implications were derived which were then categorized according to the four subjects. The sighted documents were treated in a similar manner and then also included in the Excel file. In conclusion, the collected data from the various data sources was combined into the Excel file and could then be analyzed in a triangulated fashion. As a result of the analysis, four aspects of succession preparation were identified and their nature was explained. These aspects were successor selection, successor training, employee involvement and performance measurements

EMPIRICAL INSIGHTS

This section provides background information about the case company.

The Case Company's History

G.A.M.E. was founded in 1997, as a general partnership company by the two non-related founders, with its base of operations in a small town in Austria. The original orientation of the company was to trade computer- and video games through a retail shop as well as through wholesale. During the first years of the company's existence, the retail shop produced earnings that frequently covered all of the operating expenses, and more importantly, it served as an excellent market analysis tool.

The commercial thriving of the retail shop synergistically affected the wholesale side of the business due to the fact that customers' requests and preorders of specific products were a valuable indicator for a product's popularity, and therefore more generous amounts of stock were purchased at a perceived, mitigated level of risk. This heterogeneous entry strategy, by targeting two diverse levels of customers within the vertical value chain of the electronic entertainment market in Austria, proved to be invaluable for the growth of the company. A further noteworthy benefit that accompanied the owners' actively working in the retail shop was the potential for recruiting customers as employees. The owners could evaluate the regular customers of the retail shop over time, build relationships, observe the prospective employees' development, and select the most promising ones accordingly. This latent recruitment process turned out to be advantageous for the firm because three of the most loyal and longest standing staff members, who now all occupy key positions in the company, are still employed to date. As mentioned, the beneficial side effects of the retail shop were considerable, however, profit-wise the wholesale side of the business was clearly outweighing the retail business, and therefore the owners of G.A.M.E. decided to concentrate their endeavors accordingly and hire new staff to work the retail side of the business.

In early 2003, the company made a substantial strategic decision to expand their product portfolio by adding speakers, headphones, keyboards, computer mouses etc. made by a dominant player within the industry, and to cooperate with them to exclusively distribute their accessories in the Austrian market. Later, other collaborations with strategic partners whose focus was on products other than video games were established. In hindsight, this adaptation of the company's strategy was of critical importance, not only because of the increased profit margins which could be generated through trading in accessories, but also due to the recent developments in the video-gaming industry. Additionally, the firm strived towards greater risk deviation by opening another retail store in a neighboring city in Austria in May 2005, and had conceptualized a strategy for future retail store openings on a quasi-franchise basis and under a different company name in order to avoid any unwanted dilemmas with retail chain customers, as they could have perceived the store openings as a possible threat.

In March 2006, however, the retail shops were sold to an investor due to the fact that the risk of possibly aggravating major retail chains wasn't justifiable in comparison to the profits the retail stores themselves were generating. The firm consistently grew on an annual basis, with regard to turnover as well as staff members, and in 2009 the owners decided to purchase a property that houses the headquarters of company operations to the present day. Currently, the firm provides jobs for twenty-four people, and achieved 27.6 million Euros in turnover in the fiscal year of 2010.

G.A.M.E.'s Organizational Structure

From their first hire, the company owners have always placed emphasis on recruiting staff members who are willing to proactively take responsibility, and they have also consistently encouraged autonomous decision making amongst their workforce. This is additionally reflected in the planar hierarchical decision-making structure of the company, which in turn results in the company's ability to act swiftly and contributes to its competitiveness. The decision-making structure is separated into two tiers; the first tier, which is held by the non-related owners and epitomized by the possession of the ultimate decision-making power within the company, and the second tier, which is composed of the various departments: purchasing, sales, public relations, accounting, logistics and creative.

Aside from accounting, which consists of only a single employee and is supervised by one of the owners, each department has several employees who all, to various degrees, bear responsibility as well as decision-making power, and who have interdisciplinary ranges of responsibility. For example, of six staff members entrusted with purchasing activities, five are responsible for selling products as well. Synergetic effects occur due to the employees' knowledge of the buying as well as the selling spectrum of the business, and therefore they are more sensitized to shifts in demand and price, which is a central factor for the success of the company. Furthermore, a permanent scope of interdisciplinary responsibilities can be regarded as a progeny of job rotation, and thereby facilitates substitution during times of absenteeism. Adversely, profound interdisciplinary knowledge, acquired by employees over time, could also be a possible threat to the success of the firm because employees who have had sufficient insight into the company and have established trade relationships with suppliers and customers, thereby expanding their relational capital, are endowed with a healthy foundation for starting their own venture. If this were to be the case, the case company could not only be deprived of a valuable employee, but moreover could suffer the loss of suppliers and/or customers to the former employee's new venture.

Every staff member's opinion is regarded as important and worthwhile. The owners, who are rigorously involved in daily operations, hold several interdepartmental roles and, for the most part, act more like team members than superiors, and have always encouraged staff members to be creative, think for themselves, and share their ideas. Furthermore, they are advocates of letting employees grow with their tasks which, combined with the flat hierarchy, has generated an unimpeded work climate, where decisions are formed as a team and only under severe circumstances are dictatorial choices made by the owners.

The company's current organizational structures and hegemonic work climate, both of which are cherished by the workforce, can affect the succession, and thereby the likelihood of positive or negative company success in the post-succession scenario. In a positive scenario, the existing personnel accepts and approves of the fact that a former "equal" is now their superior and now has more decision-making power within the company. In the contrary scenario, the successor is not accepted by the key employees because, until the transfer of power, they had maintained comparable decision-making power due to the historical structure of the company, and the key employees possibly feel the owners have overlooked them.

Regarding the business environment, the firm is presently facing a changing market and industry situation, and therefore the owners now, as well as the successor later, need to carefully monitor these alterations and act accordingly by inducing strategic adaptations. Furthermore, a possibly crucial aspect for a successful post-succession scenario is the suppliers' approval of the successor. The owners will therefore need to delicately consider their course of action with regard to how and when they will expand their supplier relationships, by introducing the successor, and then affording the successor with the opportunity of gradually taking over for the owners.

The Owners

Owner A, who at the time was new to the gaming-industry, and Owner B, who at the time possessed seven years of industry-relevant experience, became acquainted in 1996, while working together for an Austrian subsidiary of a Swiss software company. While working for the software company, their friendship flourished and the first plans to start a new venture together were constituted. A major factor as to why the owners were considering starting a new venture in the gaming industry was their exposure to customers as well as suppliers of the software company and the resulting access to a favorable network in the Austrian gaming industry. The owners utilized said network in order to start their company in 1997. During the founding days, the owners' responsibilities included all necessary tasks, however this has changed since employees began to join the company. Today, their main areas of responsibility lay in jointly adjudicating upon extensive investment, and strategically spearheading the firm's path of operations. Furthermore, Owner A concentrates his efforts on supervising daily operations, human resource issues, sales, and, due to his scholarly background, chaperones the accounting department and the company's financial aspects. Owner B, on the other hand, focuses all of his attention on hardware and accessories, on the purchasing as well as the sales side, and is constantly developing new business relationships in the mentioned product categories.

An aspect which may bear potential conflict between the owners could likely arise later in the succession process and is rooted in the different family situations both owners are confronted with. Owner B, who is a few years older than Owner A and is unmarried with no offspring, has expressed his desire to retire a few years prior to Owner A, and he has also on occasion commented on the possibility of selling off his shares, preferably to the co-founder of the company, completely. Owner A, on the other hand, has two young children and would prefer to remain active in the company for the foreseeable future and retire at a later point in time. Considering these vastly different familial situations and the thus resulting individual needs, whether of temporal of monetary origin, the owners' decisions throughout the entire succession process will feasibly be influence by this.

The owners, by nature of their position, are the nucleus of the succession process and have sole decision-making power about the selection of the successor candidate and the designation of a suitable point in time for the transfer of power. Moreover, the owners can define the areas of responsibility for the successor as well as their own roles in the post-succession scenario.

By defining the post-succession roles, the incumbents will effectuate a framework which will impact the future structure and prosperity of the company as well as determine their own personal monetary wealth once they have retired from the daily operations of the company. In order to minimize conflict and maintain a positive relationship during the succession process and post-succession scenario, the owners are aware that they need to agree on the successor candidate, the time of transfer as well as the roles of the individuals involved, and they must also consider their personal lives now as well as their expectations for their lives after their withdrawal from the company, as this will be influential for the favorable outcome of the succession process. Due to the owners' importance for the succession process, they represented the main focus of this study.

FINDINGS

This section consists of the presentation and analysis of the study's findings. They are structured according to the four succession topics, i.e. successor selection, successor training, employee involvement and performance measures as found in the case company.

Successor Selection

Despite the various possibilities for company succession (refer to Figure 1), the owners determined for themselves that the most promising solution to their succession issue would be the option of internal non-family succession, through promoting a longstanding employee to the position of managing director. The interview findings suggest that internal succession was chosen for a plurality of reasons. The first reason being that the owners had the opportunity to assess the potential candidates, those being their key employees, for several years and could therefore evaluate their development and capabilities for an extended period of time.

Furthermore, due to the company´s size and due to the time span that the owners have known their key employees, the owners have been able to establish a personal relationship with their potential successor candidates, and they have thereby also been able to assess their personal character traits, which are regarded as influential criteria for the owners' decision, over the years. This can almost be regarded as a long-term job interview, whereby the owners can extensively evaluate their candidates; this would not have been the case if an external candidate were hired for the position. Secondly, an internal successor who has been in a working-relationship with the company for many years knows the organization and structures of the company and how its operations are run, hence a company-internal successor will have a reduced post-succession adjustment period as compared to an external successor. Thirdly, the owners mentioned that they see an advantage in an internal successor, because an internal successor has already established business relationships with customers and suppliers that are important for the firm, and he knows what those business partners expect from the company. Another factor regarded as favorable by the owners was an internal successor's existing knowledge of the company's workforce; this namely refers to the strengths and weaknesses of the staff members, and the fact that an internal successor is already fully integrated into the team, which attenuates the risk of post-succession turmoil rooted in misunderstandings between the successor and the employees. The findings suggest that the combination of the aforementioned reasons led the owners to favor internal non-family succession over other possibilities, and that they expect a facilitated and faster grooming phase of the successor, a better implementation of the successor into the company environment, and a smoother transitions phase, thus resulting in a more successful post-succession scenario.

As for the desired traits a successor should exhibit, both owners mentioned proactiveness as being paramount. Owner A listed it as most important, and Owner B mentioned this trait as the second most important aspect he is looking for in a successor. A possible explanation for the owners' perceived significance of proactiveness is that they are looking for more of an entrepreneurial than a managerial successor, mainly because the incipient industry changes the company is currently encountering will need to be approached with a foresighted and "think outside the box" mentality. Additionally, both owners mentioned communicativeness as a relevant trait. Potential reasons behind the importance of the successor's communicative skills lie in fact that the company's operations are concerned with trading, where communication is a key success factor, and because the electronic entertainment industry is communicative by nature due to the industry's affinity with new media platforms. Further important traits mentioned for a successor are responsibility and honesty. Both of these traits are vastly necessary for the firm's way of conducting business, namely, for sustainably building long-term business relationships with the customers and suppliers of the company. Owner B emphasized that one of the key reasons why internal non-family succession was chosen is because the owners have had the possibility to evaluate the honesty of the successor candidates over time.

Responsibility is the skill regarded as most relevant by Owner B. The reasoning behind this could be that because of company size and the thus resulting closer relationships between the owners and their employees, this leads to stronger feelings of responsibility for the well-being of their employees now as well as during post-succession. Likewise, a successor who is interested in and understands the social situations that are occurring within the company, and responds to them in a caring manner, will likely gain the support of the involved employees, and will therefore lessen the risk of personnel fluctuation and the consequential organizational turmoil and impairment of knowledge. Moreover, Owner A stated business management skills as important. Having a working knowledge of business management will likely condense the temporal scope of the grooming phase, thereby facilitating the succession-relevant training process. Another noteworthy skill that was mentioned by both owners is good networking capabilities. As the company's success is linked to the company's commercial partners, the owners' expectancy of the successor having a strong network, and the successor's capability of further expanding said network, can be reasoned deductively. In conclusion, it appears that to both owners, traits are more important than skills. This is likely to be the case because both owners are successful self-taught entrepreneurs and are therefore looking for a successor who mimics the traits that led them to success in order to secure the future of their company. Thereby, the owners' attitudes reflect the idea that skills can be cultivated, however, changing one's personality or traits is far less likely to be possible.

Both interviewees mentioned that the selection of the most promising candidate will be based on their subjective perceptions, influenced by the historical development of the candidates, by personal conversations as well as through intensive observations of the performance and capabilities of the available candidates. Additionally, an external professional will be included in the evaluation of the candidates, and by combining the opinion of the external professional with those of the owners, a decision will be formed on who will become the successor. Furthermore, both owners revealed that they have yet to formulate any written objective aims for the candidates which could be measured accordingly in order to assist the currently subjective decision-making process.

During one of the observations, a foundation for one such possible objective measure was encountered. During the observed meeting, the successor candidates received individual tasks which were relevant to the succession. However, the goals were not very detailed, e.g. finding new suppliers and customers for accessories. Subconsciously, all those involved in the meeting knew that the candidate who was able to attract the more profitable business partners would have a better standing with the owners regarding successor selection. However, as these goals were not explicitly defined with financial targets, or explicitly connected to the successor selection process, the owners may have missed out on an opportunity to provide the successor candidates with definitive aims, which, upon best performance, would increase the candidate's likelihood of being selected as successor. This and other similar objective goals would possibly further increase the candidates' competitiveness and provide concrete evidence for the owner's reasoning for selecting a certain candidate. Furthermore, these objective goals could abet in the diffusion of possible cognitive dissonance, which could arise among the non-selected candidates, by being able to objectively justify the successor decision.

Successor Training

Regarding the topic of successor training, the owners stressed that one of the reasons why they chose the company-internal succession method was the benefit of the successor's already existing knowledge of the company and its relevant environment, and because of the resulting reduced temporal requirements of successor training accompanied by extended company-specific knowledge.

Once the successor has been chosen and the grooming phase has begun, the most important asset related to the financial success of the company, which the owners' wish to impart to the successor, is their network and contacts, and the resulting relationships with suppliers and customers. Both owners rated this knowledge as the most important aspect for success in the post-succession scenario. Furthermore, the owners mentioned that the successor candidates, due to their years of industry experience, have already established their own networks, which in turn will be expanded by the owners' networks as the time of transfer draws closer. As for the second most valuable knowledge that the successor needs to acquire before the time of transition, the opinions of the interviewees varied. Owner A mentioned having knowledge of the company's financial matters as second most important, while Owner B stated the human resources component as the runner-up after network knowledge. A possible explanation for this is that, although Owner A is responsible for the operations of both of the mentioned knowledge areas, Owner B spends more of his time on the company's financial tasks than on the personnel activities, as the personnel-related issues occur on fewer occasions due to the size of the company. Nonetheless, both interviewees agreed that these two topics are the second and third most important knowledge aspects that need to be transferred to the successor. The reason for the emphasis on conveying the owner's financial and human resource knowledge is because none of the candidates currently have experience in these fields, and therefore they need to learn these necessary skills before the time of transition. Although being related to a degree to the aforementioned importance of network knowledge transfer, Owner B additionally stated the importance of conveying knowledge about the hardware and accessory market. This is of significance because approximately fifty percent of the company's turnover stems from this field of business, and at the time of the research, the potential successor candidates were only partially involved in this field. Lastly, both interview partners mentioned the relevance of transferring organizational and structural knowledge of the company to the successor; however, due to the fact that the successor will be of company-internal origin, these two fields of expertise will only need slight improvement because the internal successor candidates are already well acquainted with the organization and structures of the company. Through transferring the aforementioned fields of knowledge, the owners hope to provide the successor with a holistic understanding of the company and its environment, and thereby foster the likelihood of a prosperous post-succession scenario.

Both of the interviewed partners specified that they are planning on transferring the succession-relevant knowledge by means of communication. Owner B supplemented his statement by adding on-the-job training, business meetings with customers and suppliers, and assessment interviews to the list. A possible motivation behind the owners' desire to cultivate the successors' significant knowledge themselves, aside from the networking and hardware and accessory market knowledge, which cannot be obtained by means of schooling outside the company, is that the owners want to assure that the successor continues to run the company in the same (successful) manner as it has been run in the past. Furthermore, preserving the owners' pre-succession means of operation which have proven to be successful over the last fifteen years, into the post-succession scenario will likely abate the possibility of turmoil, which could otherwise be caused by the changes made in the company-relevant environment.

Both interview partners mentioned that they are planning to provide the requisite knowledge on a step-by-step basis. This is an example of relay succession as defined by Vancil (1987). This is connected to the grooming phase of the successor, where as the successor receives more and more responsibilities during the training phase, the owners will increase their release of knowledge to the successor. In so doing, the owners reserve the possibility, in the event that the chosen successor turns out to be unworthy of the position of managing director during the grooming phase, to stop the mentoring process without having shared all of the vital knowledge necessary for running the company. This risk-deviating mentoring strategy is comprehensible because sharing the necessary knowledge for running the company in its entirety at the beginning of the grooming phase could possibly endanger the company's future, as the chosen successor would then have the essential knowledge to start his own venture.

Due to this risk, the most significant knowledge for the success of the company, defined by Bracci and Vagnoni (2005) namely as the owners' networks and relationships with key customers and suppliers, will only be shared toward the end of the grooming phase.

Employee Involvement

The employees, and especially the key employees, are a valuable asset to the company because of their interdepartmental scope of duty and native responsibilities, all of which are encouraged by the flat hierarchy that the owners have installed. Therefore, the owners want to involve the employees in the succession process, as their knowledge and support is essential for the company's success in the post-succession scenario. The owners decided that key employees would be included in the succession process through means of discussion. This expands the findings of Lambrecht and Donckels (2006) in which they found that succession-relevant discussions only occur between the incumbent and the successor. The staff members involved in these discussions will depend on the topic, as according to Owner B, only employees who are relevant to the issue being discussed will be included in the talks. Owner A further mentioned that the amount of employee involvement in the succession process depends upon the stage of the succession process. Additionally, Owner B stated that there would be individual discussions about succession-relevant topics between the owners and key employees, as well as group discussions. These individual discussions will most likely occur in cases where there are specific succession-significant issues to be resolved with a single employee. These individual discussions could, for example, be relevant in the event that a key employee has an issue with the choice of the successor.

A company external coach, who will engage in one-on-one interviews as well as group discussions with the employees, will aid in the employee involvement process. The owners have agreed on including this external advisor in the succession preparation, and especially in the employee involvement phase, because they support the idea of having an external viewpoint on the topic. This will also be valuable in case any problems arise during this phase, and ideally the involved employees would be more receptive to the external professional's mediating endeavors due to his external position, and his only indirect involvement with the underlying problem. Lastly, the owners mentioned that the key employees and the selected successor will be engaging in joint projects, whereby the former hierarchically equal key employee, who has been selected as successor, will be the project leader; thereby, the project-involved key employees can become accustomed to the new hierarchical role of the successor, and upon completion of the project, can report back to the owners about how the successor performed and interacted with his project members. In case any problems arise with the successor and the involved employees during those projects, they can report these to the owners, and thereby, hopefully call attention to any issues as early as possible. In this way, any underlying issues can be dealt with before transmuting into unsolvable problems that could result in employee fluctuation, and therefore, loss of knowledge.

The owners reasoned that their choice of involving key employees in the succession process, aside from the owners' ultimate aspirations to foster the company's post-succession success, was because they wanted to demonstrate to the key employees how important they are for the company. This in turn, at least to a certain degree, provides the employees with the opportunity to contribute to the shaping of their future work environment, which could potentially motivate the succession-process-partaking employees to strongly support the company and the successor. Thereby, the owners want to establish acceptance for the successor, seeing as he was a former equal, as well as for the succession process and to avoid possible turmoil that could arise if the successor were to be instated unannounced and without involving the key employees in the process.

Performance Measurement Systems

For the owners, a well-functioning PMS that includes financial as well as non-financial measurements, and provides accurate data in a timely manner, will be crucial for monitoring the successor's activities, and for assuring that the imposed goals are met. Having a holistic overview of the significant success factors of the company and being able to monitor their development is especially important in this case as the incumbents will still be invested in the company, and therefore they will want to ensure their investment's growth.

Both owners mentioned that the most prominent performance measures are of financial origin, namely profit followed by turnover. This is in line with Hudson, Smart, and Bourne (2001) who stated that SMEs almost exclusively focus on financial performance measurements. This is because by monitoring the development of these two performance measures, and intervening in the case of discrepancies, the owners will be able to assure the long-term financial health of the company, thereby securing its survival and the jobs it provides. As for ranking the second and third most relevant performance measures, the interview partners' opinions were reversed. Owner B gave a higher value to sustainability, referring to the way business is conducted with and the satisfaction of the customers and suppliers of the company, and the company's underlying credo of building long-term business relationships with its partners instead of a short-term profit focus. Owner A, on the other hand, attached greater importance to the non-financial measurement of employee satisfaction, meaning that the successor should treat his subordinates well and motivate them so that the workforce is eager to work for the company, thereby keeping the employee fluctuation low and diminishing the risk of losing valuable knowledge and business relations. The third most significant performance measure in the post-succession situation for Owner B is the work atmosphere, as he stresses that the employees are a major influence in the success of the company, and therefore monitoring the health of the work atmosphere will be relevant for the incumbents. For Owner B, the third most pertinent post-succession performance measure will also be of non-financial origin, explicitly the satisfaction of customers and suppliers, as they must be satisfied with how the company conducts business with them under the new successor; otherwise, the customers and suppliers might discontinue the cooperation with the firm, and it could be deprived of substantial strategic partners.

The current PMS situation can be assessed as insufficient for the post-succession phase, as the successor's actions cannot be monitored appropriately. This insufficiency is anchored on the one hand by the lack of automated data availability through the company's ERP system, and on the other hand, because under current predications, the owners evaluate the customer, supplier and employee satisfaction based on their subjective experiences encountered during the daily operations. Until this point, this had been sufficient because the owners received a consolidated profit and loss statement on a monthly basis as a financial measure, and due to the owners' daily interactions with the target audience of the mentioned non-financial measures, they have developed a keen sense for judging the satisfaction of the company's environment over the years. However, after the transfer of power from the incumbents to the successor, the owners, because of their withdrawal from daily operations, will be dependent on more detailed information as to where exactly the company's profits originate, referring to a precise breakdown of the profits into product-groups and individual products, as they will still be involved in strategically guiding the company, and therefore will need an accurate foundation as a basis for their decisions. Furthermore, and also because of the owners' lack of physical presence at the company's office, the owners will be less exposed to the target audiences concerning the non-financial measures. Due to this lessened exposure, the owners will have fewer experiences as a base for their subjective evaluation of the customer, supplier, and employee satisfaction, and thereby run a higher risk of misjudging a given measurement. Both owners specified similar concerns and stated that the current situation is unsatisfactory for the post-succession phase. Moreover, one observation in the case study showed that the key employees also raised their concerns about the current situation of the financial measurements of the company's PMS as the system currently only allows for estimated earnings. In addition, another observation also concludes the need to resolve an issue in the current PMS situation that has arisen due to a lack of automated data availability in the company's ERP system, and which under current predications can only be overcome by tedious manual calculations. Despite the fact that these two observations aren't directly connected to the succession topic, they still underscore the current PMS dearth that the firm is experiencing, and when linking this current problem, if it still exists, to the post-succession scenario, one can expect the difficulties that will arise for the strategic decision making of the company, as well as for the owners' ability to accurately evaluate the actions of the successor, and knowing when to intervene in case the successor has mismanaged the company.

CONCLUSION AND FUTURE RESEARCH DIRECTIONS

This study´s aim was to provide insights into a small firm´s succession preparation. Thus, this chapter provides a very good and rather seldom opportunity to learn about the proceedings used by a small firm currently preparing itself for succession, which represents the main contribution of the study.

It was found that the owners would choose a successor with the appropriate traits over a candidate with a complete skill set but who was incongruent to the trait requirements of the owners, as long as he was capable of also extending his knowledge. This is because it is easier to acquire new knowledge than it is to change one's personality. The most important traits were proactiveness, social competency, and a strong sense of responsibility.

Due to this case being one of internal succession, the owners placed a strong emphasis on grooming the successor, as they would remain invested in the company after the transfer of power, and therefore they were dependent on the success of the company despite their withdrawal from its daily operations. The most important knowledge that the owners wanted to impart on the successor was their network of customers and suppliers. Therefore, a logical connection between a relay succession process and the knowledge transfer of intangible assets was discovered, confirming previous research (e.g. Cabrera-Suárez, De Saá-Perez, & García-Almeida, 2001; Durst & Gueldenberg, 2010). It was also found that the owners wanted to involve the key employees in the succession process in order to demonstrate their importance to the company and provide them with the opportunity to partake in the succession process. They also hoped to minimize potential problems between the key employees and the successor and therewith foster a prosperous post-succession scenario. This intention is compatible with the inclusion of family stakeholders as suggested in the case of family business succession (Morris et al., 1997).

Performance measurements were considered for the successor selection phase, the successor training phase, and additionally as a way to enable the owners to monitor the post-succession endeavors by the successor. Therefore, performance measurements provided a potentially overlooked method of objectively measuring a successor candidate's suitability, served as an indicator for the candidate's adherence to his responsibilities, and they provided the owners with the opportunity to intervene in a timely manner in case of mismanagement by the successor, thus giving them some control over succession planning and its success; however, this control may be fragile, seeing as a well-performing candidate does not necessarily amount to a well-performing managing director. On the other hand, performance measurements may also support the potential successor as they provide him/her with the opportunity to identify whether the company is ready for succession.

While immersing in the topic of internal (non-family) SME succession, the close connection between the relay succession process and the transfer of knowledge became clear. Connecting these two topics is particularly relevant if SMEs' owners are interested in staying invested in the company, seeing as imparting their success-relevant knowledge to the successor will likely increase the chances of a prosperous post-succession scenario and in turn diminish the risk of losing their investment. For a potential successor, the transfer of knowledge represents a critical aspect as well (Cabrera-Suárez, De Saá-Perez, & García-Almeida, 2001), because the knowledge of the incumbents may be the source of the firm's competitive advantage. The departure of the incumbents could therefore result in a lack of essential know-how important for continued company success, even though this danger is lessened due to the fact that the owners in the case company are interested in staying in the company.

Furthermore, a lacking connection between the topics of PMS and internal succession was also found. By applying financial and non-financial performance measurements during the selection phase, particularly during the evaluation phase of potential candidates, the chances of selecting the best-available candidate would likely increase. Furthermore, utilizing performance measures during the training phase of the successor, thereby monitoring if the transferred responsibilities were being handled accordingly, would likely increase the owners' awareness of the successor-in-training's development. Lastly, instating performance measures of financial and non-financial origin relevant to the owners' monitoring of the successor's post-succession actions would likely increase the possibility of accentuating any performance deficiencies, thereby providing the owners with the opportunity to counteract the cause of these deficiencies in a timely manner. Research concerned with non-family succession should investigate the two aforementioned topics further in order to confirm their relevance to the succession topic.

This chapter presents insights into an alternative way of SME succession, namely internal non-family succession, thus it contributes to the literature in several ways. By focusing on internal non-family SME succession, it broadens our understanding of different types of succession. Therefore, it somewhat relativizes current succession research which mainly addresses intergenerational succession (e.g., Sharma, Chrisman, & Chua, 2003; Le Breton-Miller, Miller, & Steier, 2004; De Massis, Chua, & Chrisman, 2008; Van der Merwe, Venter, & Ellis, 2009). Additionally, the study of succession planning in SMEs is enlarged by demonstrating the relevance of employee involvement and performance measurement systems, therefore making succession planning both more complex and more complete. From a practical standpoint, the findings may also be useful for other incumbent-owners of SMEs with similar company circumstances who plan to proceed with internal non-family succession. The chapter represents a very useful source of practical information for the SME sector to consider when preparing internal non-family succession. In addition, the findings provide useful insights to consulting firms offering business transfer advice, which may enable them to expand their field of assistance.

Several limitations to the study must be noted. The findings are based on a single-case study, so can only provide an existence proof of initial internal non-family succession planning activities. Yet given the situation that current succession preparation activities were studied, this case study design is particularly useful. The dual role of one of the authors may have led to the danger of "going native" (Bryman, 2012), thus representing another limitation. However, one would expect the illustrations presented in this chapter to apply to other types of small businesses or to other geographical regions, but further studies can confirm the extent to which the findings are generalizable.

REFERENCES

Au, K., Chiang, F. F. T., Birtch, T. A., & Ding, Z. (2013). Incubating the next generation to venture: The case of a family business in Hong Kong. *Asia Pacific Journal of Management*, *30*, 749–767. doi:10.1007/s10490-012-9331-7

Bagby, D. R. (2004). Enhancing succession research in the family firm: A commentary on "Toward an integrative model of effective succession.". *Entrepreneurship Theory and Practice*, *28*, 329–333. doi:10.1111/j.1540-6520.2004.00048.x

Ballarini, K., & Keese, D. (2006). Unternehmensnachfolge. In H.-C. Pfohl (Ed.), *Betriebswirtschaftslehre der Mittel- und Kleinbetriebe* (pp. 439–464). Berlin: Erich Schmidt Verlag.

Bracci, E., & Vagnoni, E. (2005). *Managing intellectual capital in small-medium family business succession: An integrated framework*. Working Paper presented at the 1st EIASM Workshop on Visualising, Measuring, and Managing Intangibles and Intellectual Capital, Ferrara, Italy.

Bryman, A. (2012). *Social research methods* (4th ed.). Oxford, UK: Oxford University Press.

Cabrera-Suárez, K., De Saá-Pérez, P., & García-Almeida, D. (2001). The succession process from a resource- and knowledge-based view of the family firm. *Family Business Review*, *14*(1), 37–47. doi:10.1111/j.1741-6248.2001.00037.x

Camerlynck, J., Ooghe, H., & De Langhe, T. (2005). Pre-acquisition profile of privately held companies involved in take-overs: An empirical study. *Small Business Economics*, *24*, 169–186. doi:10.1007/s11187-003-3807-2

Cannella, A. A., & Lubatkin, M. (1993). Succession as a sociopolitical process: Internal impediments to outsider selection. *Academy of Management Journal*, *36*(4), 763–793. doi:10.2307/256758

Cashman, K. (2001). Succession leadership: Is your organization prepared? *Strategy and Leadership*, *29*(4), 32–33.

Christen, A., Halter, F., Kammerlander, N., Künzi, D., Merki, M., & Zellweger, T. (2013). *Erfolgsfaktoren für Schweizer KMU: Unternehmensnachfolge in der Praxis (Swiss Issues Branchen)*. Zürich, Switzerland: Credit Suisse.

Commission of the European Communities. (2006). *Transfer of businesses – Continuity through a new beginning*. Brussels, Belgium: Author.

De Massis, A., Chua, J. H., & Chrisman, J. J. (2008). Factors preventing intra-family succession. *Family Business Review*, *21*(2), 183–199. doi:10.1111/j.1741-6248.2008.00118.x

Deep, A., Guttridge, P., Dani, S., & Burns, N. (2008). Investigating factors affecting ERP selection in made-to-order SME sector. *Journal of Manufacturing Technology Management*, *19*(4), 430–446. doi:10.1108/17410380810869905

Denscombe, M. (2003). *The good research guide: For small-scale social research projects* (2nd ed.). London: Open University Press.

Durst, S., Baldegger, U., & Halter, F. (2010). The successors or the neglected perspective in company succession in family firms. *Frontiers of Entrepreneurship Research, 30*(13).

Durst, S., & Gueldenberg, S. (2010). What makes SMEs attractive to external successors? *Journal of Information and Knowledge Management Systems*, *40*(2), 108–135.

Dwyer, S., Richard, O. C., & Chadwick, K. (2003). Gender diversity in management and firm performance: the influence of growth orientation and organizational culture. *Journal of Business Research*, *56*(12), 1009–1019. doi:10.1016/S0148-2963(01)00329-0

Dyck, B., Mauws, M. K., Starke, F. A., & Mischke, G. A. (2002). Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of Business Venturing*, *17*(2), 143–162. doi:10.1016/S0883-9026(00)00056-2

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

European Commission. (2002). *Final report of the expert group on the transfer of small and medium-sized enterprises*. Brussels, Belgium: Author.

Felden, B., & Klaus, A. (2003). *Unternehmensnachfolge*. Stuttgart, Germany: Schäffer-Poeschel.

Felden, B., & Pfannenschwarz, A. (2008). *Unternehmensnachfolge: Erfolgsfaktoren und Instrumente bei kleineren und mittleren Unternehmen*. Munich, Germany: Oldenbourg. doi:10.1524/9783486593020

Friedman, S. (1986). Succession systems in large corporations: Characteristics and correlates of performance. *Human Resource Management*, *25*(2), 191–214. doi:10.1002/hrm.3930250204

Fueglistaller, U., Müller, C., & Volery, T. (2008). *Entrepreneurship* (2nd ed.). Wiesbaden, Germany: Gabler.

Goldberg, S. D. (1996). Effective successors in family-owned business. *Family Business Review*, *9*(2), 185–197. doi:10.1111/j.1741-6248.1996.00185.x

Groves, K. S. (2007). Integrating leadership development and succession planning best practices. *Journal of Management Development*, *26*(3), 239–260. doi:10.1108/02621710710732146

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, *9*(2), 193–206.

Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review*, *7*(2), 133–157. doi:10.1111/j.1741-6248.1994.00133.x

Harris, D., & Helfat, C. E. (1997). Specificity of CEO human capital and compensation. *Strategic Management Journal*, *18*, 895–920. doi:10.1002/(SICI)1097-0266(199712)18:11<895::AID-SMJ931>3.0.CO;2-R

Howorth, C., & Ali, Z. A. (2001). Family business succession in Portugal. *Family Business Review*, *14*(3), 231–244. doi:10.1111/j.1741-6248.2001.00231.x

Hudson, M., Smart, A., & Bourne, M. (2001). Theory and practice in SME performance measurement systems. *International Journal of Operations & Production Management*, *21*(8), 1096–1115. doi:10.1108/EUM0000000005587

Inkpen, A. C. (1996). Creating knowledge through collaboration. *California Management Review*, *39*(1), 123–140. doi:10.2307/41165879

Ip, B., & Jacobs, G. (2006). Business succession planning: A review of the evidence. *Journal of Small Business and Enterprise Development*, *13*(3), 326–350. doi:10.1108/14626000610680235

Kailer, N., & Weiss, G. (2005). Beratungspotenziale zur Sicherung und Organisation der Unter-nehmensnachfolge in Familienbetrieben: Analyse zur Situation oberösterreichischer Familienunternehmen. *Der Wirtschaftstreuhänder*, *4*, 32–36.

Kerkhoff, E., Ballarini, K., & Keese, D. (2004). *Generationswechsel in mittelständischen Unternehmen*. Karlsruhe, Germany: Von Loeper Literaturverlag.

Kesner, I. F., & Sebora, T. C. (1994). Executive succession: Past, present & future. *Journal of Management*, *20*(2), 327–372. doi:10.1016/0149-2063(94)90019-1

Lambrecht, J., & Donckels, R. (2006). Towards a business family dynasty: A lifelong, continuing process. In P. Z. Panikkos, K. X. Smyrnios, & S. B. Klein (Eds.), *Handbook of research on family business* (pp. 388–401). Cheltenham, UK: Edward Elgar.

Lankan, M. J., & Scandura, T. A. (2002). An investigation of personal learning in mentoring relationships: Content, antecedents, and consequences. *Academy of Management Journal*, *45*, 779–790. doi:10.2307/3069311

Lansberg, I. (1988). The succession conspiracy. *Family Business Review*, *1*, 119–143. doi:10.1111/j.1741-6248.1988.00119.x

Le Breton-Miller, I., Miller, D., & Steier, L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, Summer, 305-328.

Longenecker, J. G., & Schoen, J. E. (1978). Management succession in the family business. *Journal of Small Business Management*, *16*(3), 1–6.

Mandl, I., & Obenaus, S. (2008). *Overview of family business relevant issues. Country Fiche Austria.* Austrian Institute for SME research on behalf of the European Commission.

Miles, M., & Huberman, A. (1994). *An expanded sourcebook, qualitative data analysis*. Thousand Oaks, CA: Sage.

Morris, M. H., Williams, R. D., Allen, J. A., & Avila, R. A. (1997). Correlates of success in family business transitions. *Journal of Business Venturing*, *12*, 385–401. doi:10.1016/S0883-9026(97)00010-4

Mouritsen, J., & Bukh, P. N. (2005). Analyse und Interpretation von "Intellectual Capital Reports.". In K. Mertins, K. Alwert, & P. Heisig (Eds.), *Intellektuelles Kapital erfolgreich nutzen und entwickeln* (pp. 55–67). Berlin: Springer. doi:10.1007/3-540-27519-3_4

Neely, A., Adams, C., & Kennerley, M. (2002). *Performance prism: The scorecard for measuring and managing stakeholder relationships*. Harlow, UK: Pearson.

Neergaard, H., & Ulhoi, J. P. (2007). *Handbook of qualitative research methods in entrepreneurship*. Cheltenham, UK: Edward Elgar Publishing. doi:10.4337/9781847204387

Ojasalo, J. (2008). Management of innovation networks: A case study of different approaches. *European Journal of Innovation Management*, *11*(1), 51–86. doi:10.1108/14601060810845222

Olbrich, M. (2005). *Unternehmensnachfolge durch Unternehmensverkauf*. Wiesbaden, Germany: Deutscher Universitätsverlag. doi:10.1007/978-3-322-99282-6

Pfannenschwarz, A. (2006). *Nachfolge und Nicht-Nachfolge in Familienunternehmen*. Heidelberg, Germany: Carl Auer Verlag.

Pitcher, P., Chreim, S., & Kisfalvi, V. (2000). CEO succession research: Methodological bridges over troubled waters. *Strategic Management Journal*, *21*(6), 625–648. doi:10.1002/(SICI)1097-0266(200006)21:6<625::AID-SMJ107>3.0.CO;2-A

Sambrook, S. (2005). Exploring succession planning in small, growing firms. *Journal of Small Business and Enterprise Development*, *12*(4), 579–594. doi:10.1108/14626000510628243

Saunders, M., Lewis, P., & Thornhill, A. (2007). *Research methods for business students* (4th ed.). Harlow, UK: Pearson Education Limited.

Schlömer, N., & Kay, R. (2008). *Familienexterne Nachfolge – Das Zusammenfinden von Übergebern und Übernehmern*. Institut für Mittelstandsforschung (IfM), IfM-Materialien Nr. 182, August 2008.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. *Family Business Review*, *10*(1), 1–35. doi:10.1111/j.1741-6248.1997.00001.x

Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). Predictors of satisfaction with the succession process in family firms. *Journal of Business Venturing*, *18*, 667–687. doi:10.1016/S0883-9026(03)00015-6

Shepherd, D. A., & Zacharakis, A. (2000). Structuring family business succession: An analysis of the future leader's decision making. *Entrepreneurship Theory and Practice*, Summer, 25- 39.

Thom, N., & Zaugg, R. (2005). *Generationenwechsel als Herausforderung für die Entwicklung von Familienunternehmen: Massnahmen des Personal- und Organisationsmanagements. Mittelständische Unternehmen. Probleme der Unternehmensnachfolge*. Linz, Austria: Trauner.

Tichy, N. M. (2004). *The cycle of leadership: How great leaders teach their companies to win*. New York: Harper Business.

Van der Merwe, S., Venter, E., & Ellis, S. M. (2009). An exploratory study of some of the determinants of management succession planning in family businesses. *Management Dynamics*, *18*(4), 2–17.

Van Teeffelen, L. (2012). *Avenues to improve success in SME business transfers: Reflections on theories, research and policies*. Utrecht, The Netherlands: HU Business School.

Van Teeffelen, L., Uhlaner, L., & Driessen, M. (2011). The importance of specific human capital, planning and familiarity in Dutch small firm ownership transfers: A seller's perspective. *Int. J. Entrepreneurship and Small Business*, *14*(1), 127–148. doi:10.1504/IJESB.2011.042166

Vancil, R. F. (1987). *Passing the baton: Managing the process of CEO succession*. Boston: Harvard Business School Press.

Voeller, M., Fairburn, L., & Thompson, W. (2002). *Exit right: A guided tour of succession planning for families in business together*. Toronto, Canada: Summit Run.

Yin, R. K. (2009). *Case study research: Design and methods* (4th ed.). London: Sage.

Zajac, E. J. (1990). CEO selection, succession, compensation and firm performance: A theoretical integration and empirical analysis. *Strategic Management Journal*, *11*(3), 217–230. doi:10.1002/smj.4250110304

Zellweger, T., & Astrachan, J. H. (2008). On the emotional value of owning a firm. *Family Business Review*, *21*(3), 347–363. doi:10.1177/08944865080210040106

KEY TERMS AND DEFINITIONS

Company Succession: Is the simultaneous transition of ownership and/or management of a firm from one individual to another.

Non-Family SME Succession: An SME is taken over by a non-family member, e.g. long-term employees or external individuals.

Non-Family Succession: A company is taken over by a non-family member.

Performance Measurements: A set of metrics of financial and non-financial measurable variables tied to strategic and operational goals which are used to quantify both the efficiency and effectiveness of organizational endeavors.

Succession Planning: Refers to all activities involved in the preparation, execution and post processing of the respective type of succession.

Successor Selection: The process of evaluating high-potential prospects as successor candidates, comparing their suitability according to the company's needs and at the end of the process, appointing a candidate to the position.

Successor Training: The process of grooming the successor by introducing him to the duties of being CEO.

Chapter 15
A Democratic Approach to Strategic Management in Sport Organizations

Robert C. Schneider
The College at Brockport, SUNY, USA

ABSTRACT

The purpose of this chapter is to provide the reader with an understanding and working knowledge of a democratic management approach to sport organizations. Referenced narrative is supplemented by case studies, critical thinking questions, and defined terms that support the discussion of democratic management theory from the organizational mission development to implementation strategies. A range of strategic management approaches featuring a democratic approach for various types of sport organizations centers on influences of diversity, the sporting community and member input, voting as a cornerstone, fostering a culture of mutual sharing, managerial transparency, willful employee commitment and engagement, and threats to democratic management such as commercialism. Challenges to democratic management including maintaining a moral focus, its time intensive nature, and balancing stakeholder wants with adherence to the democratic process are addressed.

INTRODUCTION

In this chapter a democratic approach to strategic management of sport organizations will be discussed. Based on their review of several strategic management definitions, Butnaru and Balcan (2012) stated that:

Strategic management represents a complex concept, with multiple connotations, being a new form of management, based on strategy, where the emphasis is on its formulation, implementation, and continuous evaluation, while managers try to assure the lasting performances of the organization. (p. 430)

Formulation, implementation, and continuous evaluation are adequate in serving as a broad guide to the strategic management process of sport organizations and can be refined by sport managers, to meet the varying missions across sport organizations.

DOI: 10.4018/978-1-4666-5962-9.ch015

Prior to focusing exclusively on sport organizations and their strategic management from a democratic standpoint, a brief history of democratic management and how it aligns with the long-standing political democracy of western cultures is in order. Western culture government provides a snapshot of the principles of democracy from a broad societal perspective helpful in understanding the same principles from a sport organization perspective. Input from the sport organization's stakeholders, known as the *sporting community*, is a primary tenet of a democratic approach to strategic management of sport organizations and is the basis for this chapter's discussion. Strategic thinking calls for input from the sporting community to develop a strategic plan that supports basic organizational components including the organizational mission, policy development, and day-to-day decision making. Throughout the implementation of a strategic plan, the sport organization's performance is assessed, providing feedback to make mission based changes if necessary. The notion of collective happiness of the sporting community goes hand in hand with a democratic approach and is used as a measure to help the sport manager arrive at decisions that will bring about the most amount of long-term happiness among the sporting community.

As stated by Kanter (1981) not every problem of an organization can be solved through a democratic approach to management. There is no singular approach to management that is perfect. The democratic approach to strategic management is discussed and offered not as a flawless approach that makes all problems disappear, but as the preferred/most effective approach to the strategic management of sport organizations. Discussion is grounded in literature including and beyond sport organization management literature that extends across industries, not the least of which is business. Support for a democratic approach to strategic management remains strong and continues to be a management style of popular choice for many reasons that will be presented in this chapter. (As a note: In the interest of concise writing, various phrases such as "democratic management" are used throughout this chapter to represent the more formal phrase "democratic approach to strategic management.")

The current, most significant challenge in the strategic management of sport organizations, in the opinion of the 2013 president of the North American Society of Sport Management (NASSM) R.E. Baker, is meeting mission driven organizational goals in a way that satisfies multiple organizational stakeholders, e.g., leaders and members, with varying needs while at the same time meeting, in a balanced fashion, the challenges brought on by internal and external environmental influences, e.g., legal, political, and cross cultural (personal communication, June 25, 2013). Given the wide range of influences that drive sport organizations, seeking input from these many influences is a democratic approach that supports a proactive effort to satisfy, to the highest degree possible, these influences that inevitably shape the sport organization.

USING PROFESSIONAL SPORT TO HELP UNDERSTAND STRATEGIC MANAGEMENT

Form a learning standpoint, professional sport in the United States serves as a good business model to help understand strategic management as defined by Hosseini, Chashmi, & Baboli (2011): "Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments" (p. 2375). Often, professional sport's organizational hierarchy begins with private ownership followed by a president and/or general manager, which is congruent with the labels used by the strategic management definition provided by Hosseini et al.

In professional sport, performance of the firm/organization is normally measured in wins and losses, which affect the financial standing of the organization. Winning is generally the primary determinant of the financial prosperity of professional sport organizations. With winning comes a windfall of revenue generating opportunities including increases in gate receipts and media contracts, sport memorabilia purchases, marketing opportunities, and much more.

General managers and/or presidents of sport organizations, in fact, do engage in initiatives on behalf of owners and do so through the utilization of resources. Winning, as a primary initiative of professional sport team owners, requires effective utilization of resources in several areas. Resources, normally, are first and foremost used to address salaries, incentive packages, and state-of-the-art playing facilities to attract and secure top players, coaches, and support staff.

A SPORTS TEAM ANALOGY USEFUL FOR STRATEGIC MANAGEMENT

The basic approach to strategic management can be illustrated through competing sports teams. Head coaches and their staffs initially form a strategy to defeat the opponent. Following strategy formulation, it is implemented on game day. After the conclusion of the game, the outcomes of the strategies are evaluated, and changes can be made that then become part of the formulation of the strategy for the next game. The strategic management steps of formulation, implementation, and continuous evaluation are repeated for each game, and on a broad basis, for each season.

Sport organizations operate similarly to sports teams, as described above, when utilizing strategic management. The overall sport organization is also driven by the same strategic management guidelines of strategy formulation, implementation, and evaluation. In a professional sport organization, the sport manager, if managing democratically, seeks input from his constituents including employees in the organization, e.g., president, vice president, and director of player personnel, to form a strategic plan. If assuming a more autocratic approach, the sport manager forms and finalizes the strategic plan with little or no input from his employees and stakeholders. In a professional sport organization the overall formation of the strategic plan is based on winning and profit generation. The plan is implemented not only during the season of competition but also during the pre and post season periods. As stated by Butnaru and Balcan (2012), the third phase, evaluation, is continuous. The on-going evaluation drives the process of strategic planning in a way that allows for constant reforming of the originally formed plan, to better meet the overall organizational mission that centers on winning.

Performance appraisals of employees should also be a part of the evaluation process. According to Law (2007) self-evaluation is encouraged as an option within the performance appraisal. As the strategic management process returns to the strategy formulation phase, the evaluation is used to support the formulation of new strategy (Joshi, Kathuria, & Porth, 2003) to subsequently be implemented followed by another evaluation.

RANGE OF STRATEGIC MANAGEMENT APPROACHES

The management of sport organizations in the United States can take on a range of approaches from authoritarian, where the sport manager assumes complete control, to a liberally structured approach that allows members, e.g., coaches, and organizational support employees, complete freedom. Each of these approaches is extreme, and rarely, if ever, actually practiced in the management of sport organizations. A less extreme democratic approach to the strategic management of sport organizations that allows for employee input is normally a more effective approach to management.

Variations of management and democratic management may depend on several factors including the sport manager's personality, stakeholders, and structure of the organization. Regardless of variations within democratic management, the sport manager processes employee input then arrives at decisions considered to meet most of the interests and needs of as many members of the sport organization as possible.

Appropriate Degree of Democracy

Not every decision in a sport organization can be made under the strict principles of democracy.

Support by a majority of all organizational members may not be necessary for a decision that affects, for example, just one person. The sport manager can simply implement policy or in the event that policy does not exist for a particular issue, use common sense after brief consultation with senior members of the organization.

Power can be vested in an administrator to implement and enforce policies that were developed democratically with input from organizational members. However, in the event that the sport manager veers from the democratically grounded policy without adequate rationale, procedures should be legislated that hold him accountable. The ultimate mechanism of accountability is member voting, which allows members the opportunity to vote a sport manager out of a position who is abusing power.

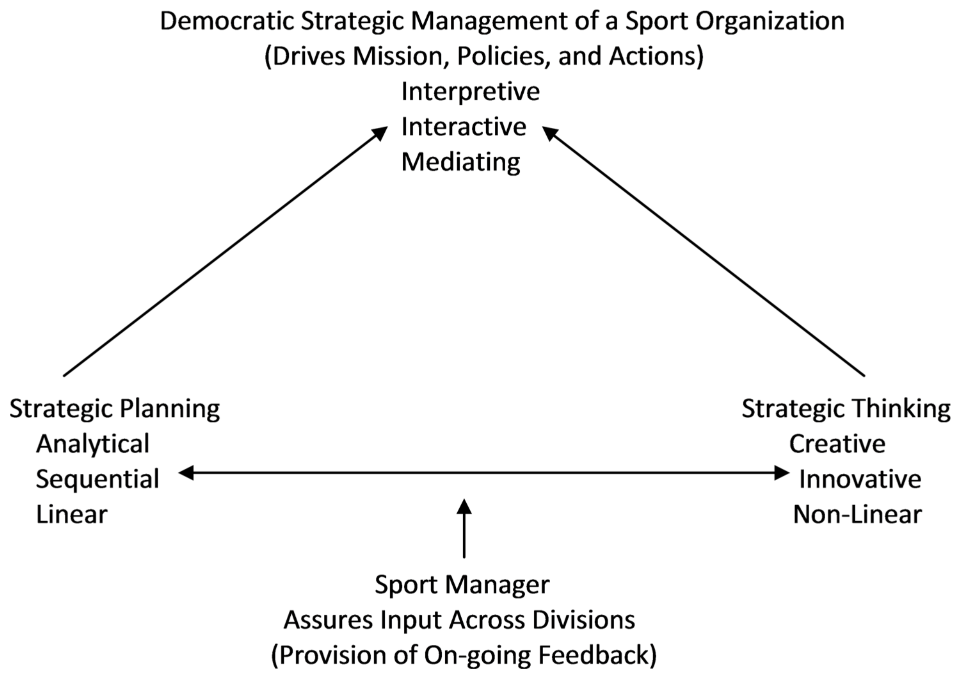
If democratic management is to succeed, certain general criteria are necessary. Before using democratic management to resolve a problem under consideration, the problem must be: within the jurisdiction of allowing for member input toward a managerial decision, of concern to the members, or a mere formality of implementing a policy (Gastil, 1994). If one or more of the aforementioned three criteria exists, democratic management may not be the most effective approach toward resolving the issue.

Interesting to note is that most businesses strategize to monopolize market share; however sport organizations differ. While it is the goal to defeat opposing sport teams in contests, it is not the goal to overrun and put competing sports organizations out of business. For to do so would be self destructive, as each sport organization only has the potential to reach its highest degree of success if its league is stable. The collapse of sports teams can lead to the collapse of its league, which includes the collapse of all remaining sport organizations housing teams in that league. (see Figure 1)

SPORT ORGANIZATION SIZE, AMATEUR, PROFESSIONAL, AND STRATEGIC MANAGEMENT

The democratic approach to management is suitable, in some form or variation, to all sport organization types no matter how small or large. Small enterprises such as lower level minor league baseball organizations within the major league farm system may only consist of players, coaches, minimal support staff, and a general manager. Under the leadership of the general manager, the mission of the minor league baseball organization can be formed through direct input from the aforementioned employees. Larger professional sport franchises can also incorporate the 'input' component of democratic management, even if only to a lesser degree than in small enterprises. The multiple layers of bureaucracy in a major league baseball organization prevents direct input from lower level employees; however, within the hierarchy of management, those lower level employees can be allowed input as to how they accomplish the broad organizational goals. In theory, input should work its way up from the bottom level of players to the top level of ownership. As input is passed up organizational hierarchy, discussion is ongoing at each level and continues to be included with additional input at each level.

Figure 1. Democratic strategic management of a sport organization as a function of strategic planning and strategic thinking (Modified from Taylor, DeLourdes Machado, & Peterson, 2008, Figure 1, p. 372).



Differences exist between amateur and professional sport organizations. Schneider (2011) outlined amateurism in intercollegiate athletics as an endeavor that claims to be extra-curricular, and consisting of two criteria that define amateur athletes: they are novice and are not compensated. Close examination will reveal that many Division I programs and athletes meet the criteria of professionalism, which by definition consists of expert athletes who are compensated. However, for the purpose of understanding strategic management one must assume that amateurism includes novice athletes who are not being paid for their performance. In particular, it is the compensation or lack thereof that distinguishes professional from amateur sport, and therefore calls for different approaches to strategic management of amateur Division III type programs when compared to professional for-profit Division I programs.

Approaches to strategic management of large and small sport organizations vary. Serving as examples of large and small sport organizations are Division I and III NCAA athletic departments. Division I athletic departments are affiliated with major universities, e.g., The Ohio State University, Syracuse University, and the University of Southern California; whereas, Division III athletic departments consist of smaller colleges, e.g., Hunter College, Kenyon College, and Linfield College.

Division I athletic departments represent large business and Division III athletic departments represent small business. Small and large organizations possess fundamentally different resources and capabilities, which are reflected in the attraction of each type of organization to particular industry contexts (Dean, Brown, & Bamford, 1998). The resources and capabilities of small Division III athletic departments can, in fact, be distinctive and differ greatly from their large Division I counterparts, making for different missions and objectives. Many Division I athletic departments in the U.S. have become strict business entities seeking to generate revenue even though some university officials will claim otherwise. Division III athletic departments generally adhere to a business model but are not as focused on generating revenue as are Division I athletic departments. Beaver and Jennings (1997) cited personal involvement, responsibility, and independent quality, style of life, and the diminished significance of personal financial fortune as qualities that are primary criteria for success that many small business owners strive to achieve, which in most cases can be applied to the small Division III athletic department. It is more important for Division III athletic departments to cultivate an independent style of life that is not based strictly on personal or athletic department finances. Contrarily, Division I athletic departments place a premium on revenue generation and find it difficult to enjoy independence, as they are held to constant external scrutiny by stakeholders, most notably, fans. Goals and objectives of Division I athletic departments are established with short and long term expectations to maximize profits through winning that will generate money through gate receipts, media contracts, sponsorships, and sales of team and university apparel.

Division III athletic departments are aware of revenue but it is not necessarily the exclusive goal and success is not entirely defined by winning.

Beaver and Jennings (1997) speak to strategic management being primarily an adaptive process, concerned with manipulating a limited amount of resources to gain advantages. Small companies are less able to predict and control the environment and therefore adapt so as to mitigate threats as quickly as possible. The largest Division I American football programs determine the direction of much of the NCAA legislation that, until recently, was applied across divisions regardless of size. The smaller Division III programs, instead of charting the path for intercollegiate sport in the USA, spend their energy on adapting to the legislation and not driving the legislation.

It is apparent that sport leadership skills are at a premium for Division I athletic directors; whereas, adaptive abilities are necessary for Division III athletic directors. The personality of the athletic director also affects action and is usually more influential in the management process of a small athletic department when compared to larger ones. As pointed out by Beaver and Jennings (1997) smaller enterprises often reflect the process of management incorporated by their leader, which is usually more loose than larger enterprises.

Small athletic departments with limited personnel who assume multiple responsibilities can change quickly and can be more innovative than larger athletic departments which have more employees with specialized responsibilities. This notion of multiple responsibilities for a limited number of employees supports the ability to adjust and change rapidly, which is emblematic of small athletic departments. Despite small athletic departments' ability to innovate and create a unique image for themselves, it can sometimes go unnoticed, as the constant media accessibility experienced by Division I athletic departments is usually not present in Division III athletic departments. Contrarily, large organizations are less poised than small ones to change quickly and might be well served to move more slowly as a means to demonstrate stability to stakeholders (Ming-Jer & Hambrick, 1995).

Recognizing and understanding differences in the size of sport organizations is important. Good strategic management supports the type of organizational performance that lends itself to the achievement of goals and objectives (Lussier & Kimball, 2009). Strategic management, however, is only as good as the sport manager's knowledge of characteristics unique to different sized organizations and the ability to maximize goal achievement by managing with respect to those characteristics.

GENERAL HISTORY OF SUPPORT FOR DEMOCRATIC MANAGEMENT

Over the past several decades, characteristics of a democratic approach to strategic management have been viewed as effective. In the early 1980s, Kanter (1981) spoke of the emergence of empowerment and power-sharing as central themes to management and offered the following characteristics of democratic management: sharing leadership, changing the role of leaders from ordering to inspiring, holding together fragmented constituencies, satisfying multiple stakeholders, and giving followers greater voice. The value of participative management in some organizations can improve quality and customer satisfaction (Randeniya, Baggaley, & Rahim, 1995). The benefits of workplace democracy were endorsed by Nightingale (1982) who condemned its counterpart, workplace autocracy where the management process does not include the voice of employees. Democratic management involves collaboration between manager and employee with: joint goal-setting, open but non-critical conversation, and a supportive environment (Law, 2007). Democratic leadership, according to Gastil (1994) declines authority in the interest of the performance of three functions: distributing responsibility among the membership, empowering group members, and aiding the group's decision-making process. However, democracy frequently assigns the implementation of a task to a particular member or committee, giving them a measure of power (Gastil). In the interest of democracy the assignment of power should be done democratically.

ORGANIZATIONAL DEMOCRACY REFLECTING SOCIETAL (USA)/ POLITICAL DEMOCRACY

A democratic, open minded, approach to strategic management is a natural choice for sport organizations in societies governed under democratic principles. Persons living in a democratic society gain an understanding of the basic underpinnings of democracy as they experience it on a day-to-day basis. Although democratic societies naturally support a democratic management approach to sport organizations, countries of governance structures other than democratic, e.g., authoritarian rule, may also successfully apply democratic management to a sport organization.

The learning curve, however, may be higher when the sport manager attempts to implement an approach to management that is not consistent with the prevailing form of government in that society. Collins (1997) argued that participatory management, one form of workplace democracy, is inevitable on the basis of its coherence to the social philosophical assumptions about human nature that underlie the forms of political arrangements, i.e., democracy, in the U.S. In other words, the make-up of human beings is such that they are naturally suited for democratic management regardless of the societal governance structure under which they live.

Political democracy is deeply ingrained in Western culture. Democracy, according to Schmitter and Karl (1993), is "a system of governance in which rulers are held accountable for their actions in the public realm by citizens [. . .]" (p. 40). The term democracy originated from the Greek word "demokratia" where "demo" means people, and "kratia" refers to power or rule, so democracy means rule of the people (Powley, Fry, Barrett, & Bright, 2004). Consent of the subjects legitimizes sovereign government by which sovereign rulers are to be held accountable to the law (Locke, 1960). The accountability of participants of democracy, e.g., citizens, is also required in organizations that embrace employee input (Muras, Smith & Meyers, 2008). A process of assessment including its implementation can help ensure accountability of sport mangers and sport organization employees. As with most process oriented aspects of a democratically managed sport organization, the assessment process should be determined by seeking views of its participants. Assessment as a means to help ensure for accountability need not be complex.

The democratic sport manager can be held accountable by the sporting community. The composition of the sporting community was described by Schneider (2010) from an intercollegiate standpoint, to be those affiliated with sport, including but not limited to players, friends and family of players, coaches, fans, and athletic administrators. More broadly, and applicable to a more wide ranging category of sport, including elite sport, the sporting community can be described as employees and non-employees who have a direct or indirect interest and/or an affiliation with sport, overall, or specifically with a particular sport entity. Although the terms "organizational members," "members," and "employees" are more specific to individuals within a sport organization, from a laymen's perspective those terms are often used interchangeably with the all-encompassing phrase "sporting community." Fans are frequently the sporting community's largest financial contributor to a sport organization. When fans become dissatisfied they can choose to not view sporting events as a means to hold organizations accountable.

EFFECT OF DIVERSITY

The composition of society has sport organization management style implications. Societies, according to Ringen (2004) are heterogeneous entities composed of various classes that find their way into organizations. Ethnically and ideologically heterogeneous localities bring about wide ranging views of the world. In this increasingly diverse world of ethnicities and cultures, it is important that governments and businesses, including sport organizations, remain aware of what this means in terms of governance. An open minded approach to the views of those affiliated with a sport organization is necessary for sport managers.

The representation of different organizational constituencies by a wide range of individuals is central to effective organizing (Clark, 2006). As pointed out by Harrison and Freeman (2004) organizational democracy means that members of an organization participate in both the processes of governance and the organization of its structure. Participation by members of the organization should be broad and include aspects of governance beginning with the development of policy and procedure. Democratic management is dependent on input from those being governed.

Diversity in the sporting community, ethnic or otherwise, requires an approach to management that addresses the many outlooks held by its members. One size does not fit all. A myopic approach to management, void of an inclusionary process of its members' perspectives runs the risk of alienating its members, to the detriment of the organization. A democratic approach to the strategic management of sport organizations reflects an open minded management style, and deserves serious consideration by the sport manager.

COMMITMENT ACROSS LEVELS AND EMPLOYEE INFLUENCED DECISION MAKING

There must be a commitment to a democratic approach to strategic management among all levels of management within the sport organization. Sport managers who claim to adhere to a democratic approach to management through repeated public references to shared governance must support their verbiage with actions reflective of the fundamentals of democracy or they are not managing democratically. The concept of organizational democracy is based on the view that participation should not only be institutionalized and observed but actually practiced by employees in a way that influences critical decision-making (Unterranier, Palgi, Weber, Iwanowa, & Oesterreich, 2011). Organizational democracy is not a part-time endeavor, as it requires the incorporation of member participation, to some degree, across all facets of the organization in a manner that drives managerial action.

SPORTING COMMUNITY INPUT AND NEW IDEAS

Freedoms associated with democratic management allow for more widespread innovation from the sporting community. The structures of democracy encourage idea generation among members in the organizations (Kong, Jenkins, Ardagh, 2009). When compared with autocratic managed organizations, ones managed democratically were found to be less bound by managerial surveillance and allowed to exercise personal initiative (Nightingale, 1982). As outcomes of employee input to an organization, innovation and idea generation do not have to come from members of the organization. They can also be generated and offered by the sport manager. However, the creation and adoption of policy originating from ideas must be supported by members of the organization in a way that satisfies the most employees possible. A "bottom-up" approach is associated with improvement ideas (Muras, et al., 2008).

New ideas help keep an organization fresh and vibrant. A democratic approach to strategic management of a sport organization also supports novel idea generation from members of the sporting community. To effectively process the collective wisdom of the sporting community the sport manager must first be aware of its members' varying wants and needs. With managements' open receptivity to input from a wide representation of the sporting community, the quality and quantity of ideas will be plentiful.

Contrarily, a closed approach to input from the sporting community will likely suppress idea generation and limit the range of options made available to the sport manager. If an organization is to continue to meet the needs of the consumer – in the case of sport, primarily the *fan* – its members must continually be consulted. The wants and needs of the fan, including and beyond winning must be identified prior to the sport manager stating and focusing energies on goals of the sport organization. An environment receptive of input from the sporting community allows for a constant stream of new ideas that support a contemporary, healthy sport organization that satisfies the sporting community.

CULTURE OF MUTUAL SHARING TOWARD SUCCESS

The sport manager shares the responsibility for organizational success with the organization's members and vice-versa. From a democratic standpoint, to best realize organizational success, both parties must be open and receptive toward one another. To that end the sport manager should create a working organizational structure that not only fosters a culture of openness but one that also supports the characteristics of democracy. Organizations consisting of horizontal communication hierarchies (instead of centralized bureaucratic organizations) are best suited for the practice of democratic principles, i.e., participative management practices where members have an increased voice (Yazdani, 2010).

EMPLOYEE INPUT AND TRANSPARENCY OF MANAGEMENT'S FINAL DECISION

It is the sport manager who ultimately makes final decisions after sifting through input from members of the organization. Trustful leadership committed to supporting input from members of the organization and leadership's transparent flow of communication across divisions is a prerequisite of organizational democracy (Yazdani, 2010). Final decisions, which are action oriented, represent the overall will of not only the organization's members but also the sporting community.

Sharing knowledge across divisions is paramount to effective organizational democracy. To share knowledge is to communicate information (Kong, et al., 2009). Whereas the open communication of knowledge is a form of transparency necessary for democratic management, transparency extends beyond communicating knowledge. Transparent management speaks to openness across all aspects of management and includes all organizational members. To that end, strategic plans of the sport organization should be disseminated and made available to the sporting community. Transparency limits surprises. If member participation has been inclusive throughout the process of strategic planning, there should be very few unknown/unexpected managerial actions.

The sport manager's vision should not be a solitary vision but one created based on the input of members of the sport organization and approved for implementation by the members. A role of the sport manager is to process the member input, format it in an implementable way, and present it as a final model to members for their approval. A democratic management approach to strategic management calls for the receptivity, acknowledgment, and appropriate implementation of input provided by members of the sport organization and beyond, i.e., the sporting community.

Throughout the democratic management process, sport managers must balance member input with their role as the point person responsible for management of the organization. A democratic approach to strategic management does *not* call for the relinquishment of absolute control of the organization to the sporting community, including the organization's employees. Democratic managers increase employee involvement in the company's decision-making process while enabling managers to intervene when employee decisions fail to achieve organizational goals (Collins, 1997). Democratic management allows the sport manager, as a judicial being, to process the collective wisdom of the sporting community when determining which ideas, interests, and advice to include as part of the strategic management plan.

ENGAGING AND MOTIVATING EMPLOYEES THROUGH SHARED MISSION DEVELOPMENT

The sport manager who ignores employee input runs the risk of employee disengagement. More specifically, disengagement can take place when the sport manager does not allow for *serious* open dialogue with the sporting community where both parties can at least openly "agree to disagree." Stifling employee input, or dismissing policy that was developed with employee input, will eventually cause employees to feel marginalized, with no sense of workplace ownership, further perpetuating disengagement on the part of employees. Aside from disengagement, caused by the lack of opportunity for employee input to help shape the sport organization, sport organization employees may also become insubordinate. Increases in incidents of insubordination can be expected when employees' are subjected to top-down approaches to management where employee input is not included as part of the organizational mission and day-to-day operations. From a sports team standpoint, players often resist the strong authoritarian approach of coaches unless winning games is taking place. The same holds for sport organizations that are managed authoritatively: Employees can become disengaged, losing the intrinsic drive to perform and produce for the organization.

Attempts to circumvent the democratic process are not uncommon on the part of sport managers and can also lead to employee disengagement. When sport managers disingenuously mask a predetermined agenda with an inauthentic platform for input, the will of the people, is not genuine, but rather is manufactured. Through formal campaign strategies or informal manipulation of organizational constituents, the sport manager commonly attempts to steer the thinking of organizational members, which contradicts the spirit of the “bottom up” staple of democracy. Pseudo participation gives employees the feeling of taking part in organizational decision-making while employees’ substantive influence is not management’s intention (Unterranier, et al., 2011). Effective organizational democracy calls for the sport manager to genuinely seek and consider the input of employees.

Management can foster employee engagement by ensuring for alignment and clarity around the company’s mission and objectives. Employees are often unclear of the organizational mission (Muras, et al., 2008). Clarity of the sport organization’s mission can be deeply embedded in employees if those employees are part of the process that develops the mission.

As a leader, the sport manager should help center the process of mission development around member input. The sport manager should not create the mission or force personal mission preferences on members as a way to influence the development of the mission. Richards (2004) described good leadership as a means to inspire others to commit their energy to a common purpose. Persuading the majority of organizational members to “buy into” a mission should not be necessary if democratic principles helped develop the mission. Operating a sport organization under the principles of democratic management brings employees together at the beginning of the process to create the organization’s purpose and mission. In doing so, effective leadership characteristics, such as the sport manager’s use of charismatic rhetoric to persuade members of the organization, are less necessary. Details of the mission might require some clarification to organizational members, but given the familiarity of mission content that comes with developing it from the bottom up, the details too should be clear. When members are provided with a legitimate voice for a common purpose such as the development of the mission, engagement is intrinsic. Democracy promotes clarity of the mission, which supports employee engagement.

MEMBER VOTES

Voting is a cornerstone of democracy. A system that allows member voting as a means to indicate their preferences related to issues, personnel related and otherwise, is essential to democratic management. To be meaningful, votes must drive personnel decisions and actions by managers. Before moving forward with ideas, a flat structured bottom-up approach where all members, including the directors, have an equal vote can be implemented as it is conducive to member-input (Kong, et al., 2009).

INPUT FROM THE SPORTING COMMUNITY

Strategic management is carried out by the manager of the sport organization and serves as a mechanism to provide direction to an organization/institution (Taylor, De Lourdes Machado, & Peterson, 2008). The sport manager must include the “state” of the external environment (e.g., fans, advertisers, economy, etc.) when determining the organization’s path for the future. If the external environment is one that includes a weak economy, sport managers must strategize accordingly in the interest of maximizing revenue that begins with winning. The sport manager is responsible for organizing and guiding a democratic process (Figure 1.0) that first includes strategic thinking, followed by strategic planning where the vision of the sporting community, including the most invested stakeholders, is realized through the establishment of an organizational mission supported by goals, objectives, and policy.

Various approaches to the democratic strategic management of sport organizations allow for sporting community input. An interpretive approach to strategic management focuses on altering stakeholder (sporting community) attitudes toward the organization instead of focusing on outputs (Toft, 1989). The achievement of outputs is only an indicator of organizational success if the sporting community is satisfied by those outputs. Satisfaction of the sporting community is supported by meeting its "wants" in the form of organizational outputs. When outputs that support the wants of the sporting community are met, satisfaction is reinforced. As indicated previously, "winning" is an outcome that is wanted by sporting communities regardless of the type of sport organization. An increase in winning normally brings about an increase in sporting community satisfaction. Trends that do not support winning, and other outcomes reflective of the wants of the sporting community, must quickly be recognized and addressed by the sport manager. Personnel decisions that include changing coaches and or players are common when creating a culture supportive of winning.

Interaction across levels of management helps assure for adequate inclusion of sporting community input, in particular from employees of the organization. In the interest of exploiting input supportive of democratic management, interaction should be on-going among members of the sporting organization and will bring about an understanding of not only common views but also differing perspectives. Disagreements resulting from differing inputs from various members of the sporting community can be resolved through a sport manager who is skilled in mediating, because finding common ground is necessary to satisfy as many members of the sporting community as possible.

Normally, interaction is also required at the later stages of strategic thinking, which is a necessary process included in strategic management. Strategic thinking can begin as an independent endeavor by members of the sporting community but at some point requires the sharing of thoughts in idea exchange sessions, brainstorming or otherwise. Thought sharing should include the allowance of input from a representative cross section of members of the sporting community at all levels. Strategic thinking calls for a limited structure because it is merely a precursor to strategic planning and management and the imposition of too many rules on thinking can result in stifled thought. Innovation and creative ideas are best achieved if restrictions are not placed on thought where reliance on intuition is emphasized over structured thought. A broad understanding of the sport organization serves as minimal structure necessary as one engages in the strategic thinking process. Understanding the dynamism of environment and vision aligned with the long-term success of the organization were included by Rezaian (2008) as factors necessary for effective strategic thinking.

After creative ideas are generated in a nonlinear, completely open approach reflective of strategic thinking, those ideas can be accepted, modified, or dismissed during the strategic planning process, which is a linear more focused process. Strategic planning is a guided, systematic approach where ideas generated by strategic thinking are selected if they support the organizational mission and are actually able to be implemented. Known as an analytical process, strategic planning breaks down goals into formalized steps so those steps can be put into practice, almost automatically, resulting in actions that bring about expected outcomes (Almani & Esfaghansary, 2011). There is a sequence to the strategic planning process that when implemented calls for an ordered set of actions over a period of time that reflects the goals and ultimately achieves the mission of the sport organization. The following steps represent the strategic planning process: (a) the clarification of organizational mission, goals, and values, (b) analysis of the strengths, weaknesses, opportunities, and threats (SWOT) germane to the external competitive environment, (c) analysis of the organization's internal operating environment, (d) selecting strategies that build on the organization's strengths and correct weaknesses, (e) implement strategies, (f) evaluate, and (g) evaluate strategies and provide corrective feedback (Taylor, Doherty, & McGraw, 2008).

Despite a clear strategic plan, additional items including organizational politics should not be underestimated, as the leader must understand the ramifications of politics throughout the infusion of people, parts, processes, and operations when moving toward mission based outcomes (Westley & Mintzberg, 1989). Without an understanding of political forces at play within a sport organization, strategic planning is susceptible to contamination by organizational members who may hold opposing views to goals and objectives of the sport organization.

The sport manager, as a leader, is responsible for managing all aspects of the strategic management process including strategic thinking, and strategic planning for the purpose of operationalizing a plan that results in mission oriented outcomes that satisfy the most amount of sporting community members. Leadership must demonstrate its competence in orchestrating the planning process before resource allocation can be considered by those in a position to do so (Taylor et al., 2008). Ownership must ultimately believe in the sport manager's ability to successfully implement the strategic management plan prior to approving its implementation.

PERFORMANCE ASSESSMENT

Strategic management according to Dumitrescu and Fuciu (2009), calls for an ongoing assessment and communication of a consumer needs based mission, a plan to accommodate necessary change, strategies centered on customer needs, strategic objectives followed by performance measures where accountability is upheld, in part, through rewards. They also discussed the importance of accurately measuring the performance of an organization and recommended that the following four perspectives guide the measurement process: (a) learning and growth of employees, (b) process of the business intended to meet its unique mission, (c) customer satisfaction, and (d) continued knowledge of organizational finances (Dumitrescu & Fuciu).

The learning and growth of sport organization employees such as coaches, player personnel directors, media relations directors, etc., is essential for the on-going improvement of the organization. Without learning and growth of employees, complacency can quickly "set in" to a sport organization, stifling its progress and placing it at a disadvantage with its competing organizations, which are continually improving through the learning and growth of its own employees.

How to best meet the mission of the sport organization should also be assessed on an ongoing basis. The sporting world is dynamic, making it necessary for sport organizations to be acutely aware of myriad factors that can affect its competitive state. Competing organizations, changes in league policy, and societal influences such as economic conditions are just a few factors requiring constant monitoring by the sport manager. In doing so, customer satisfaction, a central component of most all sport organization missions, should be under constant scrutiny, for the purpose of planning the best approach to its achievement. As a primary customer and member of the sporting community, the fan, first and foremost, must be satisfied.

Input from the sporting community is not only essential for the democratic strategic management of sport organizations but also for the assessment/measurement of their performance. To reinforce an earlier point, winning athletic contests is a general expectation of most sport organizations.

Under a professional sport model, winning might be described as a precursor to the ultimate goal of maximizing revenue generation. With increases in winning come increases in revenue from a variety of sources including but not limited to gate receipts, media contracts, and sales of team memorabilia. Strategic management requires that employees are held accountable for performing in a manner that supports winning and the maximization of revenue generation for the sport organization that comes with it. When approaching strategic management democratically, ownership and senior management must consider input from the sporting community when arriving at specific expectations in the area of winning.

More challenging than establishing expectations, is the development of a process that determines to what extent employees are contributing to the achievement or lack thereof of the winning expectations that translates into revenue. The creation of a process that accurately assesses the contributions of employees to the mission of the organization that includes winning, must also seek input from the sporting community; in particular, *employee* input should be sought. The benefits of a democratic approach to strategic management can only be fully realized if it is incorporated into all facets of the strategic management process, which includes the creation of an assessment procedure and the implementation of that procedure.

THREAT OF COMMERCIALISM

The question begs, in what has quickly become a commercialized sporting environment at the more elite levels in the United States, i.e., major college and professional sport, as to whether a democratic approach to management is realistic. There is genuine concern that it is the massive amount of revenue from mega corporations and not the wants and needs of the sporting community that ultimately drives the mission of the sport organization and the day-to-day actions of the sport manager. Indirectly, input from the sporting community, in fact, *is* accounted for within the pervasive commercialized environment now encompassing elite sport.

The fan, as a consumer, can choose to not support sport organizations driven by commercialism or, as a consumer, can choose not to support the very corporations that fund elite sport organizations. This form of input, however, by the sporting community is indirect at best and by most measures would not be considered a result of and reflective of democratic management. The sporting community, in this case, is acting reactively in support of or not in support of the product of the sport organization. True democratic management calls for the sport manager's receptivity, acknowledgement, and implementation of appropriate input from the sporting community pertaining to the product, at the beginning and throughout the duration of the life of the sport organization. The power of commercialism is a threat to a democratic approach to management in its purest sense.

CHALLENGES TO AND DIFFICULTIES IMPLEMENTING DEMOCRATIC MANAGEMENT

Although democratic management is often embraced by members of sport organizations, its adoption and implementation does not come without challenges. Three general challenges to the effective implementation of the democratic management of sport organizations include the: (a) large amount of time required to thoroughly carry out the democratic process, and (b) synthesizing what oftentimes are a multitude of wants by multiple stakeholders, (c) lack of employees who are intrinsically motivated to participate in the democratic process, and (d) balancing of member inclusion with the appropriate amount of structure to the process.

Difficulty in Synthesizing Stakeholder Wants

A challenge in democratic leadership comes in the sport manager being able to synthesize the many stakeholders "wants" in a way that considers the long term best interest of the sport organization. This challenge of processing multiple wants by multiple stakeholders might best be described by Choi (2007) who points out that democratic leadership does not grow in a single dimension yet it is essential to stay the course in terms of process if the benefits of democracy are to be achieved. A consistent adherence to the democratic process allows for democratic outputs to be achieved.

Time Consuming Process

Thoroughly processing the will of stakeholders is time consuming (Gastil, 1994; Randeniya et al., 1995) and can be a challenge to the democratic management process. Time, is necessary for the deliberation component of democracy to take place. The implementation of democracy, in its most comprehensive form, requires the availability of time. In its attempt to satisfy as many people as possible through its inclusionary nature, which in the case of sport organizations means including the sporting community in the decision making process, democracy might be perceived to be indecisive. The careful implementation of a process that includes the voice of organizational members requires time. In some cases, however, there may not be enough time to fully implement the democratic process. When pressure to meet serious deadlines constrains the full implementation of the democratic process, trust must be placed in the power vested in a democratically elected sport manager to make a decision that represents the overall view of the sport organization employee in a way that will be in the best interests of the organization.

According to Gastil (1994) group members who do not value democracy may carelessly use it to pursue undemocratic ends. Antagonists who are seeking outcomes not supported by the majority may attempt to impede the process, further delaying it and its outcomes, in which the organization needs to move forward. If group members do not value democracy, there is concern that they might subvert the democratic process.

Democracy stops those in authority from doing what they wish, without being held accountable. If sport managers dismiss the democratic process by not including coaches and the sentiments of the sporting community in the decision making process, the declination of organizational morale can result. In turn, organizational productivity may wane.

Willful Employee Participation

Employees must be willing to participate in the democratic process. Group members must value democracy if it is to be effective (Gastil, 1994). Without employees who are willing to be actively involved in shaping the direction of the sport organization, democratic management will not be effective. From a governmental standpoint, Cincotta (n. d.) argued that the success of the democratic enterprise rests on the shoulders of its citizens. Much in the same way, sport managers who choose to manage democratically will not experience success with passive employees because the burden of the success of the organization is placed squarely on the shoulders of the employees. Rather than complaining, it is incumbent upon sport organization employees, including coaches, to enter into the democratic management process through which their views will have a chance to be implemented as part of the democratic process.

An additional concern related to employee participation is the skill level of the employee. Employee participation is most successful when used with skilled or experienced employees who understand organizational issues and who have the foresight to predict long-term outcomes when deciding strategies to resolve individual, group, or organizational problems.

Balancing Member Inclusion with Appropriate Structure to the Process

Many organizations still vacillate between autocratic and laissez-faire styles, as if these were the only options. With adherence to a democratic style, communication among organizational members is a feature that leads to the inclusion of member's perspectives. It is important that the despite what is sometimes perceived as disorganization within democracy, that a structure remains that will allow for member input to be processed. Ferguson (2011) emphasized that "order" is a necessary component of the democratic style. Without a structure to democratic management, the process, in more extreme cases can bring chaos, which does not support efficient outcomes.

MORALITY OF THE ORGANIZATION

From an ethical perspective, according to Collins (1997), the authoritarian model should have been dismissed long ago and the current debate in organization theory should center on communitarian structures and policies that support a democratic approach to strategic management. The more democratic structures that are present in enterprises, the more employees possess and exhibit humanitarian and ethical value orientations (Unterranier, et al., 2011).

Promoting and achieving happiness in the sport organization also promotes good morality within the organization. Employees in "democratic" organizations were found to be more likely than their counterparts in conventional organizations to be satisfied with the terms and conditions of work (Nightingale, 1982). In democratic enterprises, employees' daily experiences with political effectiveness in society and at the workplace may lead to active citizenship behaviors (Unterranier, et al., 2011).

A democratic approach to strategic management supports the intent to achieve happiness among as many members of the sport organization as possible. Collective happiness is sought when adhering to utilitarian moral theory (Bentham, 1789/1961; Mill, 1863/1969; Locke, 1960; and Douglas, 2011). Finally, from a practical standpoint, given the large amount of time spent at work, it is important that employees are generally satisfied during the workday and a democratic approach to strategic management can accomplish such happiness and, in turn, foster organizational morality and productivity.

CONCLUSION

The familiarity that comes with living in a political democratic society supports the application of a democratic management style to sport organizations. As part of the employee input process inherent to the democratic management of sport organizations, goals are set jointly and governance is shared among members of the organization. The democratic approach to strategic management in sport organizations can take on several forms as it is applied to small, medium, and large sport organizations. Employee input, however, is common regardless of the size and type of sport organization for which democratic management is applied. In a time where globalization is paramount, a democratic approach to the strategic management of sport organizations includes the diversity inherent to globalization. When managing democratically the sport manager seeks input from his constituents including employees in the organization, e.g., president, vice president, and director of player personnel, and the sporting community at large throughout the strategic management process. Seeking input is complemented with sharing knowledge across divisions and among employees. Challenges to democratic management must be overcome, yet difficulties such as efficiently synthesizing stakeholder wants and abiding by an appropriate structured process that features balance must be maintained if the benefits of democratic management are to be realized. The sport manager must also accurately determine the extent to which member input will be a part of final managerial decisions. To do so will allow for the inclusion of member input that serves the best overall interest of organizational members and is thus supportive of a morally good sport organization from a utilitarian standpoint. As with all types of strategic management, democratic management must also assess performance of the sport organization on an on-going basis for the purpose of improving the organization.

REFERENCES

Almani, A., & Esfaghansary, M. (2011). Strategic planning: A tool for managing organizations in competitive environments. *Australian Journal of Basic & Applied Sciences*, *5*(9), 139–149.

Beaver, G., & Jennings, P. (1997). The performance and competitive advantage of small firms: A managerial perspective. *International Small Business Journal*, *15*(2), 63–75. doi:10.1177/0266242697152004

Bentham, J. (1961). An introduction to the principles of morals and legislation. In *Utilitarianism* (pp. 7–398). Garden City, NY: Doubleday. (Original work published 1789)

Butnaru, G., & Balcan, C. (2012). Characteristics of strategic management in innovation in the field of hotel services in Romania. *International Journal of Academic Research in Business & Social Sciences*, *2*(10), 428–442.

Choi, S. (2007). Democratic leadership: The lessons of exemplary models for democratic governance. *International Journal of Leadership Studies*, *2*(3), 243–262.

Cincotta, H. (n. d.). Democracy in brief. *Bureau of International Information Programs U.S. Department of State*. Retrieved from http://usinfo.state.gov,http://photos.state.gov/libraries/korea/49271/dwoa_122709/Democracy-in-Brief.pdf

Clark, M. (2006). A study of the role of representative leadership in stimulating organizational democracy. *Leadership*, *2*(4), 427–450. doi:10.1177/1742715006068938

Collins, D. (1997). The ethical superiority and inevitability of participatory management as an organizational system. *Organization Science*, *8*(5), 489–507. doi:10.1287/orsc.8.5.489

Dean, T. J., Brown, R. L., & Bamford, C. E. (1998). Differences in large and small firm responses to environmental context: Strategic implications. *Strategic Management Journal*, *19*(8), 709. doi:10.1002/(SICI)1097-0266(199808)19:8<709::AID-SMJ966>3.0.CO;2-9

Douglas, C. (2011). *Liberating judgment: Fanatics, skeptics, and John Locke's politics of probability*. Princeton, NJ: Princeton University Press.

Dumitrescu, L., & Fuciu, M. (2009). Balance scorecard: A new tool for strategic management. *Buletin Stiintific*, *14*(2), 37–42.

Ferguson, E. (2011). What Adlerians consider important for communication and decision-making in the workplace: Mutual respect and democratic leadership style. *Journal of Individual Psychology*, *67*(4), 432–437.

Gastil, J. (1994). A definition and illustration of democratic leadership. *Human Relations*, *46*(8), 953–975. doi:10.1177/001872679404700805

Harrison, S. J., & Freeman, E. (2004). Special topic: Democracy in and around organizations. *The Academy of Management Executive*, *18*, 49–53. doi:10.5465/AME.2004.14776168

Hosseini, S., Chashmi, S., & Baboli, S. (2011). Using fuzzy multi-criteria decision making for strategic management. *Australian Journal of Basic & Applied Sciences*, *5*(12), 2375–2379.

Joshi, M. P., Kathuria, R., & Porth, S. J. (2003). Alignment of strategic priorities and performance: an integration of operations and strategic management perspectives. *Journal of Operations Management, 21*(3), 353–369. doi: http://dx.doi.org/10.1016/S0272-6963(03)00003-2

Kanter, R. (1981). Power, leadership, and participatory management. *Theory into Practice*, *20*(4), 219. doi:10.1080/00405848109542958

Kong, E., Jenkins, S., & Ardagh, D. (2009). A preliminary analysis of learning processes for innovation in member-serving nonprofit organizations: The role of governance structure and its elements – Shared knowledge, decision making and benefit sharing. *International Journal of Learning*, *16*(6), 1–16.

Law, D. R. (2007). Appraising performance appraisals: A critical look at an external control management technique. *International Journal of Reality Therapy*, *26*(2), 18–25.

Locke, J. (1960). *Two treatises on civil government*. Cambridge, UK: Cambridge University Press.

Lussier, R. N., & Kimball, D. C. (2009). *Applied sport management skills*. Champaign, IL: Human Kinetics.

Mill, J. S. (1957). *Utilitarianism* (O. Piest, Ed.). Indianapolis, IN: Bobbs-Merrill. (Original work published 1863)

Ming-Jer, C., & Hambrick, D. C. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Journal*, *38*(2), 453–482. doi:10.2307/256688

Muras, A., Smith, T., & Meyers, D. (2008). Simple, effective performance management: A top-down and bottom-up approach. *Journal of Corporate Accounting & Finance*, *20*(1), 65–73. doi:10.1002/jcaf.20453

Nightingale, D. V. (1982). *Workplace democracy: An inquiry into employee participation in Canadian work organizations*. Toronto, Canada: University of Toronto Press.

Powley, H. E., Fry, E. R., Barrett, J. F., & Bright, S. D. (2004). Dialogic democracy meets command and control: Transformation through the appreciative inquiry summit. *The Academy of Management Executive*, *18*, 67–80. doi:10.5465/AME.2004.14776170

Randeniya, R. R., Baggaley, N. N., & Rahim, M. A. (1995). Total quality management: The need to uncouple empowerment. *Total Quality Management*, *6*(3), 215–220. doi:10.1080/09544129550035387

Rezaian, A. (2008). *Fundamentals of organization and management* (11th ed.). Tehran, Iran: Samt.

Richards, D. (2004). *The art of winning commitment: 10 ways leaders can engage minds, hearts, and spirits*. New York: American Management Association International.

Ringen, S. (2004). A distributional theory of economic democracy. *Democratization*, *11*, 18–40. doi:10.1080/13510340412331294192

Schmitter, C., & Karl, T. L. (1993). What democracy is…and is not. In L. Diamond, & M. F. Plattner (Eds.), *The global resurgence of democracy* (pp. 33–52). London: Johns Hopkins University Press.

Schneider, R. C. (2010). Developing the moral integrity of college sport through commercialism. *Physical Culture and Sport. Studies and Research*, *49*, 30–38. doi: doi:10.2478/v10141-010-0011-3

Schneider, R. C. (2011). Major college basketball in the United States: Morality, amateurism, and hypocrisies. *Physical Culture and Sport. Studies and Research*, *52*, 22–32. doi: doi:10.2478/v10141-011-0011-y

Taylor, J. S., De Lourdes Machado, M., & Peterson, M. W. (2008). Leadership and strategic management: Keys to institutional priorities and planning. *European Journal of Education*, *43*(3), 369–386. doi:10.1111/j.1465-3435.2008.00363.x

Taylor, T., Doherty, A., & McGraw, P. (2008). *Managing people in sport organizations: A strategic human resource management perspective*. Burlington, MA: Butterworth-Heinemann.

Toft, G. S. (1989). Synoptic approaches of strategic management. In J. Rabin., G. Miller, & H. W. Bartley, (Eds.). Handbook of strategic management (pp. 1-30). New York: M. Dekker.

Unterranier, C., Palgi, M., Weber, W. G., Iwanowa, A., & Oesterreich, R. (2011). Structurally anchored organizational democracy: Does it reach the employee? *Journal of Personnel Psychology*, *10*(3), 118–132. doi:10.1027/1866-5888/a000038

Westley, F., & Mintzberg, H. (1989). Visionary leadership and strategic management. *Strategic Management Journal*, *10*, 17–32. doi:10.1002/smj.4250100704

Yazdani, N. (2010). Organizational democracy and organization structure link: Role of strategic leadership & environmental uncertainty. *IBA Business Review*, *5*(2), 51–74.

KEY TERMS AND DEFINITIONS

Morality: A generally agreed upon code among members of a society that guides actions by persons in that society.

Organizational Mission: Action oriented statements that describe the purpose of the sport or sport related organization.

Sport Leadership: The process by which a person facilitates action by individuals in a sport organization.

Sport Management: The process of carrying out all administrative functions necessary to meet the goals and objectives reflective of the mission of a sport or sport related organization.

Sport Organization: A sport or sport related assembly where agents work collectively to achieve a mission.

Sporting Community: Those directly and indirectly related to a sport organization including but not limited to employees, administrators, players, friends and family members of players, and fans.

Strategic Thinking: The mental practice of processing information for the purpose of arriving at actions or steps to achieve a predetermined end.

Transparent Management: Managing under the premise of full disclosure.

APPENDIX

Case Study 1: The Autocratic Sport Manager who Lost Control

Joe was the athletic director of KT University and arrived on campus after serving in the military for three years as a commander. As Joe met with his coaches, players, office employees, and fans, his approach was autocratic. Joe put forth clear orders as to what was going to take place at every level, from the necessary duties of his office employees to the expectations of his head coaches. When a head coach or office employee attempted to voice an opinion, or new idea, Joe quickly put forward his hand in a way that represented a stop sign and said "Stop, I have already thought through everything that is necessary for the success of this organization and I am not interested in your input." Within a matter of weeks, the KT University athletic department was in shambles. Head coaches were secretly abandoning Joe's directives and initiating their own. Office employees spent most of their time trying to appear to be following Joe's orders and trying not to get caught texting personal texts and social networking. In short, Joe's master plan was imploding as he lost complete control of his sport organization.

Critical Thinking Questions

1. Why, in your opinion, did Joe lose control of his employees?
2. How might Joe's military background as a leader have led to his failure as a leader of his sport organization?
3. Explain how there may have been a "disconnect" between Joe's autocratic style and the environment at KT University.
4. To what extent, if any, do you believe Joe's employees would be more receptive to a democratic management style that reflects the broad democratic style of governance of their country, which in this case is the USA?
5. As someone who understands the democratic approach to management, as outlined in this chapter, what advice would you give Joe?

Case Study 2: Guiding the Warriors to Winning through Strategic Management

Last week the general manager of the Warrior's professional soccer organization met with his employees to begin formulating a strategy for the Warrior's organization. Not surprisingly, the Warrior's coaches and support staff, while taking into account the 'wants' of the sporting community including fans, agreed on and established strategies to achieve the overall goal of winning. Over the course of the season the strategies were diligently implemented by the coaches and employees of the organization. Although the Warrior's organization was experiencing moderate success with a record of 11-7 partway through the season, the general manager was not satisfied and wanted the Warriors to increase their winning percentage during the second half of the season and for the following year.

Critical Thinking Questions

1. The process of strategic management calls for three general phases to be followed. What are these three phases?
2. If the Warrior's organization is to improve through the process of strategic management what phase should be followed next? Describe the process under which the formulation phase should lead to the implementation phase.
3. What is the purpose of evaluation through on-going feedback, as described in this chapter and at what point in the strategic planning process should it take place? Describe the purpose of 'continuous' evaluation in the improvement of the Warriors as a sport organization.

Case Study 3: Sarah Develops a Reputation and Converts it to Power

It was Sarah's first day on the job as the assistant athletic director of BBB high school. She was nervous and felt unprepared because, in her mind, her only real skill was her indefatigable work ethic demonstrated by being the first to arrive at work and the last to leave. Whether at work or not, Sarah was obsessed with thoroughly replying to every e-mail, text, and phone message, and also entertaining every in-person office visit from employees in the athletic department and beyond. To ensure accuracy, she spent hours researching inquiries to which she had no prior knowledge. Over the course of three years, Sarah had earned the reputation as the most knowledgeable person in the department. With a smile, she efficiently resolved issues ranging from the simplest to the most complex. Soon, everyone was seeking Sarah's input regarding all matters that pertained to the department. As a result, she became the most powerful person in the department because everyone relied on her thorough knowledge to conduct the short and long-term business of the department. More and more, Sarah proactively told people what to do and they listened.

Critical Thinking Questions

1. How did Sarah acquire power?
2. Describe Sarah's reputation and how it was converted into power.
3. How did it come that employees in BBB High School listened to Sarah's directives?
4. Based on the chapter's description of democratic management, do you consider Sarah's interaction with employees to reflect characteristics of democratic management?

Case Study 4: The Team Travel Coordinator's Difficult Transition from Democratic to Authoritarian Management

Mark, the team travel coordinator of the men's Flying Tiger Soccer Organization, was a model employee when the organization was managed by Dr. Smith who managed under a democratic style. Dr. Smith sought the input of Mark when it came to creating, defining, and understanding the many facets of Mark's job which included arranging the teams' hotel accommodations, meal arrangements, practice times, team meetings, and all other aspects that required attention during the team's travel to ensure the environment was one conducive to the teams' success. After several years, Dr. Smith retired and the new sport manager, Mr. Jones incorporated a complete authoritarian style of management. Mr. Jones, without consulting or seeking Mark's input, directed Mark to change the team's travel arrangements that had been successful for several years prior to Mr. Jones' arrival. Mark became disgruntled, resisted, and soon was disobeying Mr. Jones' every command.

Critical Thinking Questions

1. Why, in your opinion, did the once model employee Mark become resistant, disgruntled, and insubordinate as an employee of Flying Tiger Soccer, following Mr. Jones' arrival?
2. Why, in your opinion, would Mr. Jones change Mark's team travel strategies that had a long history of success?
3. Using your understanding of strategic management as described in this chapter, explain how the transition from Dr. Smith's democratic management style to Mr. Jones' authoritarian management style may have affected Mark and also the entire Flying Tiger Soccer Organization.

Section 5

Strategic Management of SMEs in Different Contexts (Specifics, Problems, Good Practices)

The last, fifth section logically presents some specific characteristics of SM in SMEs, operating in different international, geographic, economic, social and cultural contexts. This sections aids in understanding how German Mittelstand companies present one of the world leading powers and how their entrepreneurs behave in a global business environment. This section also aids in understanding problems of Italian SMEs (usually a positive example) and how they could be overcome. Social networking of Bulgarian SMEs is also presented. The reader can understand also a situation in ecotouristic SMEs in Mexico, thanks to the next chapter. Another interesting example is the investigation and implementation of the ERP system as a precondition for SM in SMEs in Saudi Arabia.

Chapter 16
Strategic Management in German Mittelstand Companies

Helmut Kohlert
Esslingen University of Applied Sciences, Germany

ABSTRACT

The objective of this chapter is to analyze the special aspects of strategic management in Mittelstand companies. It is a German phenomenon, which comes primarily from the State of Baden-Württemberg, in the south-west of Germany. Although the south-west of Germany was one of the poorest areas in Europe at the end of the 19th century, it developed to the most prosperous region in Europe over the next 100 years despite two wars which threw the region back for decades. The Mittelstand companies especially, sometimes called "the mighty middle," are strongly connected with the German "Wirtschaftswunder," the rise of the German economy after 1945. The strategic approach of Mittelstand companies is the content of this chapter. The formal approach of big corporations in strategic management does not really work in the very owner-centric environment of a Mittelstand company. The owners of Mittelstand companies seem to act more intuitively and are more intrinsically motivated than their counterparts in big corporations. The question now is what do Mittelstand companies have in common in their strategic management which can be generalized? This is the basic question of this chapter, which is looking for plausible answers.

INTRODUCTION

The basic reasons for strategic management are the same in every company of each size, to anticipate futures trends and to provide the appropriate market offerings. This implies that companies are able to indicate the new trends, to identify possible business opportunities, to develop their employees for further new tasks, and to change their organization and their business processes for "future fitness". It may include typical strategic questions for the company:

- Could the company make use of the existing strengths in the future? Could the current strengths be adapted or should new strengths be developed?
- What capabilities and resources are required to provide the future strengths of the market offerings and the company? Could

DOI: 10.4018/978-1-4666-5962-9.ch016

existing skills of the employees be transmitted into future business segments?

- How can our efforts be organized to generate new businesses, innovative market offerings and new strategic alternatives? Are there strategic options which may emerge, are already predictable and which could be used?
- What are the business opportunities in the market segments within the next five years?
- How well does the organizational structure and the business processes fit the future purpose or are there any obstacles?
- How can we get our external managers to think strategically? How can we get people committed to the company?

There are different approaches to develop strategies. Porter developed a market-based view with a strong focus on the different forces in the industry structure. Porter also established strategic management as an own discipline (Porter, 1985). Other authors added internal issues such as strengths and resources to the discussion and formed the resources-based view of strategic management which became popular through the publications of Prahalad and Hamel (1990). Parallel to these developments another approach included financial aspects into the strategic discussion and focused on the shareholder value (Rappaport, 1998). It can be assumed that the chosen approach in strategic management differs in every industry and every size of company. The set-up of strategies follows particular procedures, from very intuitive to very formal.

The culture of Mittelstand companies is very well connected with the German "Wirtschaftswunder" after the war, especially in the 1950s and 1960s, where many medium-sized companies started and are companies with more than € 1.000 Mio. in sales or more. Today, of course, on the way to a multi-billion-Euro company, formalization finds its way into the company. Examples for this development are companies like Kärcher, who were practically unknown twenty years ago and who pushed their sales from € 107 Mio. in 1990 to € 1.923 Mio. in 2012 with their innovative market offerings. According to statements of Kärcher, innovation is, and was the most important growth factor for Kärcher. Since 2008 Kärcher has brought three worldwide innovations to market in the field of pressure washers for end consumers alone (Kärcher, 2011).

THE TERM "MITTELSTAND" IN BUSINESS

The definition of the term "small and medium sized enterprises" (SME) is mostly based on quantitative criteria such as sales made in the past and amount of employees, e.g. less than 500 employees and sales less than € 50 Mio. is a widely used definition defined by the German "Institut für Mittelstandsforschung", and less than 249 employees and less than € 50 Mio. in sales, defined by the European Union. In Taiwan, the definition of SMEs is a company with less than 200 employees or capital less than US$ 2,5 Mio. according to the "White Paper Book" of the Ministry of Economic Affairs. This shows that a global definition for SMEs cannot exist. The definition of SMEs depends on national or even regional circumstances.

The German "Mittelstand" can be defined very well through qualitative criteria, so the following characteristics can be used (Ahsen, Heesen, & Kuchenbauch, 2010, p. 4):

- The unity between ownership and management with a special emphasis on the owner.
- The management is often very technical oriented with close relationships to suppliers as well as to customers.
- Flat hierarchies, especially in smaller Mittelstand companies, make it possible to react very fast in case of environmental changes or to overcome obstacles.

Following the German Secretary of Economics for this article, “Mittelstand” should be defined as the unity of owner and management (BMWi, 2007). The owners as well as the management are the same person(s), at least in the first generation. Next to the unity of ownership, management, risk taking and controlling, this leads to further typical characteristics of Mittelstand companies: Flat hierarchies, consensus between management and employees, personal relationships within the company, as well as between the company and its environment are independent with regards to company politics as in big corporations (Reinemann, 2011, 5). The product range is more limited than in big corporations. The financial and human resources, although often well equipped, leave no room for wrong decisions.

The intuition of the management plays an important role, formal tools and methods are not that widely used than in big corporations. In Mittelstand companies, strategic decisions may be more intuitive and not the result of thoroughly conducted studies before the company makes the decision. Intuition can be defined as the sum of all learning experiences made in the past and the capability to handle complexity (Kruse, 2004, p. 43). It can be used very well if circumstances are partly unclear or cannot be quantified, e.g. decisions about co-operations with other companies, hiring of new employees, or the design of new market offerings (Schäfer-Kunz, 2006, p. 88).

This sounds more like a “trial-and-error” strategy of the Mittelstand owner. To avoid a possible misunderstanding: Mittelstand owners as well as Entrepreneurs are no gamblers; they evaluate the risk of their ventures and decide in awareness of possible losses. Mittelstand companies are more than big corporations formed by characters, which built up or enlarged the company including a good portion of self-confidence. Therefore there is an existing trust in the intuition by the Mittelstand owners.

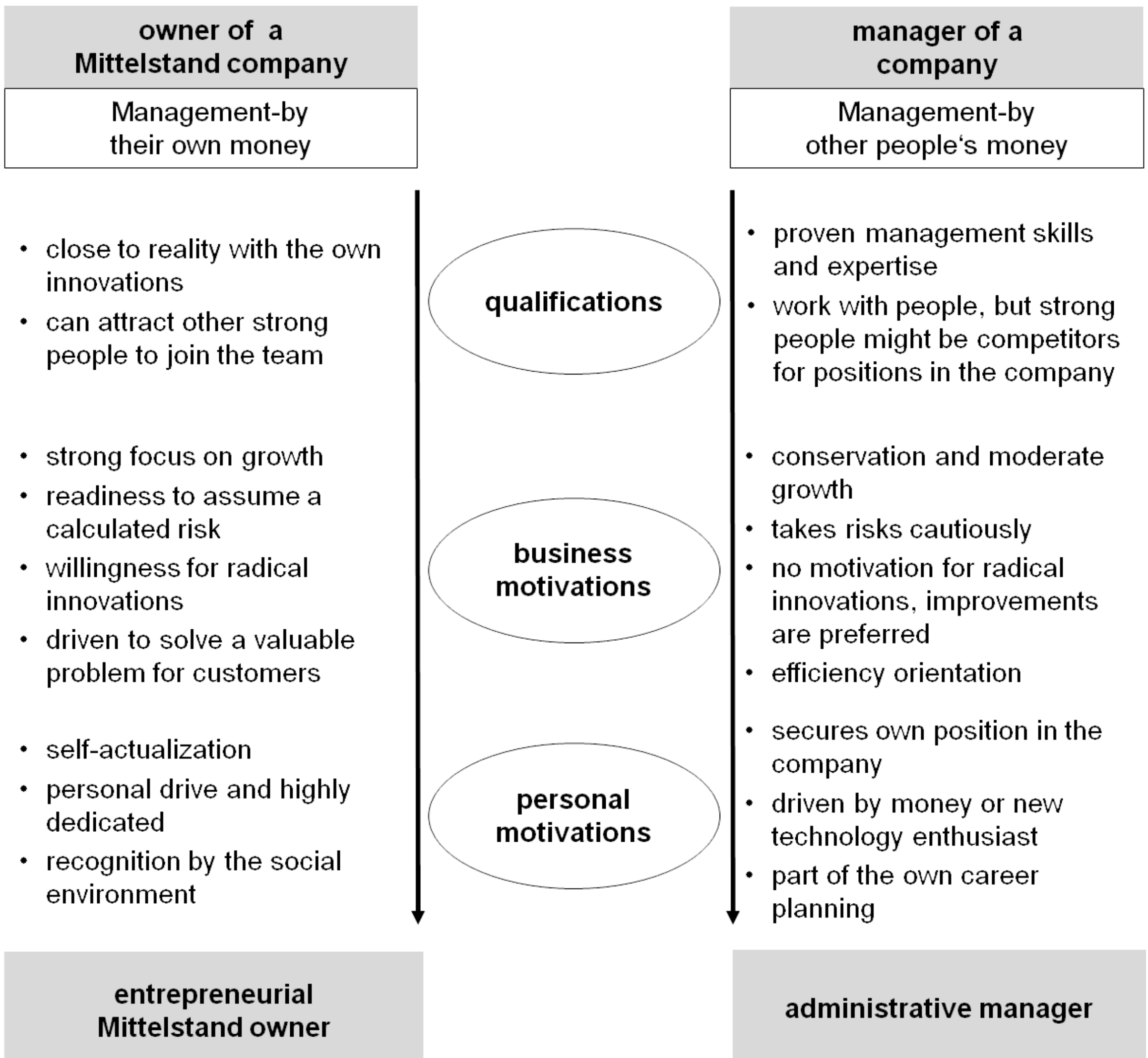
The unity of ownership, risk and controlling opens the possibility for quick decisions and foreseeable decision making processes. While in big corporations the separation between management and controlling board and stockholders (owner) can lead to sole decisions of the management, who spend “other people’s money“. In Mittelstand companies, the owner is involved in the process and “spends his own money“. This leads to different characters. The owners of Mittelstand companies fulfill many of the typical criteria of Entrepreneurs, according to an empirical study in Germany in 1998 (Arbeitskreis Entrepreneurship, 1998), where 50 Entrepreneurs were interviewed, the results are partly included in Figure 1.

Money is still the measure of impact and a reliable indicator for being on the right path. Company politics, careers within the system “corporation” do not effect the decision making process in the Mittelstand. There are significant differences between these two characters (Fueglistaller et al., 48–49).

The flat hierarchy is the result of fewer employees than in big corporations. Owners tend to make the strategic decisions but also influence the operations. The personal values of the owner are equal the company’s values. This is sometimes expressed in a “patriarchal corporate culture” where the management/owner feels a very strong responsibility for the employees or even for the daily operations. The employees were often mentioned in the empirical study of Kohlert and Rempel in 2013 where they interviewed engineers who built up their own company: The employees were the core reason of their personal success. This social component “care about employees“ keeps the fluctuation low and provides stability in the company (Kohlert & Rempel, 2013). No surprise that many authors are concerned with the success factor employee in this context (Reinemann, 2011, p. 65; Felden & Menke, 2006, p. 51; Hennerkes, 2006, p. 155–156).

The personal relationships and the networks are essential for corporate success. This network is not that much based on organizations but on close

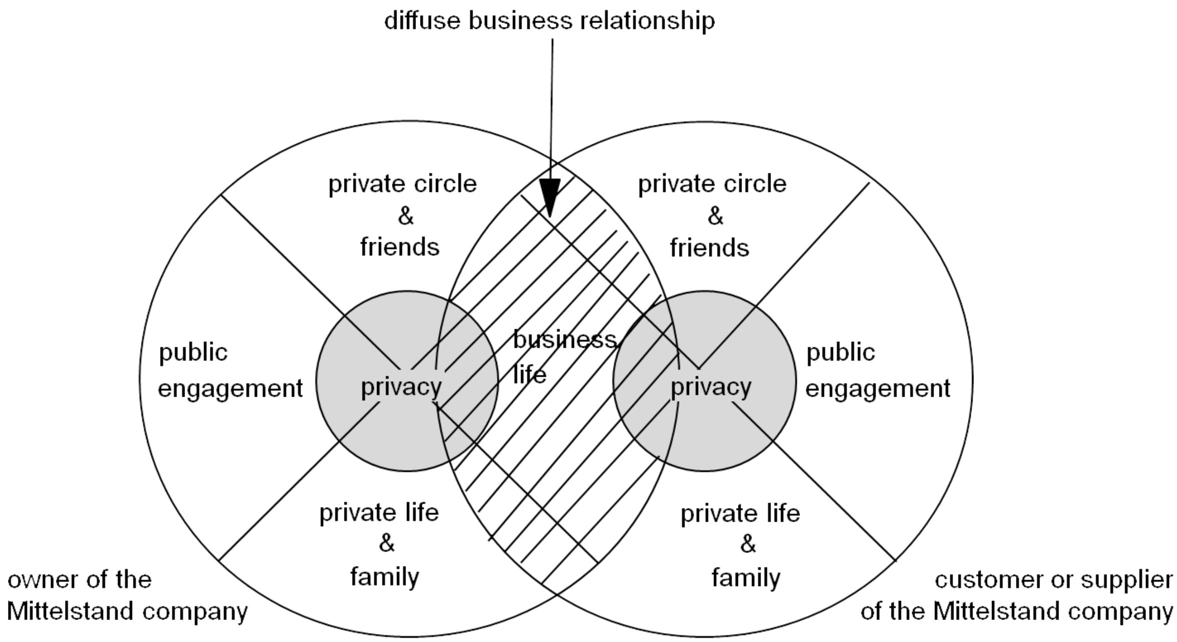
Figure 1. Owner and manager



trustful relationships with customers, between the members of the management, the employees, and with other companies where they can exchange information and experiences. In intercultural issues, this is called a "diffuse cultural type" (Müller & Gelbrich, 2004, p. 99; Tompenaars, 1993, p. 110). (see Figure 2)

The relationships are not limited to "business life" but extent over time to the private sphere, including the family. This "affective tendency", to show emotions, is more frequent in South European countries, South America, not in Northern European countries. It seems that Mittelstand owners also have a good portion of it. Often later personal friendships arise by reason of the existing business. The combination between rational reason and the affective dimension keeps relationships stable, also in times of a crisis or if problems occur.

Figure 2. Special relationship between the Mittelstand owner and suppliers and customers



STRATEGIC MANAGEMENT IN CONTRAST

Strategic management analyzes the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in internal and external environments (Nag, Hambrick, & Chen, 2007). It entails specifying the organization's vision, mission, and objectives:

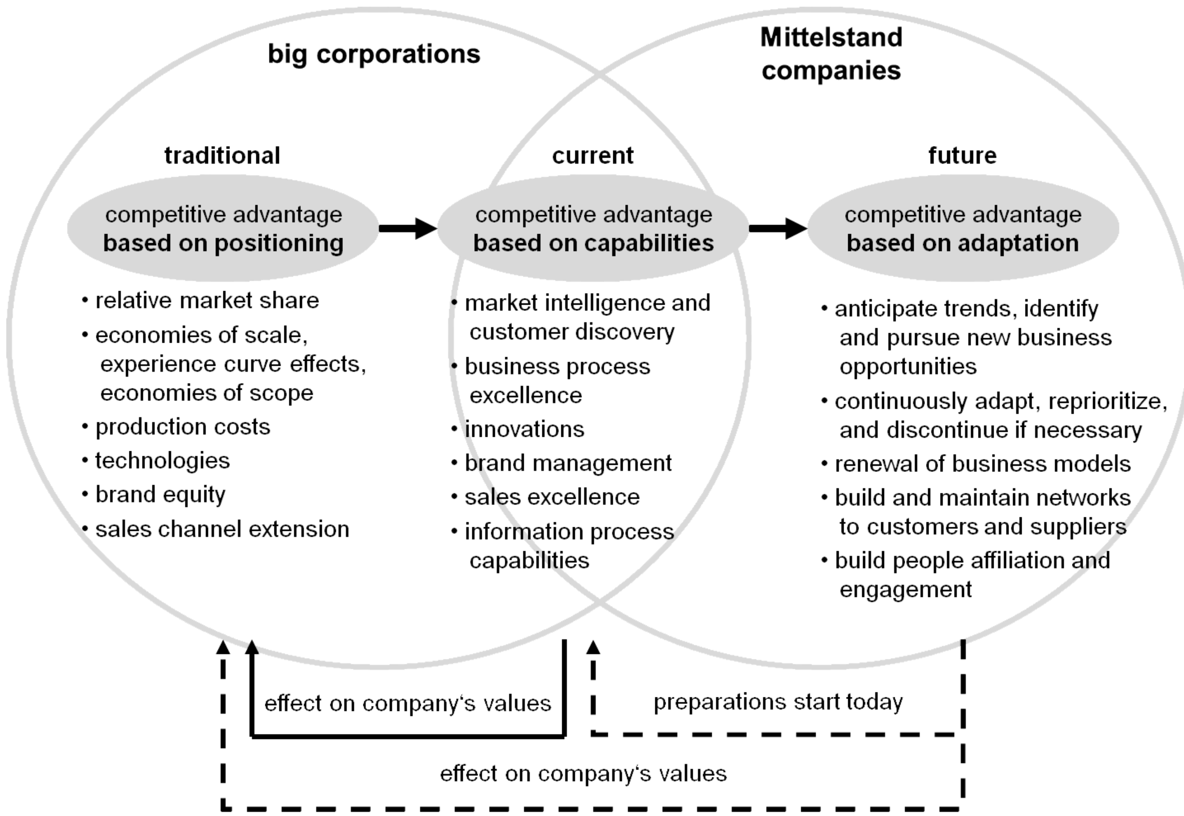
- The vision is a description of the future appearance of the company which should lead to advantages for customers.
- The mission describes the reason why the customer needs the company.
- The objectives are intended for future situations and give a detailed positioning in every business segment through quantifying the objectives.

All three fix the frame and provide a clear message inside the company to the employees which they are able to memorize, to believe and to follow. The resources are allocated to implement and to realize the objectives through strategies and actions. The strategies are the directions to reach the objectives, actions reveal the next steps.

Strategic management has convincing answers to the question, why anybody in the long run should buy market offerings from their company, despite the fact, that most markets are rather constant than emerging, the competitors intend to achieve similar objectives, the pressure of competition is constantly increasing, some trends are contradictory to the own interests and that the resources will be limited in any case.

The typical strategic questions for big corporations and for Mittelstand companies may be the same, but the focus is different when they have to think about the future direction of the company. While Mittelstand companies seem to be more focused on the opportunities in the market and on the business opportunities within the next five years, where the own strengths can be used; the big corporations tend to focus on the classical issues. (see Figure 3)

Figure 3. Focus of Mittelstand owners and of big corporations



There are no doubts that many big corporations would be very contrary to these statements, some are right, but when we think about how many big corporations appear more as "fat cat" with tons of bureaucracy, analyzing markets and competitors around the clock than as an energetic enterprise.

There is no empirical evidence yet that the focus on competition only neglects the view to the own strengths but we must be aware that customers pay premium prices for strengths which address their needs. But when big corporations postulate that their objective has a "high profitability" which should be the result of good work, it reveals the distance to the most important factor of the company: the customer who buys, buys again and gives recommendations to other buyers. In some interviews with technical Mittelstand companies it was significant that the observation of competition was not the primary focus (Kohlert, 2010, 58–61). It can be predicted that business processes and the shape of the organization also play a minor role in Mittelstand companies. In other words: The focus on the customer is the key for success for the Mittelstand company. They perch on the market-based view of Porter.

MITTELSTAND AND ENTREPRENEURSHIP

The similarity between Entrepreneurship and Mittelstand is obvious: A small and medium enterprise may employ an entrepreneurial approach (Kohlert, 2013a). This is due to its comparatively small size and scope of operations, as well as possessing fewer resources. The business ecosystem differs from big corporations (Kohlert, Fadai, & Sachs, 2013, p. 16):

- They are aware of their strengths which meet the customer needs and they are able to focus on these recognized strengths. The positioning of Mittelstand companies is mostly without any doubts.
- They are able to bring reality into the vision and to proceed to the next step on the way to realization. This is important to take their employees with them, especially those who need to recognize smaller steps on the way to success.
- They have an ability to build and to maintain relationships within their circles.
- They are able to build their business around people and their personal strengths, while big corporations are looking for a person who fit the job description.

The term "Mittelstand" is strongly connected with the "Entrepreneur". An Entrepreneur is a person who perceives a business opportunity and creates an organization around it to pursue this opportunity without regard to resources currently controlled (Bygrave, 1994, p. 2; Stevenson, 1999, p. 10). The Entrepreneur takes risks, makes decisions and embeds them in an organization with a special corporate culture. The term "Entrepreneurship" encompasses many different aspects; it is the expression of different extraordinary talents and capabilities. The following different kind of companies can comprehend elements of Entrepreneurship which can be considered as Mittelstand companies with a different focus (Kohlert, Fadai, & Sachs, 2013, p. 4). (see Figure 4)

- In a start-up company the Entrepreneur as a Mittelstand owner builds new structures to realize the business opportunities.

Figure 4. Entrepreneurial elements in Mittelstand companies

- In an innovative/technology oriented company, structures must be changed constantly according to the situation in the developing environment of the innovative market offering. Improvisation is needed; this is the opposite of bureaucratic behavior in big corporations where people are forced to act within the business processes. However, in a new project in a big corporation, Entrepreneurship may be needed, especially when the company enters into new fields of business or into new country markets.
- Family owned businesses are often strongly connected with Entrepreneurship, especially in the first generation where a strong founder started the business. Later, the challenging question might be: Who will succeed?
- In small and medium sized enterprises, Entrepreneurship is needed as these companies are not as specialized as compared to big corporations. This also provides some flexibility which is also an indicator of entrepreneurial businesses.

As business is people, the owner as Entrepreneur is in the main focus of the consideration in a Mittelstand company. What makes the Entrepreneur successful? No doubt there are driving forces and restraining forces which affect the Entrepreneur (Kohlert, Fadai, & Sachs, 2013, p. 16; Arbeitskreis Entrepreneurship, 1998). (see Figure 5)

According to an empirical study of Kohlert and Rempel, the Mittelstand owner's motivation for strategic decisions can be based on the "basic trust in the own person", the "ability to learn from mistakes" and especially the "personal growth which

Figure 5. Driving and restraining forces which affect the entrepreneur

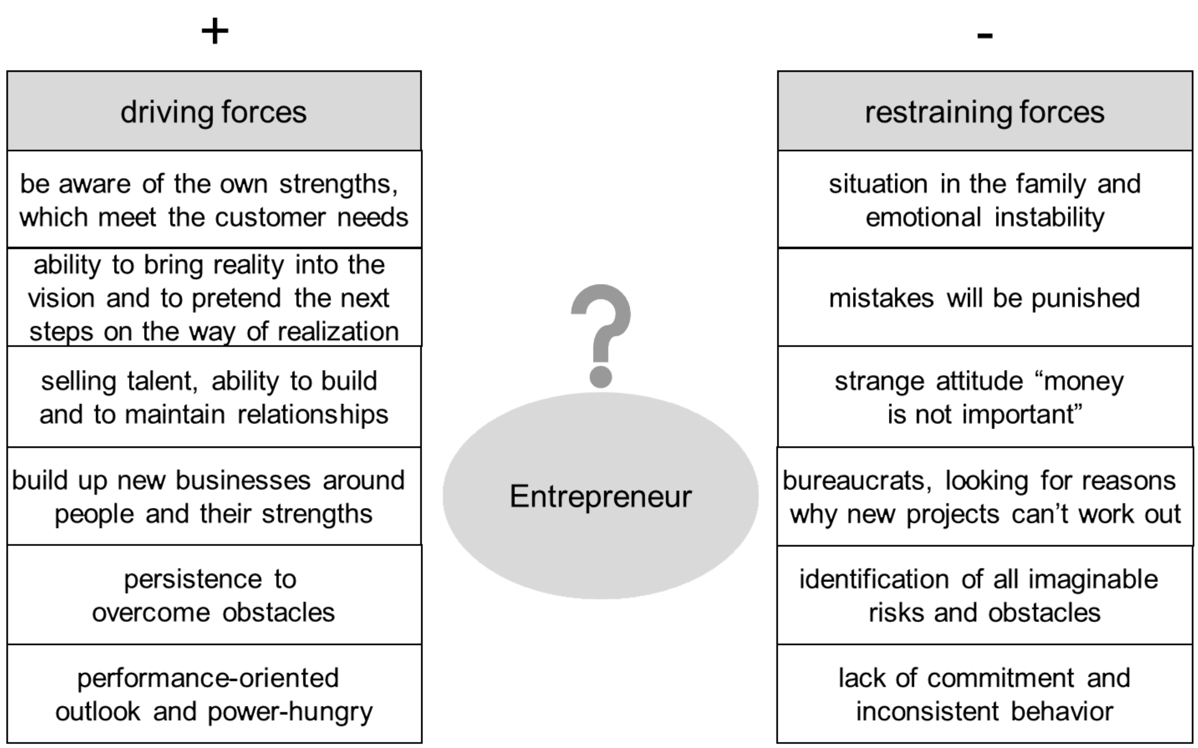
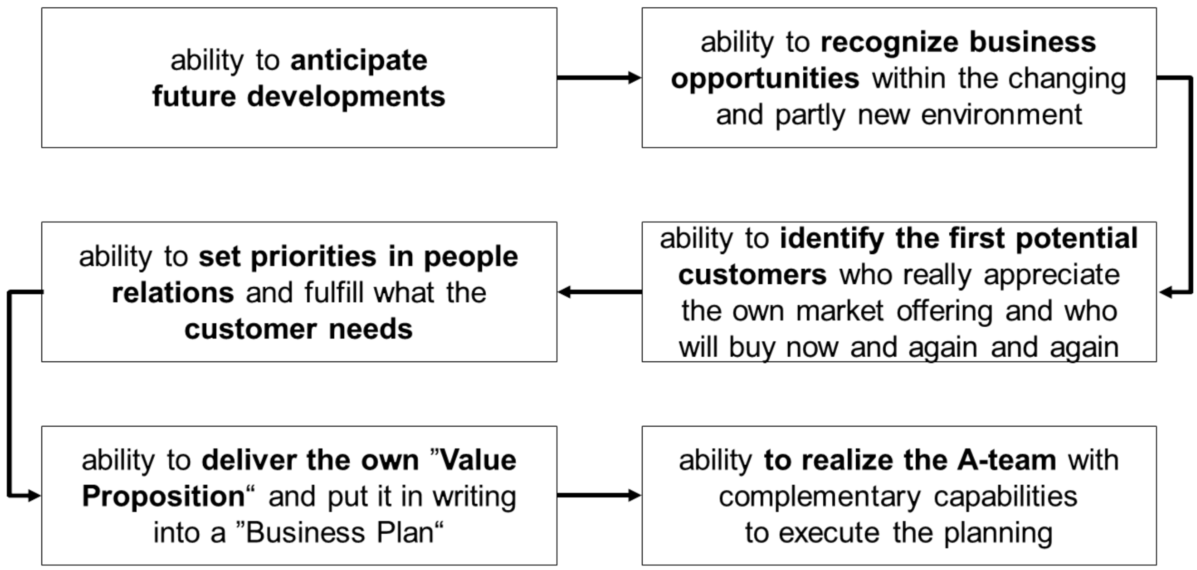


Figure 6. Six abilities of entrepreneurial Mittelstand owners



takes place in going through difficult situations" (Kohlert & Rempel, 2013). The Entrepreneur is able to push the driving forces and to balance out through complementary partnerships or to avoid the restraining forces.

An additional interesting aspect concerning Entrepreneurs: In their empirical study consisted of 523 SMEs in Nigeria, Woldie et al. found out that there is significant relationship between the age of the owner/manager and the level of growth attained. Growth was noticed more in middle-aged and older owner/managers (Woldie et al., 2008, p. 11). This might be an indicator that Entrepreneurship is not a question of age but of attitude: Entrepreneurship is independent of the age of the person. But the characteristics are important, typical Entrepreneurs have six characteristics in common (McGrath & MacMillan, 2000, p. 2). (see Figure 6)

- Entrepreneurs are able to recognize future trends in advance, earlier than others.
- They also have a talent to sense future markets and even business opportunities which occur in a changing environment or in markets in embryo.
- They identify the "first potential customers" which will be their first in the new market. These first customers may re-order and give recommendations; it is the starting-point of the company growth in the new market.
- Relationships are managed as well as market offerings and the achievement of customer needs. Priority setting means to oversee bagatelles which are not important and to recognize where action is needed immediately.
- The "Value Proposition", means the uniqueness of the market offering from the customer point of view, based on core competences, which are the resources and capabilities which must exist to provide the characteristics of a market offering (price and value) and to fulfill the success factors of the competition (Kohlert, 2013a, p. 30). This is conceptualized in the business plan with the totality of significant business opportunities for a company in a certain time

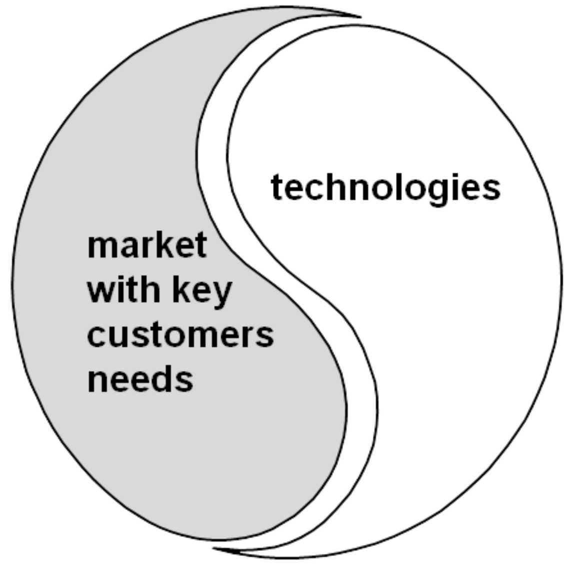
frame, including the organizational building process. To pursue and achieve these opportunities, it lists down the resources needed and opposes the risks to the rewards expected.

- To attract the right people to follow and to join at Mittelstand company instead of starting their career in a big corporation is decisive for corporate success in the Mittelstand. In an A-team with complementary skills of the different team members you have to be comfortable with differences.

Again it is visible that personal relationships have a high priority. According to an empirical study of Wong & Aspinwall where they analyzed the introduction of knowledge management in small and medium-sized enterprises (SME) based on 72 SMEs, the overall mean importance of the critical success factors "management leadership and support" and the "culture" with the company were considered as "important to very important" when knowledge management should be introduced (Wong & Aspinwall, 2005, p. 73). This shows the high importance of personal contacts in times of new developments.

In many cases, planning for the future means "change the rules". So the key requirement is to recognize the trends. The actual rules in the market are well known and influenced by competitors in their favor. New rules open up new opportunities or bear new risks. In any case they establish new strategic options and may destabilize the actual market situation. They are able to connect the serious technology with the satisfaction of the real needs of the customer. However, many Entrepreneurs are that thrilled about the new technology they have developed, that they cannot be objective enough to determine if it meets the real needs of the customer (Lambing & Kuehl, 2003, p. 81). But technology must always meet customer needs. (See Figure 7)

Figure 7. Technology meets customer needs



STRATEGIC RELEVANCE FOR THE MITTELSTAND

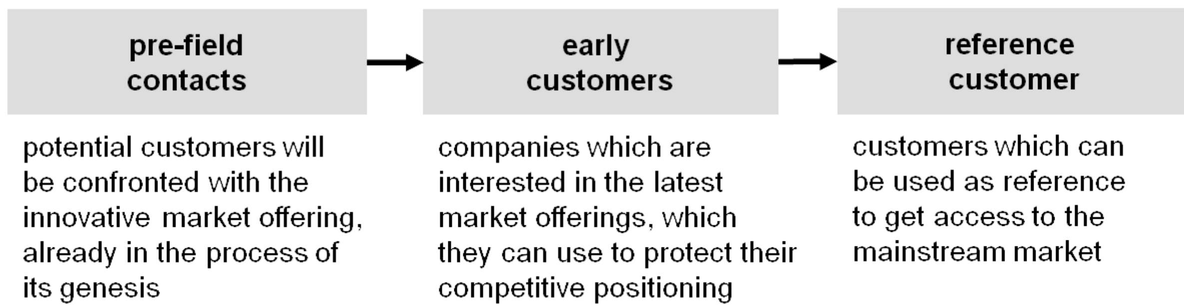
Close Ties with the Customer

The customer has first priority: Mittelstand companies know the market and have customer access. This is often based on the experiences of their previous career. Especially when innovative market offerings should be launched into the market, customers must be developed step-by-step (Kohlert, Fadai, & Sachs, 2013, p. 53). (See Figure 8)

They are able to align all the activities to finally meet the reference customer. The "reference customers" are the key to getting the 5% who influence the other 95%. To understand customers economic benefit, you need to get it into their heads and model the positive effects on their business of using the market offering:

- Understand how they are currently solving the problem?
- Understand how their work processes will change by using your product and finally?

Figure 8. Stages from pre-field contacts to the reference customer



- Calculate the change and reveal the payback?

The pre-field contacts are essential for entrepreneurial Mittelstand company owners. These meetings with potential customers in the pre-field, long before the final market offering is finished, gives insights not only concerning the proposed market offering. They also reveal information about promotion, prices and sales channel in the proposed markets. There is also evidence that it is easier to win clients when they have participated in the development of the market offering (Onyemah, Pesquera, & Ali, 2013, p. 39).

Mittelstand company owner are good at these relationship building activities. The most successful sales person despite on sales abilities is often the owner of the company. Nobody is more convincing than the owner of the Mittelstand company. There are people in these companies who visit their important customers year after year, all over the world: Their message is simple: We really care for you, dear customer.

In this context, the term “familyness” is used. The “familyness” as a set of different extraordinary resources and capabilities is developed through the interaction between family and company. In other words: Certain resources and capabilities may include strong family aspects which can be identified in Mittelstand companies. The sum of these is called the “familyness” (Mühlebach, 2004). Regarding customer relationships the long-term contacts between the Mittelstand company and the customer “in good and in bad times” establishes predictable behavior and provides security for the two parties in terms of trust, reliability and a mutual understanding. This implies an added value in a global economy (Frey & Halter, 2006, 172). The transfer of these relationships is essential in the transition to the next generation.

Innovation and Business Opportunity Understanding

Innovation pressures apply to large companies as well as small- and medium-sized enterprises (SMEs). SMEs appears often more fertile than larger firms in terms of innovation (Afuah, 1998). According to an empirical study of Lin & Chen of SMEs in Taiwan, where 877 companies were interviewed by telephone, came the following conclusions: 80% of the companies are engaged in some kind of innovation, 53,5% had implemented both incremental and radical innovations, 21,2% had incremental innovations only, and only 5,1% had radical innovations only (Lin & Chen, 2007, p. 121). The conclusion that Mittelstand companies are very innovative can be drawn.

How is this in Germany? If we consider that applicants with only one application per year as Mittelstand, 65,5% of all patents come from Mittelstand companies, if we include the applicants with 2–10 applications per year we can add another 30,5% (Deutsche Patent- und Markenamt, 2012, p.

90). In publications, it is assumed that in Germany 90% of all patent applications are from Mittelstand companies and inventors. This reveals the high importance of the Mittelstand sector with their innovations for the German economy. Until today, the amount of patent applications in the State of Baden-Württemberg is the highest in Germany. 31% of all patents have their origin in the State of Baden-Württemberg, by far the highest density of patent applications per 100.000 people (Deutsche Patent- und Markenamt, 2012, p. 7).

The comparative advantages of Mittelstand companies over large firms in innovation are their flexibility and speed of response (Acs & Audretsch, 1990). As a result, SMEs generally make a valuable economic and social contribution because of their innovative capacities. Even being "open to the unexpected", which can also be referred to as "strategy by coincidence" (Czinkota, Ronkainen, & Zvobgo, 2011, p. 280), should not be misinterpreted in following every apparent "window of opportunity".

Mittelstand companies are able to follow opportunities as the following example reveals: The company CIBER Novasoft AG, offering SAP services, refused entering into the Russian market in the 1990s, even when a Russian employee suggested to seize the existing opportunities. The focus was on the established markets. Russia appeared as too "unexplored" and insecure. But when the Russian employee came back from his vacations with his family from St. Petersburg, he carried with him a concrete request from a Russian supermarket chain. The attitude changed immediately and the company started to enter into the Russian market immediately thanks to the entrepreneurial Russian employee (Kohlert, 2005, p. 208–212). Years after this "foreign market entry by opportunity", it is a successfully running and established business in Russia.

The owners of Mittelstand companies are strong in recognizing business opportunities, follow them up but also balance out and do not follow up if considered as a wrong path (Kohlert, Fadai, & Sachs, p. 2013, 99):

- Is there really a business opportunity? Do we know enough about the customer's business to determine if the cost of the status quo exceeds the cost of change?
- Is the own company ready to enter into this competition? Can we provide value to the customer that can be differentiated from competitors?
- Is there a real chance to make the deal? Are we aligned with the right people in the customer organization? And do the most powerful people in the organization support us?
- Is it profitable for the own company? If we win the opportunity, will it provide us the return and profit we expect?

They also know that despite current success, the "new product development pipeline" must be full (Kohlert & Rempel, 2013). They are ahead of their time in working on covering anticipated future customer needs. In the study of Lin & Chen of SMEs in Taiwan, they also probed the contents of innovation to see the most commonly practiced types of innovation among technological, marketing, administrative, and/or strategic innovations:

- Technological innovations represent 41.3% and 41.5% of incremental and radical innovations, respectively. In Taiwan, technological innovation is generally perceived as more important, more urgent, and more tangibly shows a return on investment. In addition, in the past, a very high percentage of Taiwanese SME owners have technological backgrounds, which increases the likelihood of the occurrence of technological innovation (Lin & Chen, 2007, p. 123).
- Marketing innovations are 28.7% and 34.3% of incremental and radical innova-

tions, respectively. The higher frequency of radical marketing innovations may explain that new brands and new markets require non-traditional marketing measures to attract consumers' attention. Marketing is becoming increasingly important (Lin & Chen, 2007, pp. 123–124).

This sounds very similar to German Mittelstand companies. Technically driven in their developments, they are just on the way to discover Marketing. Although it appears that in Marketing only some aspects e.g. promotion, sales process etc. are chosen (Kohlert, 2010, p. 58), but not the whole basket of methods and strategies.

Strong Business Model Understanding

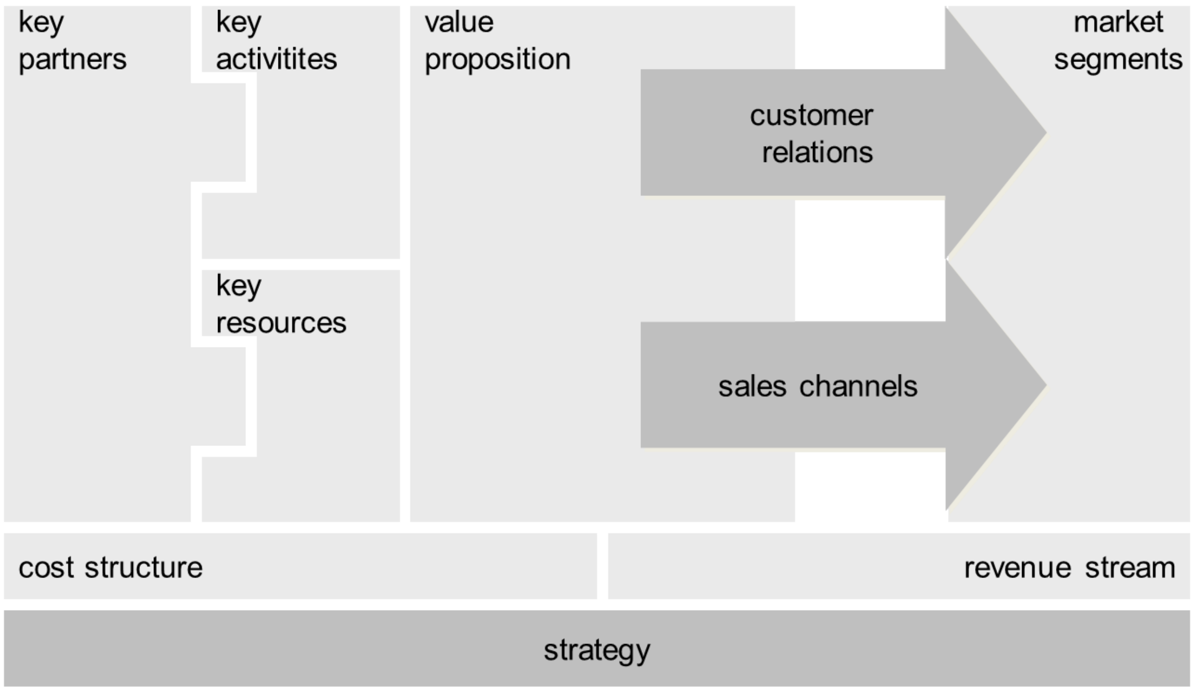
The Mittelstand owner really understands what their assets are in their "Business Models". A business model is a scheme by which a company uses its resources to offer its customers better value than its competitors and make money doing it. It tells who pays, how much and how often. A business model consists of three core components (Kohlert, Fadai, & Sachs, 2013, p. 110):

1. A sharp definition of the own "Value Proposition" which points out the customer value, the company is offering which is really beneficial for the customer when doing business together.
2. In the "Profit Model" it is clear how to make money within this business. A solid positioned company has different sources of income. The future income will determine the value of the business model and its sustainability.
3. The "Operations/R&D" will describe how the benefit for the customer will be generated. The operations include the description of the different stages of the value chain and the different economical roles.

The business model of Osterwalder & Pigneur gives an excellent overview about what the company is doing (Osterwalder & Pigneur, 2010; Kohlert, 2013b, pp. 86–88). (See Figure 9)

- The value proposition describes the part of the market offering which provides customer value for a specific market segment. This is closely related to the problem the customer is facing and is looking for solutions. The value proposition is also relevant for the positioning of the company in the eyes of their customers.
- The market segments define the homogenous groups of customers the company is focused to sell their market offerings. The key question is for which market segment could be generated the highest customer value and which market segment will appreciate this value at most.
- The customer will be reached through the sales channels, which are suitable and where the ratio costs of sales and achievable target price are best appropriated.
- The important customer relations will be built up and also maintained in every single market segment.
- The result of these activities is a revenue stream based on the real prices and the quantity of sales. Under revenue stream you normally look for several sources. The quality and quantity of the streams is later important for risk assessment of the profit model in the business model.
- Inside the company key resources must be available, to provide the extraordinary value proposition.
- These key resources are linked with the key activities which are critical for success and which could not be applied without the resources, e.g. in the production, certain quality of staff to maintain excellent services.

Figure 9. "Business Model" of Osterwalder & Pigneur



- Complete solution of the customers problems normally requires cooperation with key partners, without them, the implementation of the business model would not be realizable. The key partners provide the strongly needed complementary assets.
- The underlying cost structure will focus on those key activities, key resources and key partners, which are particular cost intensive.
- A strategy connects the company with a constant and consistent direction, in which the company is moving.

When the existing company has put together their business model, they are able to go deeper into every single part and look for improvement opportunities, e.g. how to improve the definition of their market segments.

Attract Others to Follow the Owner's Vision

Owners can realize ideas without many obstacles, if they have the budgets. Long decision making processes are not common. They often have the ability to set visions and work obviously on realization. According to Fueglistaller et al. the owner is the visionary and sets the directions, the company should develop within the next years, keeps the company on track to achieve the objectives and the next actions, receives information the whole time and has to decide who should receive what information at what time. The owner is the networker not only in the own industry but also in other circles which is important for getting new impulse. In some situations the Mittelstand owner is the combatant where detailed know how about the daily operations helps to fulfill another role as problem solver, especially when there are customer complaints, surprising competitive moves. Finally the controlling function measures the degree of achievement (Fueglistaller et al., 2012, pp. 112–114).

In the Mittelstand company, everything relies on the "Boss". Other people must follow. It is the Mittelstand owner who lets employees focus on certain markets, countries or the total company and who deals with the people: The owner is able to communicate the need for changes, is not only delegating, but also knows what the employees are doing and is interested in it and understands with his own professional competence what the employee is doing. If the employee fails, the Mittelstand owner has to able to do it himself. The ability of the owner to take the work of his or her employee and continue if needed, was mentioned several times in the empirical study of Kohlert and Rempel (2013). Mittelstand companies are able to grow, based on the motivation of the founder and the ability to attract others to follow.

Focus on Market Niches

The niche strategy consists in the concentration of a definite market segment, a distinct part of the market offering or a geographically defined market. Prerequisite for a niche strategy is a segmented market in which the strategy is concentrated on sub-segments. By concentrating on a single market segment, the company strives to optimally solve a market problem.

Niche strategies are typical Mittelstand strategies, especially when the own position is the "leading innovator" (Böllhoff, 2006, p. 124). The growth strategy is based on innovations, organic growth through market penetration and launching market offerings into new country markets. These are all strategies with a moderate risk profile.

Companies are focusing on end-user whose needs can be optimally satisfied thanks to their specialization, on a certain part of the value chain and supply services, certain sizes of companies that are overlooked by the bigger companies because they wouldn't be profitable for them. They can focus on a certain market offering for which there are virtually no specialists, on the "high end" or "low end" of the market segment price range or on a certain service which the competition isn't prepared to provide but which the customer values and is willing to pay for.

To identify market niches it is valuable for a Mittelstand company to investigate the possible pressure of substitutes, these are alternative solutions, which might shake the future business. Another aspect is the bargaining power of the customer: If it is high, it might make it difficult to convince new customers to change to the new product, ongoing innovations limit the possibility to develop a solid market (Kohlert, 2013b, 230). As the niche strategy is a very common strategic thrust of Mittelstand companies, it is vital to evaluate the niche properly (Kohlert, Fadai, & Sachs, 2013, p. 139). (see Figure 10)

DISADVANTAGES OF MITTELSTAND COMPANIES

Employees, especially graduates from universities very often prefer big corporations. They are classified as beneficial for the own careers, salaries seem to be better etc. This means for the Mittelstand company that they must have a stronger focus on their "employer branding". Some Mittelstand companies compensate this disadvantage in Germany with special offers to students as well as to universities: To identify candidates by their university and to become known, they are offering speeches within lectures, working as course lecturers, as a provider of interesting Bachelor's or Master's thesis topics, and are offering part-time jobs for students during their studies. The students gain experience and recognize the company as an attractive employer. The Mittelstand company is gathering their experience with students and is saving the money on the "assessment center" when they graduate and are ready to be hired as full employees.

Figure 10. Evaluation of the identified market niche

market volume (= size of a market niche)	• current possible sales in relation to available purchasing power, segment share of total sales
future importance of the market segment	• further potential because of unfulfilled needs • development tendencies for the market offering • technological attractiveness
competitive situation	• competitors • possibility to successfully defend market niche • preferred competitive strategies
vicinity to customer	• customer willingness to innovate • flexibility of adaptation to specific customer needs
customer benefits	• attainable customer benefits • own product advantages in opposition to competitor's products • cost/benefit-ratio
available potential and know-how	• strengths/weaknesses in own company in comparison to competitors • synergy effect for example by production, capacity utilization, technological attractiveness
ways to access the market	• making the most of available sales channels and customer relationships • application of the marketing-mix

There are always employees who prefer working in well-defined business processes, where they can read their job profile which hopefully fits into reality. In Mittelstand companies, flexibility is required. The new employee, who starts his career in the HR department and ends up some months later in the sales department because people are just needed, is not a rarity. But some people are "living the process" and are not deployable in Mittelstand companies. Woldie et al. concluded based on their empirical findings that owner/managers who had prior SME employment were more likely to run growth oriented firms (Woldie et al., 2008, pp. 11–12). However previous studies did not identify an association between prior experience and growth (Brush & Changati, 1998).

The risks of niche players should not be underestimated. Operating in a limited market may cause problems if the niche is not expanding enough with insufficient purchasing power, or competitors are discovering smaller niches within the previous niche, the niche is getting too big and has suddenly become interesting for big corporations who have neglected this market segment originally as well (Kohlert, 2013b, 229). Permanent market research is required by the Mittelstand company.

Another disadvantage is the strong footprint of the owner where their successor, e.g. son or daughter, cannot meet the high expectations and hardly follow. The problems of succession, e.g. transition from father to son or daughter, loss of identity in the 2nd generation because of different socialization and education, the advanced family includes aunts, uncles, and cousins, as recognized and described in the literature (Schäfer, 2006, 18–20). A long-termed footbridge is required. There is a strong need for a contingency plan in case of accidents when a company is very much focused on one person only. Authors like Schulze et al. find that family run companies suffer from costly agency conflicts induced by altruism between family principals (e.g. parents) and family agents (e.g. children) (Schulze et al., 2003). This is less difficult in cases of two or more owners. However, the struggle may start in the second generation.

If the owner decides to shift his family owned and managed company to an external management, e.g. if no successor is found, it is a major decision which will also affect the employees and customers etc. It is less risky to consider this as a process where the family as stockholder may reduce their share, supervisory boards are staffed by more and more externals, and finally with an external management board. However, in this case a transition period is assumed, an emergency is not considered.

FUTURE TRENDS IN MITTELSTAND COMPANIES

The "founding generation" after the war is coming to an end the question arises how the given strategic management approach will be continued or transformed into a less intuitive, professional management run approach? According to observations both directions can be found which depends on the quantity of owners in the second or third generation. If the successors are only one or two people, there is a chance that the company will continue in a similar way, if the ownership in a "Mittelstand" company is divided into several "family clans" companies are delegating decision making competences to a "supervisory board" which may become very powerful.

In the composition of these "supervisory boards", whether legally required or voluntary, non-family members are coming into these positions, to import external know-how into the own company. Know-how is one side of the coin but maybe people who might act as moderator in case of family disputes may be another (Schäfer, 2006, p. 24). In case of financial issues this may range to venture capital companies which also bring in external expertise in addition to the financial funds. The combination of control or supervisory and financial dependency is not innocuous, especially in the case of disputes.

Mittelstand companies seem to be on a good track into globalization. Mittelstand companies like Festo are operating in more than 174 countries (Festo, n. d.), but it will be a constant challenge to expand into markets which are less secure and with new ways of doing business, than the traditional markets. The "risk of doing business abroad" is increasing as the markets are getting less familiar. New forms partnerships are required (Roberts & Berry, 1985), where the experiences are not widely available yet.

RECOMMENDATIONS ON STRATEGIC MANAGEMENT FOR THE MITTELSTAND

1. Focus on the most valuable asset of the company, the customer and invest into building and maintaining the customer relationships. Close ties with the customer are the highest and most solid value of the Mittelstand company.
2. Follow the Entrepreneurial intuition but secured by facts.

3. Identify the personal strengths of the owner and enlarge them, have the awareness of weaknesses and observe them but focus on what is driving the company. Strengths may be quality issues, more qualified experts, close to the customer but also the complementary assets which complete the market offerings close to 100% of the customer requirements (Kohlert & Rempel, 2013).
4. Understanding about the own business model which is essential to have the complete picture of the customers' requirements and the composition of the own company. Optimization is a never ending challenge for the Mittelstand company.
5. Have the ability to delegate and the ability to set priorities, do not waste time into saving taxes. It will not convert to a strength, except if you are opening an accounting office.
6. Build your company around the people who are in the company, using their talents and interests. New business generation maybe based on the personal engagement of a few members of staff.
7. Mittelstand companies are able to take advantage of the moment, seize the opportunity, and to change plans to achieve the objective without going through many decision making processes through company hierarchy. In other words: They are fast which is their strategic competitive advantage over big corporations.

FUTURE RESEARCH DIRECTIONS

Strategic management is mostly investigated from the perspective of the big corporations. It is understandable as in many countries big corporations are dominating the economy. On the other hand, the medium-sized companies can be the backbone of the national economy. They are mostly more flexible, more innovative and simply faster than their bigger counterparts. Therefore it is advisable to care more about the Mittelstand ecosystem in a nation!

It would be helpful to know more about the different ways of Mittelstand company owner how they become successful and to look for derivations for further generations of "newly-appointed" Mittelstand owners. This also includes all the functions in business administration: How do Mittelstand firms recruit? Do they have other criteria or procedures than big corporations? What do they control to follow-up their path? How are they dealing with the extraordinary bureaucracy in many countries? But also, what can big corporations and Mittelstand companies learn from each other?

CONCLUSION

In the past "big was beautiful" but during a crisis the small and medium-sized companies are much more robust. They do not have the pressure from capital markets, they do not over hire, they have the employees they need and they do not employ high level managers to prepare PowerPoint-presentations. So it makes sense to take the Mittelstand companies as "stabilizer" of the economy and society more into consideration.

REFERENCES

Acs, Z., & Audretsch, D. (1990). *Innovation and small firms*. Cambridge, MA: The MIT Press.

Afuah, A. (1998). *Innovation management: Strategies, implementation and profits*. New York: Oxford University Press.

Ahsen, A., Heesen, M., & Kuchenbach, A. (2010). Grundlagen der Bewertung von Innovationen im Mittelstand. In A. von Ahsen (Ed.), *Bewertung von Innovationen im Mittelstand* (pp. 1–38). Heidelberg, Germany: Springer. doi:10.1007/978-3-642-01700-1_1

Arbeitskreis Entrepreneurship der Wirtschaftsjunioren Stuttgart (Junior Chamber of Commerce). (1998). *Entrepreneure unternehmen. Empirical study*. Stuttgart, Germany: Author.

BMWi. (2007). *Der Mittelstand in der Bundesrepublik Deutschland: Eine volkswirtschaftliche Bestandsaufnahme (Dokumentation Nr. 561)*. Berlin: Author.

Böllhoff, M. W. (2006). Wachstum von Familienunternehmen – zwischen organischem Wachstum und aktiver Akquisition. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 119–132). Stuttgart, Germany: Schäfer-Poeschel.

Brush, C. G., & Chaganti, R. (1998). Business without glamour? An analysis of resources on performance by size and age in small service and retail firms. *Journal of Business Venturing*, *14*, 233–257. doi:10.1016/S0883-9026(97)00103-1

Bygrave, W. D. (1994). *The portable MBA in entrepreneurship*. New York: John Wiley & Sons.

Czinkota, M. R., Ronkainen, I. A., & Zvobgo, G. (2011). *International marketing*. Andover, UK: South-Western Cengage Learning.

Deutsche Patent- und Markenamt. (2012). Jahresbericht 2011. München, Germany.

Felden, B., & Menke, M. (2006). Mitarbeiterführung in Familienunternehmen-zwischen Patriarchat und Mitarbeiterbeteiligung. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 51–68). Stuttgart, Germany: Schäfer-Poeschel.

Festo. (n. d.). *Website*. Retrieved from www.festo.com

Frey, U., & Halter, F. (2006). Kundenbindung von Familienunternehmen – zwischen Persönlichkeit und professionellem Marketing. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 165–176). Stuttgart, Germany: Schäfer-Poeschel.

Fueglistaller, U., Müller, C., Müller, S., & Volery, T. (2012). *Entrepreneurship. Modelle, Umsetzung Perspektiven*. Wiesbaden, Germany: Springer Gabler.

Hennerkes, B.-H. (2006). Markterschließung durch Familienunternehmen – erfolgreich zwischen Markenpolitik und Markenführung. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 151–159). Stuttgart, Germany: Schäfer-Poeschel.

Kärcher. (2011). *Website*. Retrieved from www.karcher.com

Kohlert, H. (2005). *Internationales Marketing für Ingenieure*. München, Germany: Oldenbourg.

Kohlert, H. (2010). Marketing in technisch-orientierten Unternehmen. In marke41, 5, 58–61

Kohlert, H. (2013a). *Germany's entrepreneurial engineers - An empirical study.* Paper presented at the conference of BAMDE Bulgarian Association for Management Development and Entrepreneurship The European Entrepreneurship: How Entrepreneurs (Should) Act in Global Business Environment International Conference in Albena/Bulgaria.

Kohlert, H. (2013b). *Marketing für Ingenieure*. München, Germany: Oldenbourg. doi:10.1524/9783486719949

Kohlert, H., Fadai, D., & Sachs, H.-U. (2013). *Entrepreneurship for engineers*. München, Germany: Oldenbourg. doi:10.1524/9783486769722

Kohlert, H., & Rempel, I. (2013). *Germany's entrepreneurial engineers* (unpublished empirical study). Esslingen University of Applied Sciences, Germany.

Kruse, P. (2004). Navigation in der Unsicherheit. In Wirtschaftspsychologie aktuell, 1, 42–47.

Lambing, P. A., & Kuehl, C. R. (2003). *Entrepreneurship*. Upper Saddle River, NJ: Prentice Hall.

Lin, C. Y.-Y., & Chen, M. Y.-C. (2007). Does innovation lead to performance? An empirical study of SMEs in Taiwan. In Management Research News, 2, 115–132.

McGrath, R. G., & MacMillan, I. C. (2000). *The entrepreneurial mindset*. Boston: Harvard Business School Press.

Mühlebach, C. (2004). *Familyness als Wettbewerbsvorteil. Ein integrierter Strategieansatz für Familienunternehmen*. Bern, Switzerland: Haupt.

Müller, S., & Gelbrich, K. (2004). *Interkulturelles Marketing*. München, Germany: Vahlen.

Nag, R., Hambrick, D. C., & Chen, M.-J. (2007). What is strategic management really? Inductive derivation of a consensus definition of the field. In Strategy Management Journal, 28(9), 935–955.

Onyemah, V., Pesquera, M. R., & Ali, A. (2013). Der Weg zum Kunden. *Harvard Business Manager*, *7*, 32–39.

Osterwalder, A., & Pigneur, Y. (2010). *Business model generation*. Hoboken, NJ: John Wiley & Sons.

Porter, M. (1985). *Competitive strategy*. New York: The Free Press.

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, *3*, 79–91.

Rappaport, A. (1998). *Creating shareholder value*. New York: The Free Press.

Reinemann, H. (2011). *Mittelstandsmanagement*. Stuttgart, Germany: Schäfer-Poeschel.

Roberts, E. B., & Berry, C. A. (1985). Entering new businesses. Selecting strategies for success. *Sloan Management Review*, *1*, 3–16.

Schäfer, W. (2006). Die Gesellschafterstruktur von Familienunternehmen – zwischen Familienclan und Beteiligungsgesellschaft. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 15–24). Stuttgart, Germany: Schäfer-Poeschel.

Schäfer-Kunz, J. (2006). Controlling in Familienunternehmen – zwischen Intuition und Navigation. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 85–95). Stuttgart, Germany: Schäfer-Poeschel.

Schulze, W. S., Lubatkin, M., & Dino, R. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*, 473–490. doi:10.1016/S0883-9026(03)00054-5

Stevenson, H. H. (1999). A perspective on entrepreneurship. In Sahlman, Stevenson, Roberts, & Bhidé (Eds.). The Entrepreneurial Venture (pp. 7–22). Boston: Harvard Business School Press.

Trompenaars, F. (1993). *Riding the waves of culture. Understanding cultural diversity* (2nd ed.). London: Nicholas Brealey Publishing.

Woldie, A., Leighton, P., & Adesua, A. (2008). Factors influencing small and medium enterprises (SMEs), an exploratory study of owner/manager and firm characteristics. *Banks and Bank Systems*, *3*, 5–13.

Wong, K. Y., & Aspinwall, E. (2005). An empirical study of the important factors for knowledge-management adoption in the SME sector. *Journal of Knowledge Management*, *3*, 64–82. doi:10.1108/13673270510602773

KEY TERMS AND DEFINITIONS

Entrepreneur: A person who perceives a business opportunity and creates an organization around it to pursue this opportunity without regard to resources currently controlled.

Entrepreneurship: It is the expression of different extraordinary talents and capabilities which pursue start-up companies, innovative/ technology oriented companies, family owned businesses as well as small and medium sized enterprises in general.

German Mittelstand: Typical German companies which sales between € 10 Mio. and € 500 Mio., privately owned and managed.

Mittelstand Company: A company which fulfills the Mittelstand criteria.

Mittelstand: The owners as well as the management are the same person(s), at least in the first generation with a unity of ownership, management, risk taking and controlling as typical characteristics.

Small and Medium Sized Enterprise (SME): Defined with less than 249 employees and less than € 50 Mio. in sales by the European Union.

Strategic Management: It analyzes the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in internal and external environments; it entails specifying the organization's vision, mission, and objectives.

Chapter 17
Relevance and Usage of Management Control Systems with Reference to Strategy Formulation and Control:
Evidence from Italian SMEs

Selena Aureli
University of Bologna, Italy

ABSTRACT

Management control systems (MCSs) can undoubtedly support organizations' strategic processes as they help coordinate and align personnel behaviour to organizational goals, verify the validity of the organization's strategic plan and contribute to better formulate future plans. However, past research indicates that SMEs scarcely adopt MCSs. With the aim to update past research, the present chapter explores the current role and quality of MCSs used by SMEs in relation to strategic processes. Moreover, it evaluates whether MCSs adoption is associated to specific SMEs owner-managers' beliefs and other contingency factors. A survey conducted in Italy in 2012 indicates that SMEs attribute an important role to MCSs in supporting strategy formulation, its control and subsequent reformulation, but this strategic role is not associated with the adoption of advanced MCSs. SMEs still rely on traditional accounting-based control systems or perform some ad hoc analysis to obtain information useful for top managers strategic decision making.

INTRODUCTION

In order to face environmental uncertainty, create wealth for stakeholders and survive in the long term, every organization should define its strategy, implement it and control its results (Ansoff & McDonnel, 1990). All the decisions, processes, and actions that enable an organization to formulate and control strategies for achieving long-term objectives are included in the concept of strategic management (Selznick, 1957; Ansoff, 1965, 1979; Ansoff et al., 1976). This is a disci-

DOI: 10.4018/978-1-4666-5962-9.ch017

pline originating in the 1950s with the work of Chandler, Selznick, Ansoff and Drucker, which involves defining a company's vision, mission, and objectives, developing plans and programs, and allocating resources to implement them. Moreover, it stresses the importance of using managerial tools which provide rationality to strategy formulation (like market segmentation in strategic business areas, portfolio analysis, decision trees, economic value added model), as well as tools supporting the implementation and evaluation of strategies (like planning and budgeting systems) (Hax & Majluf, 1991).

Despite its recognized benefits for smaller organizations (Robinson & Pearce, 1984), past literature indicates that strategic management was not largely diffused in the context of small and medium-sized enterprises (SMEs). According to Marchini (1995) and Raffa and Iandoli (2005), who studied Italian SMEs, strategic management does not make sense in this specific context because the decision-making authority is centralized at the top and the owner-entrepreneur is solely responsible for making executive decisions; strategic choices are not formalized nor communicated to all employees and strategy formulation and subsequent strategy implementation do not represent distinct processes. In addition, tools and processes supporting strategic management are considered too bureaucratic to be effective instruments. They contrast with the traditional small firms' business model, which is based on organizational flexibility (Marchini, 1995; Raffa & Iandoli, 2005).

However, time has passed since the aforementioned studies. As suggested by Farneti and Bartolini (2009) in a recent survey on SMEs located in Central Italy, these entities are more aware than in the past that adequate procedures and structured information systems are necessary for managers and entrepreneurs to make informed decisions and take appropriate actions. Moreover, probably thanks to the decreasing cost of information and communication technologies (ICTs), several Italian medium-sized businesses have recently began to use computer-based management control systems as instruments supporting strategy development and control (see the works of DelBaldo, 2008 and Aureli et al., 2012, which mainly refer to Central Italy).

This empirical evidence suggests that today SMEs are collecting and analyzing more detailed information about both internal and external environments, and are increasingly adopting structured management control systems to monitor operational and strategic results and to direct future actions. A pattern which is probably related to the recent financial and economic crisis and growing environmental complexity[1].

Management control systems (MCSs) are undoubtedly related to strategy (Langfield-Smith, 1997; Simons, 1994, 1995, 2000) as they represent a collection of different but well known instruments designed to collect information to assist managers in decision-making and to influence individuals' behaviour in order to ensure that they implement strategies as expected (Zimmerman, 1997). Mainstream literature (Ouchi, 1977; Simons, 1995; Langfield-Smith, 1997; Merchant & Van der Stede, 2007) has primarily concentrated its attention on systems' efficacy in supporting strategy implementation, thus on the organizational role of MCSs (how these systems can align personnel's behaviour to organizational goals). However, usually both reasons (that lead managers to adopt MCSs) are present and often interrelated. For example, budgets can be introduced for improving planning and strategy formation but also to communicate goals, allocate resources, motivate personnel to implement the strategy and they are functional to the analysis of variances (Hansen & Van der Stede, 2004). Many authors like Merchant and Van der Stede (2007) now clearly attribute to MCSs a strategic control function, which means helping verify the validity of the strategy chosen by the organization and eventually contribute to change future plans.

Coherently, the present study focuses on the usage of MCSs with reference to strategy-related processes in the context of SMEs, trying to understand whether the attribution of a strategy-supporting role to MCSs is associated to the adoption of more advanced (or innovative) control instruments. As suggested by previous research, strategy processes like strategic planning require greater coordination and information data, especially from management accounting (Ward, 1993; Frezatti et al., 2011). Moreover, this study concentrates on a specific category of formal MCSs usually defined under the name of results controls (Merchant & Van der Stede, 2007). Results controls are characterized by performing a direct control of outputs (not of the behaviour) by measuring the outcomes of personnel's work. They can use accounting-based information but they also collect and analyze qualitative information like in the case of Balanced Scorecards. Belonging to this group are the mechanisms of planning controls, cybernetic controls and reward and compensation controls (Malmi & Brown, 2008), which support strategy implementation and contribute to formulate and reformulate strategy (Chapman, 2005; Skærbæk & Tryggestad, 2010).

In order to reach a better understanding of the role and quality of MCSs used in Italian SMEs, the author has decided to perform an empirical survey focusing on the following questions:

RQ1: Do SMEs' top managers consider MCSs useful to strategy formulation and strategy control (in other terms, do MCSs have a strategic role)?

RQ2: Which MCSs are adopted (i.e. traditional accounting systems or advanced management control systems)?

RQ3: Is there an association between MCSs' role and the adoption of advanced MCSs and between advanced MCSs adoption and the presence of other specific contingency factors?

Academic literature has already explored the link between MCSs and strategy (see the work of Langfield-Smith, 1997 and Kober, R. et al., 2007 for a review). However, the investigation of this topic in the domain of SMEs is scarce, like studies on management accounting in SMEs (Mitchell & Reid, 2000). As claimed by Chenhall (2007) and Garengo et al. (2005), more research is needed on the use of MCSs in small and medium-sized businesses because contingency factors can have a great influence on the degree of use of MCSs and the reasons driving their adoption. At the same time it is important to remember that SMEs represent the backbone of many OECD countries[2] and studying the usage and quality of MCSs, which actively contribute to business success, can lead to identifying possible weaknesses in SMEs capability to survive in the long term.

Results of the present study indicate that most top managers (CEOs, Chairs and Board members) of Italian SMEs attribute a key role to MCSs which are considered as being able to support strategy formulation, monitoring and revision. However, this does not correspond to a widespread adoption of formal management control systems neither in small nor in medium-sized enterprises. Advanced systems like balanced scorecards, benchmarking and activity based management which are designed to support strategy formulation and strategy control are quite rare. Thus, consistent with a contingency view of systems adoption (Chenhall, 2003), the presence of MCSs is analyzed in relation to different contextual variables which might favour or hinder the implementation of formal systems.

In the following sections, after a brief review of the relevant literature, the research design will be presented. Then information about the companies analyzed is presented. Finally, some concluding remarks with limitations and future developments of the study are provided.

MANAGEMENT CONTROL SYSTEMS

The Concept and Classification of MCSs

The term management control systems (MCSs) usually refers to the collection of tools, structures, processes and procedures used by management and other organizational participants to help ensure that goals are achieved. Thus, it indicates a very broad concept that in common use (and in this research) is associated with the "formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities" (Simons, 1995, p. 5).

MCSs might be both formal and informal according to the different way used to select and communicate information to the people working in the organization. Formal (or formalized) MCSs consist of purposefully designed, information-based and explicit sets of structures, routines, procedures and processes (Maciarello & Kirby, 1994). Thus, for example, a computerized system that collects data from the accounting system and synthesizes monthly financial results according to a set of pre-defined parameters represents a formal control system. Informal MCSs are personal and socio-cultural controls which do not measure performance and are usually worker-initiated[3] (Ouchi, 1977; Otley, 1980; Bisbe & Otley, 2004).

This main distinction can be found in most of the MCSs classifications provided in management control literature, although different terms are used. Merchant and Van der Stede (2007), for example, classify MCSs in result, action, personnel and cultural controls, according to the object the system aims to control. Similarly, Ouchi (1977) distinguishes among output control, behavioural control and clan control, where the last one is a type of informal control similar to cultural controls described by Malmi and Brown (2008). Different is the approach of Simons (1995) who classifies MCSs according to their goal. He distinguishes among boundary systems (designed to avoid risks) which correspond to action controls, i.e. formally stated rules and prescriptions; belief systems (aimed to monitor core values) which include cultural controls and provide a written description of the company vision and mission statements; diagnostic systems (designed to control critical variables and support the implementation of existing strategies) which consist in measurement systems controlling results like budgets; and interactive control systems (designed to deal with strategic uncertainties by favouring opportunity-seeking behaviours, learning and the emergence of new strategies)[4].

According to several authors, informal controls are effective in team settings: where people work in teams and self-management work groups (Kirsch, 2004), while their usage decreases with the progression of the firm's life cycle (Greiner, 1972; Moores & Yuen, 2001). When a company grows, informal mechanisms, such as a strong organizational culture, will cease to function. Thus, increase in size is usually associated with a greater degree of formalization (Donaldson, 2001). This is true also for family firms where formal controls are introduced in the maturity stage of the company life cycle (Moores & Mula, 2000). Several researchers have indicated informal personal and social controls as particularly important in small businesses, whereas written rules, performance measurement systems and formal incentives are scarcely used (Collier, 2005; Speckbacher & Wentges, 2012). Nevertheless, formal controls - and in particular management accounting techniques, which are a part of the wider control framework - have emerged as equally relevant in manager-owned businesses and quite widespread among SMEs (see, for example, Bright et al., 1992; Drury et al., 1993; Romano & Ratnatunga, 1994; Gorton, 1999).

As stated before, the focus of the present study is on the use of formal management control systems and particularly on results controls which constitute a specific category of MCSs. Attention is directed to these formalized systems-based controls because informal socio-cultural controls are more difficult to identify in a large scale study (extensive interviews would be required instead of using a questionnaire).

Studies of MCSs in the Context of Small and Medium Sized Enterprises

Studies focusing on SMEs' management control systems usually take a contingency approach (Otley, 1980; Donaldson, 2001; Chenhall, 2007) and are designed and reviewed in the light of the structural characteristics (i.e. lack of resources and the central role of the entrepreneur) that distinguish smaller businesses from their larger counterparts.

Traditionally, SMEs have been depicted as flat organizations with a small number of employees, limited resources (both financial, professional and technical resources), often family-owned and characterized by no separation of ownership and control (Jennings & Beaver, 1997; Beaver, 2007). Moreover, these companies' external behaviour and their internal functioning have been described as shaped by the individual entrepreneur or owner-manager's will because small business owners are also Executive Directors, Board members and/or top managers of their organization (Stanworth & Gray, 1991; Storey, 1994; Feltham et al., 2005).

Because of that, empirical research on control systems always include company dimension among the variables analyzed and often collect information about the entrepreneur/top manager's characteristics (Lybaert, 1998) and the presence and influence of family members' goals on the company structure and processes (Amat et al., 1994; Speckbacher & Wentges, 2007; Giovannoni et al., 2011). Some studies indicate these characteristics as an explanatory variable for the scarce adoption of structured control mechanisms and formal management systems in general (McCollom, 1988; Marchini, 1998). The presence of family members in the company top management team is associated to emotional, informal and value-driven decision-making processes while non-family businesses and larger organizations prefer a rational and facts-and-figures-driven management style (KMU, 2008). According to Beaver (2007), SMEs' control procedures (when present) are usually informal and reflect owner-managers' or entrepreneurs' preferences (Beaver, 2007).

In the past decades similar considerations have been formulated also with reference to the Italian context. According to Graselli and Cavazzoni (1994) and Catturi and Mussari (1996), there is no need for formalized management accounting systems in companies where the decision-making power is concentrated among owners and processes are mainly informal or unstructured (Santini & Pierri, 2013). In Italian SMEs, control activities mostly refer to results controls on operational aspects performed through the analysis of accounting data and informal controls performed directly by owner-managers who supervise the day-to-day operations of the organization (Branciari, 1996; Marchini, 1998; Raffa & Iandoli, 2005). In fact, the presence of professional middle managers has been rare as well as the presence of formalized control systems (Marchi, 2003). At the same time, preference is given to the usage of traditional management accounting tools like budgeting, whereas activity based costing, balanced scorecard, benchmarking and target costing are the least implemented (Carenzo & Turolla, 2010).

MCSs in Relation to Strategy Processes

Strategy formulation, implementation and monitoring represent the three main processes of strategic management which are closely linked to each other and might use MCSs to varying degrees.

Systems for management control are traditionally associated with strategy implementation, in fact MCSs represent instruments that follow the deliberate strategy and should be adapted to it (Ouchi, 1977; Simons, 1995; Langfield-Smith, 1997; Merchant & Van der Stede, 2007). It is assumed that there should always be a link between the strategy content and the supporting MCSs to obtain company success, thus several studies affirm that the strategic orientation determines the type of MCSs needed (Otley, 1999; Chenhall, 2003). However, MCSs can also support strategy formulation and the process of strategy control (which includes monitoring and subsequent revision of the company strategies), especially in the case of SMEs.

Strategy formulation is usually associated with strategic planning's business analysis techniques, which help companies project future market conditions and define long term objectives while formalizing their business plan. This requires managers to construct scenarios and use specific tools to analyze and evaluate possible outcomes associated to each strategic alternative (Ansoff et al., 1976; Ansoff & McDonnel, 1990). Among the different formal techniques and methods designed for selecting the right strategy, the most common ones are: PEST analysis, market segmentation, product life-cycle, portfolio analysis and value chain analysis.

In the case of SMEs, these tools are not widespread. According to Frost (2003) only SWOT analysis is quite diffused, while Bracker et al. (1988) suggest that only in small companies with significant managerial sophistication is it possible to find some planning tools. In other terms, the range of tools used for strategy formulation is very limited while it might be possible to find small business managers using management control systems (MCSs) to gather information for their strategic decision making processes (although most MCSs are traditionally designed to support short term decisions).

This difference is explained in light of SMEs' resource shortage and by the fact that strategic decisions are usually made by owners or managers who follow a less formalized process focused on the definition of tactics and contingent on adapting to trends in the market environment (Marchini, 1995; Smallbone & Wyer, 2000; Marsden & Forbes, 2003; Beaver, 2007).

Lack of financial resources and absence of a professionalized staff lead SMEs to consider the managerial tools developed in the classical discipline of strategic management as too complex, costly and bureaucratic (El-Namacki, 1990; Beaver, 2002a; Beaver, 2002b). Coherently, instead of using formal, rational and sophisticated planning tools like portfolio analysis, small business managers employ accounting-based MCSs to outline future targets. Budgeting, for example, is the formal tool used to support strategy formulation usually found in studies on SMEs (Bracker et al., 1988; Forst, 2003). This occurs because budgeting, like product costing and other management accounting instruments, appears familiar and generates relevant information which can be systematically used to help entrepreneurs understand relationships among profitability, organizational resources and competitive advantage with low additional investments (Robinson & Pearce, 1984; Covin & Slevin, 1989).

Also the distinct manner in which the strategy formulation process is developed leads to scarce adoption of the above mentioned tools. In SMEs, strategy planning is usually less rational and more intuitive than in larger companies (Brouthers et al., 1998). There is no structured sequence of data collection, analysis, confrontation, etc. and decisions might be taken by sole entrepreneurs who follow their perceptions and intentions. Moreover, strategies tend to be short-sighted as company's adaptability to external conditions is the imperative. Strategic goals are defined according to a heuristic approach (Kisfalvi, 2002) and strategy formulation and implementation may be concurrent processes (Beaver, 2007). In other terms, SMEs usually adopt an 'entrepreneurial' or 'adaptive' mode to strategy formulation (Mintzberg, 1973), without necessarily following a rational and linear approach (Verreynne, 2004). On one hand, this implies that time-consuming analysis tool-kits, like those based on the collection and examination of huge amounts of data, do not fit with SMEs' needs. On the other hand, this suggests that MCSs should not be studied as mere tools created to implement strategy whose features strictly depend on the previous strategy formulation process. Emergent strategies call for the discharge of traditional top-down implementation of long range plans and performance measurement systems[5]. Thus, researchers should not conceive MCSs as instruments that translate the intended strategy into action plans for lower level managers.

Another important managerial activity where MCSs can be profitable when used is the process of strategy control. In the last few decades MCSs have evolved to comprise control systems capable of collecting and analyzing external information relating to markets, customers as well as non-financial information about production which can be used to support both the implementation and control of strategy (Otley, 1994; Chenhall, 2003). Besides traditional accounting-based management control systems which measure cost efficiency, it is now possible to embrace strategic control systems that provide information about strategy-related aspects that are able to capture critical success factors like customer satisfaction (Palmer, 1992). There is a large list of advanced instruments that have been mainly developed after 1980s including, but not limited to: life cycle costing, customer profitability analysis, benchmarking, strategic cost management, strategic pricing and brand valuation (see Santini & Pierri, 2013 for a list).

Like in other businesses, in the context of SMEs it is also fundamental to evaluate organizational past performance and assess the quality and ongoing validity of plans. While the goal formulation process can be different in SMEs compared to large organizations, the achievement of those goals is always expected to be periodically checked. The main difference is that strategic cost management tools are scarcely diffused while traditional control systems based on accounting information still dominate the scene. The most frequently used tools for strategy control are the historical accounting techniques of budgeting and financial ratios, while modern techniques like benchmarking are used only to a lesser extent (Frost, 2003). Even in the case of international expansion, small firms sometimes prefer maintaining traditional management accounting techniques (Greenhalgh, 2000) instead of adopting advanced systems, like the Balanced Scorecard which might be used for both company monitoring and communication of objectives within the organization.

Again, possible explanations for SMEs' scarce adoption of advanced control instruments refer to limited resources and the direct involvement of owner-managers in the company management, who might not recognize the benefits of adopting strategic control systems. Owner-managers' personal biases might account for their reluctance towards change (Beaver, 2002a). Contingency-based studies on changes in MCSs have always considered top managers as the main actors of any type of evolution in management systems. A fortiori, in the case of SMEs, owner-managers' information needs might represent a key contingency factor capable to foster the adoption of more comprehensive and sophisticated control tools. In particular, the greater the variety and volume of information required by top managers (i.e. the Board), the more probable is the implementation of modern control systems which can fulfil their needs.

METHODOLOGY

Research Design

From above considerations, the author has decided to investigate the role of MCSs in supporting strategic processes adopting a contingency-based approach giving a particular emphasis on the influence of owner-managers information needs. Thus, besides describing the role attributed to MCSs in relation to strategy processes (RQ1) and listing which type of MCS are currently adopted (RQ2), this study tries to link the adoption of advanced

MCSs with different managers' expectations (in terms of information stemming from MCSs), the different role attributed to MCSs and other specific contingency factors (size, presence of family bonds in the proprietorship, type of main competitive strategy adopted and sector) (RQ3).

Considering contingency factors is important because past empirical research indicates that situational aspects may hinder the adoption of advanced management accounting systems. According to Merchant and Van der Stede (2007) contingency factors that can positively or negatively influence MCSs adoption can be classified into three main categories: environmental and technological factors (like uncertainty and technological pace), internal factors (factors referring to individuals and the organization, like company dimension, ownership structure) and strategic factors (like competitive strategy). However, the present research focuses only on internal and strategic factors because SMEs are all equally exposed to high environmental uncertainty due to their residual market role. Moreover, past literature suggests that in SMEs environmental changes do not directly impact industrial behaviours, but on the contrary, it is more probable that changes in MCSs adoption happen through specific people that act as a mediator (the owner-entrepreneur first) (Santini, 2013).

A description of all relevant variables included in the present study is provided below.

- **MCS Role:** This aspect was asked directly to SMEs owners and managers who could provide multiple answers (i.e. support to strategy formulation, strategy monitoring and/or strategy reformulation). In fact, an organization may have implemented several different management control tools to perform different activities (for example, budgets to support strategy planning and also BSC to support both strategy formulation and control). Usually organizations do not adopt just one control system; MCSs should be considered as a set or collection of different systems which interact reciprocally and with contingent variables (Malmi & Brown, 2008). With the intent of undertaking cluster analysis, this variable has been transformed into a dichotomous one, with 1 indicating that MCSs are expected to support strategy formulation and 0 indicating the absence of this expectation. A similar approach was used also for MCSs intended for strategy monitoring and strategy reformulation.
- **MCS Type:** As described in *The Concept and Classification of MCSs*, this research does not consider informal controls. A list of management control instruments has been provided to company managers who could provide multiple answers. The list has been derived from an extensive review of existing literature and all instruments can be categorized into traditional or advanced MCSs. Among traditional instruments it is possible to mention cost analysis based on cost centres and budgeting, while advanced (also called innovative) MCSs refer to activity based costing, target costing, balanced scorecards, etc. Also, variables referring to MCS type are considered dichotomised. In other terms, a dummy indicates the presence of advanced control systems (= the dummy assumes the value of 1) or not (the variable is equal to zero).
- **Owner/Manager Information Needs:** Emphasis is given to top managers' control needs because the will of the owner-entrepreneur (i.e. getting several, complex, financial and non financial information from MCSs) can be a relevant driver to control systems implementation. Informational need intensity is measured in terms of the number of informational items required. Differently from other studies, the focus is not on managers' personal characteristics

(i.e. education, experience, attitudes) but rather on the information needs that they expect to satisfy through the data flows provided by MCSs. In details, SMEs' respondents were asked to indicate what information they expect to forecast and monitor thanks to MCSs usage in order to plan and control the company strategy and related business processes.

The four different object categories or areas that respondents aim to control are organized as follows: (a) *economic and financial results*: these refer to turnover, overhead costs, operating/production costs articulated per cost centres, distribution/ marketing costs, economic ratios, leverage, net working capital, average cost of debt financing, uncollectible accounts receivable, average duration of receivables, payables and stocks, net financial position; (b) *production aspects*: these refer to product / service quality, product/service contribution margins, production volume, production efficiency, product/service mix and lead time; (c) *market aspects*: referring to level of customer's satisfaction, company's marketing/distribution strategy/choices, company's market share, main competitors' strategies and market share; and (d) *intangible elements*: referring to employees' productivity, organizational climate, relationships with external subjects, employees' professional competencies, corporate culture, patents, brands and copyrights. In total, 29 different items could be indicated as relevant for respondents. Multiple answers were possible.

- **Size:** Among the potential variables explaining MCS adoption in SMEs, the main attention of academic literature is directed to financial and human resource shortage, usually measured in terms of size (Reid & Smith, 2000). Both contingency theory (Otley, 1980) and life-cycle models (Granlund & Taipaleenmaki, 2005) have indicated size as the main explanatory variable associated to MCS adoption, change and benefits. Size is also considered relevant in influencing the usage of traditional accounting tools as SMEs needs and practices are different from those of large companies (Welsh & White, 1982; Perera & Backer, 2007). Size can be measured in terms of turnover, number of employees and total assets. However, turnover is more widespread and studies on the Italian context have demonstrated that total sales are positively correlated to the adoption of management accounting tools (Carenzo & Turolla, 2010).
- **Family Bonds:** Dominance of family members in the proprietorship and inside the Board of directors is considered important as frequent contacts among owners and managers outside the company and strong interpersonal relationships based on trust might induce these family-businesses to reduce formal systems usage (Speckbacher & Wentges, 2012). Moreover the presence of family members could lead to a lower adoption of managerial systems due to an unwillingness to share sensitive information with employees (Aram & Cowan, 1990). Coherently, this study accounts for the presence of family bonds among shareholders, using a dummy.
- **Strategy:** Following Porter's (1980) classifications of competitive strategies, past research indicates that organizations adopting a cost leadership strategy seem to recur more to result controls with emphasis on financial metrics (Sandino, 2007) while differentiators recur to result controls to a lesser extent and prefer whose including non financial measures (Chenhall & Langfield-Smith, 1998). In the present study, cost leadership means that the key success factor is cost containment, internal processes innovation and/or internal

production efficiency, while a company pursues differentiation when it focuses on product innovation, brand, marketing and distribution. In addition a third type of strategy has been defined: strategy of product quality. Since quality has become an imperative for all businesses in all sectors, and it is necessary to compete also when companies focus on cost leadership, the presence of a strategy of product quality has been kept separated. Each type of strategy is measured through a dummy.

- **Sector:** With reference to business sector, Marasca and Silvi (2004) suggest that industrial processes might require the adoption of more sophisticated management control systems, especially whose devoted to improve cost management, while companies working in the service sectors are expected to rely on fewer systems. On the contrary Carenzo and Turolla (2010) found that the implementation of management accounting tools is not correlated with the different types of industries. To check for this variable, the present study classifies organizations according to the sector (manufacturing or service sector) they operate in. Again sector is represented through a dummy.

Above mentioned variables are designed to help categorize the 64 entities under examination and identify possible associations among MCSs role, type of MCSs adopted and specific circumstances or contingencies. In particular, multivariate analysis in the form of cluster technique has been used. The research analysis used a hierarchical approach and the average method to link variables, which is based on dissimilarity L2 (synonym Euclidean). Output results are split into 4 different groups as shown by the table below. One entity could not be included in any cluster. (see Table 1)

Data Collection and Characteristics of the Sample

In order to unveil the role of MCSs, which systems are currently used and obtain results that can be generalized, the author has preferred to adopt a quantitative research method, namely a survey. This choice is coherent with the large usage of quantitative methodologies that past literature has employed to investigate companies' adoption of particular accounting techniques (Bracker et al., 1988; Drury et al., 1993; Collis & Jarvis, 2002; Frost, 2003). However, it has to be noticed that surveys of this type can be particularly problematic because in addition to normal biases of non-respondents, there is the possibility of respondent bias i.e. addressed respondents may deliberately provide a better picture of the reality.

Coherently, non-respondent bias was controlled, while respondent bias was limited by narrowing the number of questions regarding advanced accounting techniques so that respondents who are not familiar with the concepts don't feel obligated to provide an answer just because they do not want admit their lack of knowledge. At the same time, a blank space was always given to allow respondents the opportunity to provide information about the existence of other practices or formal systems.

Data have been obtained by administering a questionnaire addressed to executive Board members –subjects that need relevant and timely information for their decision making. Collected responses include Chairs, CEOs, general directors and Board members. Only SMEs as defined by the European Commission (2003/361/CE) have been selected. Micro-enterprises have been excluded because issues of delegation and control are insignificant in companies with less than 10 employees. In this case, owner-managers are able to carry all the relevant information in their heads (Turner, 1997). On the contrary, with over 50 employees, firms are likely to afford the adoption management accounting techniques (Turner, 1997).

Table 1. Clusters and their characteristics

Description of each cluster	Group 1 (n. 16)	Group 2 (n. 9)	Group 3 (n. 3)	Group 4 (n. 35)
Key variables	*Mean Value (LG)*	*Mean Value (LG)*	*Mean Value (LG)*	*Mean Value (LG)*
Advanced systems	0,50	0,22	0,67	0,43
Strategy formulation	0,94	0,22	0,67	0,71
Strategy monitoring	0,69	0,00	0,67	0,83
Strategy reformulation	0,50	0,78	0,00	0,71
Size (turnover)	8,57	9,01	10,25	10,11
Family bonds	0,94	0,78	1,00	0,49
St. of Cost leadership	0,50	0,11	1,00	0,60
St. of Differentiation	0,44	0,89	0,00	0,66
St. of Quality	0,94	1,00	0,33	0,97
Owner needs	3,91	3,71	4,19	3,86
Sector	0,94	0,67	1,00	0,80
Details on size	*€ (/1000)*	*€ (/1000)*	*€ (/1000)*	*€ (/1000)*
turnover 2010	5.901	9.003	28.304	33.961
turnover 2011	6.407	9.034	31.659	29.550
total assets 2010	6.327	9.998	23.110	27.123
total assets 2011	6.600	10.724	24.299	28.768
n. employees 2010	35	50	135	88
n. employees 2011	34	50	149	88

Note: except for size and number of owner needs all other key variables can range from a minimum of zero to a maximum of one

The sample has been drawn from Bureau van Dijk's AIDA dataset which covers 1 million companies in Italy and contains comprehensive information regarding financials and several other company aspects, with up to five years of history. First, companies on the dataset have been filtered according to their size (in terms of turnover, number of employees and total assets). Then about 6,000 questionnaires have been sent to all SMEs providing an e-mail address. Only 64 questionnaires were returned in a complete and usable form, those of which have been used for the subsequent analysis. Some returned questionnaires have been discharged because they were incomplete or referred to subsidiaries (authors aimed to focus on independent companies as autonomy is a qualitative prerequisite for being considered SMEs which has been emphasized also by the European Union).

Most of them (44) were medium-sized companies, while small-sized firms have confirmed their notoriety for non-response (Marriott & Marriott, 2000), returning only 20 complete questionnaires. This makes the response rate of medium sized companies 1.37% while smaller organizations boast an even lower rate.

Despite scarce company participation, the sample of respondents can be defined as representative of the entire population included in AIDA dataset. Statistical tests were carried out, with the aim to compare the sample's quantitative (turnover, total assets and number of employees) and qualitative variables (business sector and geographic distribution) with the same characteristics of the population, showing that the sample obtained is representative of the entire population.

Key information about the companies analyzed is introduced in Table 2 and Table 3. Small enterprises are kept separate from medium-sized ones to emphasize that the first group is characterized by a stronger presence of family bonds among company owners, while medium sized companies have experienced a period of growth despite the recent financial crisis (from 2005 to 2010). However, there are also several similar characteristics: they all are in the form of limited partnership and mainly operate in the manufacturing sector. Company ownership is usually shared among private subjects. When corporations are present, either they hold a minority stake (mixed ownership) or their proprietorship refers to single individuals belonging to the same family (these corporations are "family safe" and not the holding company of a group).

THE STRATEGIC ROLE ATTRIBUTED TO MCS AND THEIR CURRENT ADOPTION

The first relevant aspect to be presented refers to respondents' beliefs about the positive contributing role of MCSs in relation to company strategic management processes. In 44 cases (which correspond to 69% of respondents), MCSs contribute to improve the strategy formulation process, while 66% assert that MCSs help verify the degree of achievement of company strategy and 62% state that MCSs help put into question the strategy previously established. Interestingly, smaller organizations seem to appreciate MCSs especially for strategic decision-making (MCSs are believed to favour the strategy formulation process in 80% of small businesses), while the usage of these systems as a monitoring tool and support for strategy reformulation is less important (in comparison with medium-sized companies). For only 50% of small companies MCSs help verify the degree to which company strategy is achieving goals while this aspect reaches 70% among medium-sized businesses. This result might confirm what

Table 2. Descriptive statistics of SMEs

	Medium *(n. 44)*			**Small** *(n. 20)*		
	Turnover (/1000)	**Number of employees**	**Total assets (/1000)**	**Turnover (/1000)**	**Number of employees**	**Total assets (/1000)**
Mean	25,370	93	25,020	6,104	30	5,942
Median	24,563	81	21,906	5,474	28	6,397
Standard Deviation	12,455	45	16,332	2,843	12	2,096
Asymmetry	0.84	1.67	3.48	0.99	0.29	-0.34
Kurtosis	0.89	2.45	16.32	0.72	-1.17	-1.11
Coefficient of variation	0.49	0.49	0.65	0.46	0.39	0.35
5% percentile	7,534	49	8242,60	2,208	14	2,223
95% percentile	50,792	214	42527,20	13,470	49	8,824
Interquartile Range	17,087	42	15457,00	3,418	21	3,272

Note: Enterprises have been divided in small and medium-sized businesses according to the definition of the European Commission

Table 3. Characteristics of SMEs

		Medium (n. 44)		Small (n. 20)	
Legal form	Partnership	0	0%	0	0%
	Limited company	44	100%	20	100%
Sector	Manufacturing	34	77%	16	80%
	Construction	2	5%	0	0%
	Service	8	18%	4	20%
Ownership	Corporate	10	23%	0	0%
	Individual Owner(s)	12	27%	17	85%
	Mixed	22	50%	3	15%
Family bonds among owners	Family business	25	57%	17	85%
	No family business	19	43%	3	15%
5 years turnover trend	Growth	27	61%	4	20%
	Decrease or stable	14	32%	13	65%
	Not. Applicable	3	7%	3	15%
Geographical area	Northern Italy	33	75%	15	75%
	Central Italy	8	18%	4	20%
	Southern Italy	3	7%	1	5%

is proposed in the academic literature about the ongoing prevalence on informal and direct means of control in smaller organizations.

In more than one third of the companies analysed (23 cases), MCSs are used to support all three cited processes of formulation, verification and reformulation of the strategy, while other 18 companies attribute to MCSs a supporting role for a combination of two strategic processes. This comprehensive role attributed to MCSs can be found in both small and medium-sized enterprises. However, there are also companies (6) which appreciate MCSs only for strategy formulation as well as companies (8) that use MCSs only for strategy monitoring, or others (8) which consider MCSs useful only for strategy revision. Only one company has negatively responded to this question, indicating that MCSs are not related to strategic processes.

The strategic role of MCSs here emerged is in line with respondents' answer to another question about who are the receivers of MCSs information. Responses indicate that data stemming from MCSs should address and satisfy the information needs of Board members, CEOs and owner-managers in both small (90%) and medium-sized enterprises (79%). Information needs of other top managers are less relevant (cited in 50% and 53% of cases respectively). This suggests that the management control function should play an important advisory role for the managers in charge of making strategic decisions. Conversely, a very scarce attention to middle and lower level -managers' information needs (only in 5% of cases they are considered receivers of the information stemming from MCSs) might indicate that there is no will to disseminate such important information inside SMEs.

Further confirmation about the critical role attributed to the collection, preparation and communication of information derived from MCSs is provided by the fact that most respondents (88%) wish to rely on specialized professionals like business and financial controllers employed by the company. Only to a residual extent (10%) were respondents willing to rely on the information provided by the traditional Administrative function (whose personnel is usually more focused on secretarial services, data entry tasks and data processing). External business consultants or certified public accountants are never considered as an alternative to internal staff (with the exception of one single case referring to a small firm)[6]. Besides, for more than half of the respondents, controllers should belong to a specialized organizational unit reporting directly to the CEO. The establishment of a Management Control function or a Finance function is welcomed by more than 60% of respondents.

Nevertheless, these results contrast with responses referring to RQ2. In fact, as indicated in Table 4, advanced MCSs designed to support strategy formulation and control (like balanced scorecards) are scarcely adopted. SMEs mainly use traditional management accounting systems such as cost accounting systems based on cost centres and budgeting systems. With reference to innovative instruments, only benchmarking and target costing are spread significantly among medium-sized enterprises while some small-sized enterprises have introduced balanced scorecards, target costing and activity based costing.

Surprisingly there are some companies that do not even have traditional accounting-based control systems in place. 28 out of the total 64 companies analyzed do not benefit from a budgeting system, while 17 do not have a cost accounting system based on cost centres. This leads to suppose that relevant information for strategic decision-making is derived from some ad hoc analysis, without setting up a formal system of interrelated elements designed to provide structured data for control purposes. In-depth questions about the usage of isolated specific tools or calculations for result control actually indicate that among the 28 organizations with no budgeting system in place, there are 10 companies which prepare one or two budget documents related to single functions (i.e. the budget of sales). With reference to the 17 organizations without any cost accounting system, 10 perform some sort of cost-volume-profit analysis and 8 rely on information deriving from the reclassification of financial statements and the calculation of ratios (thus focusing on past results, mainly financially-oriented). Anyway, the diffusion of budgeting and other cited instruments designed to support short-run decisions suggest that Italian SMEs' strategy formulation and control are probably short-term oriented.

Table 4. Formal management control systems adopted

Formal systems in place	Medium	Small
Cost accounting system based on cost centres	68%	65%
Budgeting System	48%	50%
Benchmarking	18%	5%
Target Costing	14%	15%
Balanced scorecard	5%	15%
Activity Based Costing	5%	10%
Life Cycle Costing	2%	0%
Over Head Value Analysis	2%	0%
Activity Based Management	0%	5%

THE DIFFUSION OF ADVANCED MANAGEMENT CONTROL SYSTEMS

In order to verify if the adoption of advanced MCSs is associated with the presence of specific contingency factors, a cluster analysis has been performed. Four different clusters emerged.

- *Cluster 2* is made by organizations characterized by the lowest level of adoption of advanced MCSs. Respondents of these organizations believe that MCSs (in general) are useful only to support strategy reformulation, thus suggesting the idea that MCSs will be implemented and employed only in case of great changes (i.e. a crisis) that require a revision of a company's vision, mission, strategies and long-term objectives. This group includes owner-managers with the lowest number of information needs compared to those of other groups. Moreover, this cluster is characterized by organizations following mainly a strategy of differentiation, quite small in size (compared to clusters number 3 and 4), with family bonds at an intermediate level, which largely operate in the service sector.
- *Cluster 3* is at the opposite extreme. This group accounts for the highest level of advanced MCSs adoption. It is understood that the MCSs role is to support strategy formulation and monitoring, while they aren't considered useful to the reformulation of strategy. Owner-managers information needs score very high. Organizations belonging to this group adopt almost exclusively a cost leadership strategy, are the largest entities in terms of turnover, mainly operate in the manufacturing sector and are all characterized by the presence of family bonds in the proprietorship.
- *Cluster 1* and *Cluster 4* record an intermediate level of advanced MCSs adoption and present similar characteristics. MCSs are deemed important in supporting all three strategic processes (no one of them prevails significantly). Also the information needs of owner-managers are regarded as intermediate. With reference to strategies, there is no one single tendency; in fact, organizations of this group equally follow a strategy of differentiation and a strategy of cost leadership. However, the two clusters significantly differ in terms of size. Cluster 1 consists of the smallest companies, while cluster 4 includes very large organizations. It is important to note that these two groups represent the largest clusters including 16 and 34 organizations respectively.

This type of analysis provides some interesting indications about possible linkages between MCSs and contingency factors, which need to be further explored in future research. First, it emerges that the presence of advanced MCSs increases (in terms of percentage) when owner needs increase. A linear positive relationship could exist. On the contrary, the presence of innovative MCSs is not clearly associated to the role attributed to them by owner-managers. The main evidence is that when companies believe that MCSs (in general) are useful only to support strategy reformulation (as in Cluster 2), advanced MCSs are almost absent. Probably MCSs are considered exceptional instruments in these companies and it is reasonable to assume that also traditional MCSs are scarcely adopted. Also with reference to family bonds no clear association emerges, while some modest association exists in relation to size indicating that an increase in size is linked with resource availability to adopt advanced MCSs. A contingency factor clearly associated with the adoption of advanced MCSs is the type of competitive strategy employed. In fact, when cost reduction represents the main strategy, companies adopt advanced MCSs while a strategy of differentiation reduces the presence of these instruments. This might lead to suppose that advanced MCSs are intended as instruments to support cost reduction plans and not to evaluate the company's and competitors market strategies. Actually, activity-based systems, target costing and most of the cited advanced MCSs are traditionally designed and adopted to actively manage costs.

FINDINGS AND CONCLUDING REMARKS

Empirical results advance a positive answer to our first research question. In fact, all respondents, except one, consider MCSs (in general) strictly linked to one or all three main strategic processes herein analyzed. MCSs are of equal importance for strategy formulation, monitoring and reformulation. However, a slight difference should be noted between the two categories of small and medium-sized organizations. Smaller firms appreciate MCSs for strategy formulation more than medium-sized companies, while showing a lower response rate with reference to systems' usage for strategy control.

Although this strategic role is attributed to MCSs, large preference is given in SMEs to traditional, accounting-based control systems. Advanced MCS which have been designed to sustain strategy control are very rare. Moreover, findings indicate that there are some SMEs that do not have even a budgeting system. Consequently, there should be some contingency factors that still hinder the adoption of more innovative as well as traditional MCSs.

Cluster analysis suggests that respondents' general belief on the utility of MCSs in supporting strategic management is not strongly associated to actual implementation of advanced MCSs. The presence of advanced MCSs is mainly linked to the amount of specific information that managers with decision-making responsibilities expect to receive from these systems and to the preference for a competitive strategy based on cost reduction.

The picture of Italian SMEs emerging from this study shows that MCSs are considered relevant in supporting strategic processes, however these organizations still continue to use MCSs (both traditional and especially advanced ones) to a very limited extent. Budgeting systems (a basic accounting tool used for planning in SMEs) have been deployed only in half of the companies analyzed and also cost accounting systems are partially implemented. Even less utilized are advanced systems that could better support strategy formulation and control.

On one hand, this confirms results of other international studies, indicating for example a scarce adoption of balanced scorecards (Hvolby and Thorstenson, 2000; McAdam, 2000), while, on the other hand, it highlights the difficulties (or resistance) of Italian SMEs to adopt advanced systems. Compared to Australasian SMEs analyzed by Frost (2003), Italian organizations adopt benchmarking to a lower extent. A possible explanation, to be verified in future research, is that Italian enterprises might experience problems in gaining access to appropriate benchmarks and other companies' information to compare similarly to UK companies (Collis & Jarvis, 2002).

At the same time, it is worth noting that while managerial control tools are adopted to a limited extent, managers and owners all express the need to obtain a great amount of information. The lowest number of information items requested is 9 and these items are extremely varied (they are not limited only to financial aspects). Since it is possible to hypothesize that managers still acquire effective information through informal means instead of formal systems, it appears useful to suggest a further refinement of this research through re-examination of the same companies to unveil existing informal control practices and observe how they interact with formal systems. As already indicated by Chenhall (2003), specific formal control systems should be systematically analyzed and linked with other organizational controls, although this method requires greater research efforts.

From a practical point of view, this study suggests that SME owners and managers play extremely important roles regarding the adoption of advanced MCSs, but consultants as well as governmental support projects should not stress MCSs linkage with formal strategic processes. Advisors should emphasize the several different information needs that these instruments can satisfy. On the contrary, providing public funds for ICT advancements in management control and other internal processes, as the Italian government has done in the last years, does not lead to a concrete adoption of innovative MCSs. First and foremost it is necessary to improve owner-managers knowledge on MCSs.

From a theoretical point of view, this study complements previous research, which usually focused on the presence and implementation of one or very few specific advanced systems, like ABC or BSC. In fact, this study provides a more comprehensive picture of all instruments used. Moreover, it confirms that SMEs are not a homogenous group. SMEs are made by different organizations, with different characteristics. Lastly, this study emphasizes the role of managers' information needs as a key factor influencing the introduction of management control systems.

Limitations of this study refer to the mindset of the lead entrepreneur which is not here considered. The author is aware that psychological characteristics of the main actors in small enterprises have been largely studied as relevant factors that determinate the managerial style, organizational structures and patterns of business processes (Beaver, 2003). Thus, future developments of this research could address also SME managers personal characteristics. In addition, a qualitative analysis of selected case studies could be performed to understand if there are specific events that have lead to the introduction of advanced management control systems. All these trajectories may be pursued in future research projects.

REFERENCES

Amat, J., Carmona, S., & Roberts, H. (1994). Context and change in management accounting systems: A Spanish case study. *Management Accounting Research*, *5*, 107–122. doi:10.1006/mare.1994.1008

Ansoff, H. I., Declerk, R. P., & Hayes, R. L. (1976). *From strategic planning to strategic management*. New York: John Wiley and Sons.

Ansoff, H. I., & McDonnel, E. J. (1990). *Implanting strategic management*. London: Prentice-Hall.

Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.

Ansoff, I. (1979). *Strategic management*. London: McMillan.

Anthony, R. N. (1965). *Planning and control systems: Framework for analysis*. Boston: Harvard University Press.

Aram, D. J., & Cowan, S. (1990). Strategy planning for increased profit in the small business. *Long Range Planning*, 63–70. doi:10.1016/0024-6301(90)90103-B

Aureli, S., Ciambotti, M., & Giampaoli, D. (2012). I sistemi informativi automatizzati a supporto dei processi di direzione aziendale. Ancora un ritardo cronico per le piccole imprese?. *Controllo di gestione, 6*, 48-59.

Beaver, G. (2002a). Strategy and management in the smaller enterprise. *Strategic Change*, *11*, 175–181. doi:10.1002/jsc.591

Beaver, G. (2002b). The financial performance of smaller companies: Observations from difficult times. *Strategic Change*, *11*, 1–5. doi:10.1002/jsc.575

Beaver, G. (2003). Management and the small firm. *Strategic Change*, *12*(2), 63–68. doi:10.1002/jsc.623

Beaver, G. (2007). The strategy payoff for smaller enterprises. *The Journal of Business Strategy*, *28*(1), 11–17. doi:10.1108/02756660710723161

Bisbe, J., & Otley, D. (2004). The effects of the interactive use of management control systems on product innovation. *Accounting, Organizations and Society*, *29*, 709–737. doi:10.1016/j.aos.2003.10.010

Bracker, J. S., Keats, B. W., & Pearson, J. N. (1988). Planning and financial performance among small firms in a growth industry. *Strategic Management Journal*, *9*(6), 591–603. doi:10.1002/smj.4250090606

Branciari, S. (1996). *I sistemi di controllo nella piccola impresa*. Torino, Italy: Giappichelli.

Bright, J., Davies, R. E., Downes, C. A., & Sweeting, R. (1992). The deployment of costing techniques and practice. *Management Accounting Research*, *3*(3), 201–213. doi:10.1016/S1044-5005(92)70011-0

Brouthers, K., Andriessen, F., & Nicolaes, I. (1998). Driving blind: Strategic decision making in small companies. *Long Range Planning*, *31*(1), 130–138. doi:10.1016/S0024-6301(97)00099-X

Carenzo, P., & Turolla, A. (2010). The diffusion of management accounting systems in manufacturing companies: An empirical analysis of Italian firms. In T. Davila, M. Epstein, & J. F. Manzoni (Eds.), Performance measurement and management control: Innovative concepts and practices (Studies in managerial and financial accounting, Vol. 20), (pp. 457-499). Bingley, UK: Emerald Publishing.

Catturi, G., & Mussari, R. (Eds.). (1996). *Il controllo di gestione seguito nelle imprese operanti nelle province di Bologna, Firenze, Perugia e Siena*. Padova, Italy: Cedam.

Chapman, C. S. (Ed.). (2005). *Controlling strategy: Management, accounting, and performance measurement*. New York: Oxford University Press.

Chenhall, R. H. (2003). Management control systems design within its organizational context: Findings from contingency-based research and directions for the future. *Accounting, Organizations and Society*, *28*(2/3), 127–168. doi:10.1016/S0361-3682(01)00027-7

Chenhall, R. H. (2007). Theorizing contingencies in management control system research. In C. S. Chapman, A. G. Hopwood, & M. D. Shields (Eds.), *Handbook of management accounting research* (Vol. I). Amsterdam, The Netherlands: Elsevier.

Chenhall, R. H., & Langfield-Smith, K. (1998). Adoption and benefits of management accounting practices: An Australian study. *Management Accounting Research*, *9*(1), 1–19. doi:10.1006/mare.1997.0060

Chenhall, R. H., & Langfield-Smith, K. (1998). The relationship between strategic priorities, management techniques and management accounting: An empirical investigation using a systems approach. *Accounting, Organizations and Society*, *23*(3), 243–264. doi:10.1016/S0361-3682(97)00024-X

Collier, P. M. (2005). Entrepreneurial control and the construction of a relevant accounting. *Management Accounting Research*, *16*, 321–339. doi:10.1016/j.mar.2005.06.007

Collis, J., & Jarvis, R. (2002). Financial information and the management of small private companies. *Journal of Small Business and Enterprise Development*, *9*(2), 100–110. doi:10.1108/14626000210427357

Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environment. *Strategic Management Journal*, *10*, 75–87. doi:10.1002/smj.4250100107

Davila, T. (2005). The promise of management control systems for innovation and strategic change. In C. Chapman (Ed.), *Controlling strategy*. Oxford, UK: Oxford University Press.

Del Baldo, M. (2008). I nuovi sistemi informativi: opportunità e criticità per il controllo di gestione nelle piccole e medie imprese. In F. Cesaroni, & P. Demartini (Eds.), *ICT e informazione economico-finanziaria. Saggi sull'applicazione delle nuove tecnologie nelle grandi e nelle piccole e medie imprese*. Milano, Italy: Franco Angeli.

Donaldson, L. (2001). *The contingency theory of organizations*. Thousand Oaks, CA: Sage. doi:10.4135/9781452229249

Drury, C., Braund, S., Osborne, P., & Tayles, M. (1993). *A survey of management accounting practices in UK manufacturing companies* (ACCA Research Occasional Paper). London: Chartered Association of Certified Accountants.

El-Namacki, M. (1990). Small business - The myth and the reality. *Long Range Planning*, *23*(4), 78–87. doi:10.1016/0024-6301(90)90155-W

Farneti, G., & Bartolini, M. (2009). *Sistemi di controllo manageriale e medie imprese*. Milano, Italy: Franco Angeli.

Feltham, T. S., Feltham, G., & Barnett, J. J. (2005). The dependence of family businesses on a single decision-maker. *Journal of Small Business Management*, *43*(1), 1–15. doi:10.1111/j.1540-627X.2004.00122.x

Frezatti, F., Aguiar, A., Guerreiro, R., & Gouvea, M. (2011). Does management accounting play role in planning process? *Journal of Business Research*, *64*, 242–249. doi:10.1016/j.jbusres.2009.11.008

Frost, F. A. (2003). The use of strategic tools by small and medium-sized enterprises: An Australasian study. *Strategic Change*, *12*(1), 49–62. doi:10.1002/jsc.607

Garengo, P., Biazzo, S., & Bitici, U. (2005). Performance measurement systems in SMEs: A review for a research agenda. *International Journal of Management Reviews*, *7*(1), 25. doi:10.1111/j.1468-2370.2005.00105.x

Giovannoni, E., Maraghini, M. P., & Riccaboni, A. (2011). Transmitting knowledge across generations: The role of management accounting practices. *Family Business Review*, *24*(2), 126–150. doi:10.1177/0894486511406722

Gorton, M. (1999). Use of financial management techniques in the U.K.-based small and medium sized enterprises: Empirical research findings. *Journal of Financial Management*, *12*, 56–64.

Granlund, M., & Malmi, T. (2002). Moderate impact of ERPS on management accounting: A lag or permanent outcome? *Management Accounting Research*, *13*(3), 299–321. doi:10.1006/mare.2002.0189

Granlund, M., & Taipaleenmäki, J. (2005). Management control and controllership in new economy firms: A life-cycle perspective. *Management Accounting Research*, *16*(1), 21–57. doi:10.1016/j.mar.2004.09.003

Grasselli, P., & Cavazzoni, G. (Eds.). (1994). *Servizi informativi per l'internazionalizzazione delle piccole e medie imprese* [Proceedings of the conference on Information services for the internationalizational of small and medium sized enterprises held in Perugia, Italy]. Perugia, Italy: Centro Stampa Università degli Studi di Perugia.

Greenhalgh, R. W. (2000). Information and the transnational SME controller. *Management Accounting Research*, *11*, 413–426. doi:10.1006/mare.2000.0143

Greiner, L. E. (1972). Evolution and revolution as organizations grow. *Harvard Business Review*, *50*, 37–46. PMID:10179654

Gul, F. A., & Chia, Y. M. (1994). The effects of management accounting systems, perceived environmental uncertainty and decentralization on managerial performance: A test of three-way interaction. *Accounting, Organizations and Society*, *19*, 413–426. doi:10.1016/0361-3682(94)90005-1

Hansen, S. C., & Van der Stede, W. A. (2004). Multiple facets of budgeting: An exploratory analysis. *Management Accounting Research*, *15*, 415–439. doi:10.1016/j.mar.2004.08.001

Hax, A. C., & Majluf, N. S. (1991). *The strategy concept and process: A pragmatic approach*. New York: Prentice-Hall.

Hvolby, H. H., & Thorstenson, A. (2000). Performance measurement in small and medium sized enterprises. In *Proceedings of Third International Conference on Stimulating Manufacturing Excellence in SMEs*, Coventry University, Coventry, UK (pp. 324-332).

Jennings, P., & Beaver, G. (1997). The performance and competitive advantage of small firms: A management perspective. *International Small Business Journal*, *15*(2), 63–75. doi:10.1177/0266242697152004

Kirsch, L. J. (2004). Deploying common systems globally. The dynamics of control. *Information Systems Research*, *15*(4), 374–395. doi:10.1287/isre.1040.0036

Kisfalvi, V. (2002). The entrepreneur's character, life issues, and strategy making: a field study. *Journal of Business Venturing*, *17*, 489–518. doi:10.1016/S0883-9026(01)00075-1

KMU FORSCHUNG AUSTRIA. (2008). *Overview of family business relevant issues*. Vienna. Retrieved August, 30, 2013, from http://ec.europa.eu/enterprise/policies/sme/files/craft/family_business/doc/familybusiness_study_en.pdf

Kober, R. et al. (2007). The interrelationship between management control mechanisms and strategy. *Management Accounting Research*, *18*, 425–452. doi:10.1016/j.mar.2007.01.002

Langfield-Smith, K. (1997). Management control systems and strategy. A critical review. *Accounting, Organizations and Society*, *22*(2), 207–232. doi:10.1016/S0361-3682(95)00040-2

Lybaert, N. (1998). The information use in a SME: Its importance and some elements of influence. *Small Business Economics*, *10*(2), 171–191. doi:10.1023/A:1007967721235

Maciarello, J. A., & Kirby, C. J. (1994). *Management control systems*. Englewood Cliffs, NJ: Prentice Hall.

Malmi, T., & Brown, D. A. (2008). Management control system as a package. Opportunities, challenges and research directions. *Management Accounting Research*, *19*, 287–300. doi:10.1016/j.mar.2008.09.003

Marasca, S., & Silvi, R. (2004). *Sistemi di controllo e cost management tra teoria e prassi*. Torino, Italy: Giappichelli.

Marchi, L. (2003). *I sistemi informativi aziendali*. Milano, Italy: Giuffrè.

Marchini, I. (1995). Il governo della piccola impresa- Vol. III: La gestione strategica. Genova, Italy: Aspi/Ins- Edit.

Marchini, I. (1998). Il governo della piccola impresa- Vol. III: La gestione delle funzioni. Genova, Italy: Aspi/Ins- Edit.

Marsden, A., & Forbes, C. (2003). Strategic management for small and medium-sized enterprises. In O. Jones, & F. Tilley (Eds.), *Competitive advantage in SMEs: Organising for innovation and change*. West Sussex, UK: Wiley.

McAdam, R. (2000). Quality models in a SME context. *International Journal of Quality & Reliability Management*, *17*(3), 305–323. doi:10.1108/02656710010306166

McCollom, M. (1988). Integration in the family firm: When the family system replaces controls and culture. *Family Business Review*, *1*(4), 399–417. doi:10.1111/j.1741-6248.1988.00399.x

Merchant, K .A., & Van der Stede. (2007). *Management control systems: Performance measurement, evaluation, and incentives* (2nd Ed.). Upper Saddle River, NJ: Prentice Hall.

Mintzberg, H. (1973). Strategy making in three modes. *California Management Review*, *16*(2), 44–53. doi:10.2307/41164491

Mitchell, F., & Reid, G. (2000). Problems, challenges and opportunities: the small business as a setting for management accounting research. *Management Accounting Research*, *11*, 385–390. doi:10.1006/mare.2000.0152

Moores, K., & Mula, J. (2000). The salience of market, bureaucratic, and clan controls in the management of family firm transitions: Some tentative Australian evidence. *Family Business Review*, *13*, 91–106. doi:10.1111/j.1741-6248.2000.00091.x

Moores, K., & Yuen, S. (2001). Management accounting systems and organizational configuration: A life-cycle perspective. *Accounting, Organizations and Society*, *26*, 351–389. doi:10.1016/S0361-3682(00)00040-4

Otley, D. (1999). Performance management: A framework for management control systems research. *Management Accounting Research*, *10*(4), 363–382. doi:10.1006/mare.1999.0115

Otley, D. T. (1980). The contingency theory of management accounting: Achievements and prognosis. *Accounting, Organizations and Society*, *5*, 413–428. doi:10.1016/0361-3682(80)90040-9

Otley, D. T. (1994). Management control in contemporary organizations: Towards a wider framework. *Management Accounting Research*, *5*(3/4), 289–299. doi:10.1006/mare.1994.1018

Ouchi, W. G. (1977). The relationship between organizational structure and organizational control. *Administrative Science Quarterly*, *22*, 95–113. doi:10.2307/2391748

Palmer, R. J. (1992). Strategic goals and objectives and the design of strategic management accounting systems. *Advances in Management Accounting*, *1*, 179–204.

Perera, S., & Baker, P. (2007). Performance management practices in small and medium size manufacturing enterprises in Australia. *Small Enterprise Research*, *15*(2), 10–30. doi:10.5172/ser.15.2.10

Raffa, M., & Iandoli, L. (2005). Developing entrepreneurial competences as a leverage for local development. In M. Raffa & L. Iandoli (Eds.), *Entrepreneurship, Competitiveness and Local Development: Proceedings of the XIX Rent Conference*. Napoli, Italy: Edizioni Scientifiche Italiane.

Reid, G. C., & Smith, J. B. (2000). The impact of contingencies on managerial accounting systems development. *Management Accounting Research*, *11*, 427–450. doi:10.1006/mare.2000.0140

Robinson, R. B., & Pearce, J. A. (1984). The relationship between stage of development and small firm planning and performance. *Journal of Small Business Management*, *22*(2), 42–52.

Romano, C. A., & Ratnatunga, J. (1994). Growth stages of small manufacturing firms: The relationship with planning and control. *The British Accounting Review*, *26*, 173–195. doi:10.1006/bare.1994.1012

Sandino, T. (2007). Introducing the first management control systems: Evidence from the retail sector. *Accounting Review*, *82*(1), 265–293. doi:10.2308/accr.2007.82.1.265

Santini, F. (2013). Strategic management accounting and financial performance in the small and medium sized Italian manufacturing enterprises. *Management Control*, *1*, 1–31.

Santini, F., & Pierri, F. (2013). *Management control systems as a package and their performance in small and medium sized Italian manufacturing firms.* Paper presented at the 7th EIASM Conference on Management control and Performance measurement, Barcelona, Spain.

Simons, R. (1994). How new top manager use control systems as levers of strategic renewal. *Strategic Management Journal*, *15*(3), 169–189. doi:10.1002/smj.4250150301

Simons, R. (1995). *Levers of control: How managers use innovative control systems to drive strategic renewal*. Boston: Harvard Business School Press.

Simons, R. (2000). *Performance measurement & control systems for implementing strategy*. Upper Saddle River, NJ: Prentice Hall.

Skærbæk, P., & Tryggestad, K. (2010). The role of accounting devices in performing corporate strategy. *Accounting, Organizations and Society*, *35*(1), 108–124. doi:10.1016/j.aos.2009.01.003

Smallbone, D., & Wyer, P. (2000). Growth and development in the small firm. In S. Carter, & J. D. Evans (Eds.), *Enterprise and small business: Principles, practice and policy* (pp. 409–433). Boston: Addison Wesley.

Speckbacher, G., & Wentges, P. (2007). *The impact of firm size and family ownership on management control systems in small and medium-sized enterprises* (Working Paper). Wirtschaftuniversitat Wien, Austria.

Speckbacher, G., & Wentgesb, P. (2012). The impact of family control on the use of performance measures in strategic target setting and incentive compensation: A research note. *Management Accounting Research*, *23*, 34–46. doi:10.1016/j.mar.2011.06.002

Stanworth, J., & Gray, C. (Eds.). (1991). *Bolton 20 years on: The small firm in the 1990s*. London: Paul Chapman.

Storey, D. J. (1994). *Understanding the small business sector*. London: Routledge.

Turner, R. (1997). Management accounting and SMEs: A question of style? [Magazine for Chartered Management Accountant]. *Management Accounting*, *75*(7), 24–25.

Verreynne, M. L. (2004). *Strategy-making process and firm performance in small firms* (Research Paper Series of the Faculty of Business, Paper no. 20). Auckland University of Technology, New Zealand.

Ward, K. (1993). *Strategic management accounting*. Oxford, UK: Butterworth-Heinemann.

Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, *59*(4), 18–26.

Zimmerman, J. L. (1997). *Accounting for decision making and control*. Chicago: McGraw-Hill.

KEY TERMS AND DEFINITIONS

Accounting Control System: Control systems based on quantitative information and particularly founded on financial accounts.

Cluster Analysis: A statistical technique based on multivariate analysis designed to sort objects into groups (clusters) in such a way that objects within a specific group share common characteristics (high similarity) while being different (or unrelated) from other groups.

Contingency Theory: A theory originated in organization studies which claims that organizations experience different situations and are exposed to different internal and external factors. Consequently there is no best way to organize a corporation: structure, systems and decisions are contingent upon the situation.

Management Control System: A MCS is a collection of elements (technical instruments, people, procedures, etc.) designed to gather information to assist managers in decision-making, coordinate resources and influence individuals' behaviour in order to ensure that they implement strategies as expected.

Results Controls: A term used by Merchant and Van der Stede (2007) to identify a specific category of formal management control systems characterized by performing a direct control of outputs (not of the behaviour) by measuring the outcomes of personnel's work.

Strategic Management: A concept and a discipline originating in the 1950s with the work of Chandler, Selznick, Ansoff and Drucker, which refers to all the decisions, processes, and actions that enable an organization to define and control strategies for achieving long-term objectives.

Strategic Processes: All processes related to strategy formulation, implementation and control. Coherently, these are processes that involve the top and medium-level management of organizations.

ENDNOTES

1 Studies suggest that when the perception of environmental uncertainty rises, managers use sophisticated management accounting and control tools to reduce doubts and improve the efficiency of decision- making (Gul & Chia, 1994; Santini, 2013).

2 In 1990s SMEs accounted for 60 to 70% of jobs in most OECD countries, with a particularly large share in Italy where organizations with less than 100 employees accounted for 98% of the entire business population and employed 63.7% of the total Italian work force (OECD, 1998). In the European Union (European Commission, 2012), micro businesses and SMEs represent nearly 99% of enterprises and are the main sources of entrepreneurial skills and employment. It is estimated that in 2012 SMEs accounted for 67% of total employment and 58% of gross value added (GVA) of the European Union (European Commission, 2012).

3 In large corporations personnel and cultural controls are typically written and initiated by the management. For example, these consist in recruitment policies and training programs that drive employees to exercise a self control (personnel control) or codes of conduct that define shared values capable to activate social or group controls (cultural controls).

4 Interactive systems are not different control mechanisms but as detailed by Simons (1995; 2000) they indicate a specific way to use MCSs that involves managers in the decision activities of the subordinates. In fact, he affirms that also formal control systems like result controls can be used in an interactive manner.

5 When small or large companies adopt emergent strategies, MCSs should be designed to favour coordination among managers and subordinates, exchange of knowledge and learning at lower levels where daily decisions are taken and strategies arise (Simons, 2000; Davila, 2005). In other terms MCSs should be applied interactively and their role changes into contributing to strategy formulation by encouraging interaction and creative approaches (Simons, 2000).

6 This contrasts with results of Collins and Jarvis (2002) who found in 82% of companies analyzed the presence of external accountants preparing annual accounts and providing management advice.

Chapter 18
Strategic Networking Behavior of SMEs:
Practical Considerations from Bulgaria

Maria Vasilska
University of National and World Economy, Bulgaria

Iliya Kereziev
University of National and World Economy, Bulgaria

Yordanka Ivanova
University of National and World Economy, Bulgaria

ABSTRACT

Strategic networking behavior of SMEs is an issue that has not yet been thoroughly studied in the context of emerging market economies in Eastern Europe. No doubt, through strategic networking, SMEs could gain access to valuable resources – information, know-how, technologies, finance, etc., needed for strategy development, and building and maintaining competitive advantages. In addition, the networking of Bulgarian firms operating in a limited domestic market can be viewed as a tool for gaining access to external markets. On the other hand, intensive collaboration and networking creates problems and challenges for the SMEs and places new requirements to their strategic management. Therefore, this chapter draws upon the data and results of three researches which investigated strategic networking behavior of Bulgarian SMEs in order to reveal the specific benefits and challenges of SMEs involved in networks and to examine the impact of networking activities on SMEs strategic development. Finally, recommendations for the strategic networking behavior of Eastern European SMEs are formulated with a view to improve their results from networking and hence their competitiveness.

DOI: 10.4018/978-1-4666-5962-9.ch018

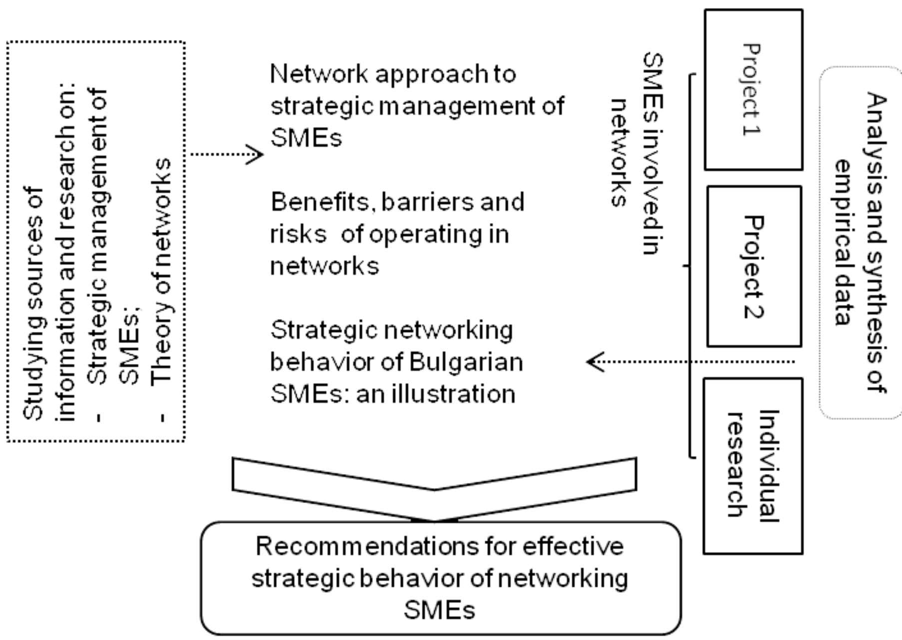
INTRODUCTION

Significant changes in the global competitive environment, which we have witnessed in recent decades, have led practitioners and researchers to examine contemporary business as not functioning in the well-known traditional market and industrial structures but in networks of interconnected firms. Assuming that firms operate in such a complex and dynamic environment, their business behavior should be analyzed with a view to the dynamics of their relationships with wide range of stakeholders and other organizations – distributors, suppliers, competitors and customers as a way of extracting strategic benefits and increasing competitiveness (Jarillo, 1988; Hekansson & Snehota, 1995; Gulati, Nohria, & Zaheer, 2000). Effects of networking on firms performance and competitiveness may vary depending on the context, including characteristics of the industry, characteristics of the network – configuration of links, partners' and firm's profiles – e.g. age, size (Gulati, Dialdin, & Wang, 2002, p. 294).

In response to the growing demands of competitive environment, SMEs obviously need to form and develop supportive and strategically focused partnerships and networks aimed not only for their survival, but also for increasing competitiveness. Therefore, cooperation and networking emerge as a preferred small firms' strategy (Pichler, 2007, p. 111). Formation, involvement and location in networks express the strategic networking behavior of SMEs in case they search for strategic benefits from cooperating with other firms. In turn, partner relationships, networking and related challenges set certain requirements for the strategic management of SMEs. In line with the growing trend of inter-firm cooperation, in recent years researchers shifted their focus from just the need to understand the nature and functioning of business partnerships and networks to the strategic aspects of firm behavior towards networking. This interest in strategic management of firms, operating in network environment and particularly in strategic aspects of firms' development in a network can be defined as a relatively new one (Ritter, Wilkinson, & Johnston, 2004, pp. 175-183). It is noteworthy also that the studies on this topic focus mainly on the review, modeling and analysis of behavior and management of firms in networks or the networks themselves in the context of developed countries such as the model of "managing in networks" proposed by Ford, Gadde, Hakansson and Snehota (2003) which is illustrated by a case study on a famous retailer IKEA.

On the other hand, there are few findings on the strategic aspects of SMEs networking behavior in different regions and at different stages of economic development, for example in Eastern European countries. Accordingly, there is no critical mass of research studies and findings, that to support entrepreneurs and managers from Bulgarian SMEs in the process of their business development in network context (Todorov, 2005). In this context, this chapter aims to reveal and examine some strategic aspects of SMEs networking behavior in the specific conditions of emerging market economies in Eastern Europe and particularly in Bulgaria in order to formulate recommendations for improvement of their competitiveness and networking results. A better understanding of the strategic networking behavior of SMEs in this specific context can also be beneficial for companies in the developed economies, especially in terms of improving their co-operation and networking with Eastern European small businesses. Important characteristics of these firms are their smaller size, in comparison to the average size of Western European SMEs; insufficient managerial and business experience, due to their short history; access to insufficient and very often inadequate public support; often operating in relative high isolation, and yet trying to create strategic partnerships and networks in order to build potential for growth and development. Moreover, their strategic networking behavior is related to exploiting growth opportunities through internationalization (involving in foreign business

Figure 1. Logical sequence, content and results of the chapter



partnerships), innovations, knowledge transfer or other forms of competitive behavior. In this term, strategic networking is a necessary factor for improving competitive position and international orientation of Eastern European SMEs.

Following the above mentioned it is useful to find adequate answers to some questions, as: What are the critical factors and motives for inclusion of SME in a network? What could be achieved by SMEs' participation in networks? What are the specific features of strategic networking behavior of SMEs? What practical recommendations can be made in order to be used by SMEs for effective and strategic networking behavior? In order to achieve the aim and answer these questions the working structure for development of the chapter, presented in Figure 1, is used.

Theoretical overview of publications and research on the topic of strategic management of firms working in networks is combined with practically-oriented discussion and analysis of characteristics, advantages and strategic challenges facing SMEs involved in networking. Based on findings of empirical researches, strategic networking behavior of SMEs is also analyzed on the example of Bulgarian firms in connection to their participation in different types of networks and relationships with partners. Finally recommendations for the strategic networking behavior of SMEs with a view to improve their competitiveness and results from networking are formulated.

NETWORK APPROACH TO STRATEGIC MANAGEMENT OF SMEs

Similarly to large companies, SMEs have an objective necessity to apply strategic management (Todorov, 2001). Application of strategic management in SMEs is issue of scientific debate, dominated by two basic approaches. The first is rational, relying on the formalization of the process and definition of clear vision, mission and strategic goals, and the second is intuitive, based on an experience and process of continuous learning

(Analoui & Karami, 2003). In both cases, the key role in the process of strategic management plays the owner-entrepreneur. Strategic decisions and intentions in SMEs reflect to a certain degree the subjective orientation of owner-manager or entrepreneur (and with increase of the firm's size the role of the management team) on strategic issues of functioning and development of the firm (Todorov, 2001, p. 126-7; Mazzarol & Reboud, 2006, p. 13). They not only set the vision, mission and strategy of the firm, but also are among the main people who put them into action. Often entrepreneurs and managers of SMEs run the firm routinely, focusing their efforts on operational activities and issues that are considered to be more important than long-term strategies and future opportunities (Analoui & Karami, 2003). Due to their limited time and resources, as well as the negative attitude of entrepreneurs to formal planning, the majority of SMEs do not have a formal business plan, and the decision making process in these enterprises could rather be described as unstructured, intuitive and inconsistent. For example, strategic decisions of firms in emerging economies, such as the choice of partner/s are significantly influenced by the tricky institutional environment in these economies – tax law, regulation, corruption, according to empirical results from a study for China and Russia (Hitt et.al., 2004, p. 182).

Situational and largely informal nature of strategic management in SMEs requires specific approaches, methods and resources for generating and implementing firm strategies. The strategy can be identified with "the direction, trajectory for achieving the general objective of an organization with the necessary resources for realization of this process" (Todorov, 2001, p. 38). Strategy guides development of the firm, helping to stabilize its business position, focuses staff efforts, determines resistance to changes in the external environment, reduces the level of uncertainty, etc. (Mugler, 2004). Usually, SMEs apply specific strategies. Smaller and traditionally oriented firms apply informal strategies, which can be largely identified as a "trajectory of behavior," according to the entrepreneur's experience and intuition. Fast-growing companies, especially medium-sized ones, develop more complete, partly formalized strategies (Todorov, 2001, p. 14). As most appropriate in the early stages of SME's development are considered the focused strategies, according to Porter's generic strategies. They allow a more complete satisfaction of consumer needs by focusing limited resources of SMEs to clearly outlined, relatively narrow market segments (niches). At a later stage, along with business growth, differentiation strategies also become suitable for application in the case of SMEs (Porter, 1985). Generally, SMEs have great potential to differentiate mostly based on their flexibility and innovativeness.

Strategic management methods in SMEs are characterized by a limited amount of information and resources used, speed and simplicity of analysis and flexible application. Strategic tools of proven feasibility and efficiency within SMEs are SWOT analysis, well known life-cycle models, Porter's five competitive forces model and others. There are other instruments with potential for application in SMEs, but they remain ignored by entrepreneurs and managers of SMEs, often with good reason. These are benchmarking, GAP analysis and Balanced Scorecard, that in addition to being unfamiliar, require managerial competencies often beyond SME's abilities (Kraus, Harms, & Schwarz, 2006).

Along with the increasing role of small businesses from the 90s of last century and development of the strategic management methods to their needs, SMEs face the challenge to deal with constantly changing external environment. The global changes "have shaped a new business environment requiring new strategies and a reconfiguration of resources, skills, and processes to sustain competitiveness" (Lok, Rhodes, & Walters, 2011, p. 1). The challenges facing the SMEs from Central European countries are even greater, given the lack of SMEs experience in establishment of mutually beneficial partnerships with other companies. Even their future success depends on whether they will try to adapt to the new circumstances or will become their victims (Gubik, 2005). Involving in partnerships and networks with other SMEs or larger companies is appropriate method not only for dealing with challenges, but also for development of activity of Eastern European SMEs, including their export orientation. Here the question arises whether the classical theories of strategic management, focusing on the analysis of a single company mainly in stable and predictable environment are adequate. The traditional strategic management model is the fit model that aims to attain a fit between internal resources and capabilities and external opportunities and threats of the companies and on this base to improve company competitive position. To answer this challenge, classical theories of strategic management focus on issues concerning accumulation and control of resources within the individual firm. In this regard, the researchers examine the firm as an autonomous business unit, which try to build competitive advantage by two main strategic approaches: 1) according to the characteristics of the industry or 2) based on internal sources – firm-specific resources and competencies (Gulati, Nohria & Zaheer, 2000). But within large-scale networks, firms both cooperate and compete, which put new requirements in front of their strategic networking behavior and the need to apply a new perspective on their business strategy (Sanchez, & Heene 1997, p. 304). Establishment of entrepreneurial networks, subcontracting relations, strategic alliances, joint ventures, long-term partnerships and others has a strategic importance for participating firms (Gulati, Nohria & Zaheer, 2000). These can provide business benefits of the cooperation that exceed the capabilities of a single firm. Furthermore, they support the flexibility and speed of participating firms in dealing with uncertainty and dynamics of the environment caused by globalization processes, technological and regulatory risks, conflicting market signals, abrupt changes in prices and costs and unfavorable competitive actions (Day & Schoemaker, 2000).

Given the fact that nowadays companies are increasingly dependent on and connected in networks of relationships, it is not surprise that inter-firm relationships and business networks have a strategic importance and must find a key part in the firm's strategy. A firm can use its network relationships to obtain strategic resources as an important source of competitive advantage. Hekansson and Snehota (1995) stated that the future role, development and performance of firms depend largely on their ability to manage relationships with other organizations, often represented as a network of relationships. On this basis, they propose and try to form a new network approach to strategic management. The network approach considers the strategic management and in particular the firm's strategy as a set of relationships, and their relationships and network behavior as a basis for company ability to compete.

Network approach examines organizations in a network with fuzzy boundaries and functioning both in unstable and in uncertain and complex external environment. According to the classical theories of strategic management, sources of competitive advantage are tangible assets and most competitive firms are those that are best adapting to the conditions of the external environment. In contrast, in the network approach sources of competitive advantage are networks of relationships and hence companies with good portfolios of relationships can achieve higher competitiveness. Accordingly, the new approach considers strategic process mainly as a dynamic, gradual and iterative (Tikkanen & Halinen, 2003). Often firm's strategic decisions and actions are a response to the actions of other firms and changes in the network. In this regard the views of practitioners and researchers that the vision, experience and intuition of SMEs' entrepreneurs and managers are more important than the existence of a formal strategic document, has recently increased. Thus the firm's strategy in a network is more dynamic and gradually developing; it determines firm's decisions to form linkages and networks of relations and considers network changes and their impact on firm's functioning and results.

From the perspective of network approach business strategy of the firm plays a key role in taking decisions affecting the development of networks of relationships. The strategy should define not only the firm's dependence on its direct connections with network participants, but in certain situations and indirect ones. It needs to consider how can the network be used to provide support to the firm; what resources and competencies can be drawn from the portfolio of relationships; possible changes in the network and how they will affect the firm's development and results, how can risk be shared through the network; and how can relationships in the network provide a sources for building, maintaining and sustaining competitive advantages (Wickham, 2004).

Tikkanen and Halinen (2003) identified three types of firms' activities that are of key significance to their strategic management in a network as they enable firms to strengthen their inter-firm power or position in one or more networks:

- **Defining a vision for network development:** Defining expectations and alternative scenarios for evolutionary development of network;
- **Positioning in the network:** Selection of partners; changing positions in the network by building and breaking of relations with other organizations;
- **Activating (strengthening) the network:** Attracting and engaging partners by sharing development visions and goals, allocating resources and effort.

Concerning small businesses, practice shows that SMEs can not realize significant strategic initiatives alone, but primarily in partnerships with other companies and the choice of an appropriate form of inter-firm collaboration depends on the specific circumstances. Therefore, the previous individual, isolated entrepreneur has become a "networked entrepreneur" working in a variety of networks (Todorov, 2005, p. 342). One of the main issues in strategic management of SMEs, affecting their competitiveness is how to manage sustainable relationships with network partners. Since participation in a network can be seen as a firm's growth strategy, SMEs' entrepreneurs and managers should invest time and effort in creating and maintaining existing and future business relationships (Fong & Mazzarol, 2006, p. 16). More precisely, important decisions concerning successful strategic networking must be made in relation to where SMEs will be located in the value-addition chain; how SMEs will manage the relationships on which the business will depend; and how SMEs will sustain those relationships in the face of competitors (Wickham, 2004). Another key challenge in strategic management of SMEs operating in network context, is the choice of a partners, for example on the base of set of criteria (Dollinger, 2003, pp. 348-9) such as mutual trust, commitment to collaboration and shared responsibility, i.e. to avoid situations in which one partner takes all the work and risks, while the other only enjoys the benefits of cooperation. Other criteria for choosing a partner include shared goals, complementary skills, effective communication, suggesting the existence of similar cultures and values, and reputation. Regarding the size of the potential partner, cooperation between a small firm and another "significantly larger" one may lead to problems associated with different flexibility, dependency on the partner, management style, presence of bureaucracy in large companies, which are reducing trust between partners (Dollinger, 2003).

In summary, the network approach to strategic management of the firm tries to provide an explicit explanation of how firms can use relationships in their networks in order to gain competitive advantages. This approach generally changes perceptions about the firm's strategy – its nature and strategic process, as it aims to determine what are the key strategic activities for successful strategic management in networks (Tikkanen, & Halinen, 2003).

SMEs BUSINESS NETWORKS: NATURE, TYPES, FORMATION AND DEVELOPMENT

The network concept is not new in the economic science; it is already developed and established practice. However, research and analysis of networks still lack "depth" in terms of strategic behavior of partnering firms especially in the context of Eastern European countries, including Bulgaria.

Traditional organizational structures and isolated companies (especially SMEs) can no longer "handle" alone with the technological change, ever-growing competition and globalization of business activities and therefore the network as a new organizational form appears.

In business networks, there are three important variables: actors, activities and resources. Participants which may include separate individuals, groups of individuals, firms or groups of firms carry out activities in the network and control the resources. The main assumption of the network approach is that firms enter into cooperative relationships with other firms to gain access to network resources, i.e. to achieve synergetic effects from their interaction (Porter, 2004).

Along with the various conceptions on the nature of networks, there is a consensus that they represent a deeper relationship than common market relations. "Business networking in the new economy can be seen as the coordination of processes within and across companies" (Österle, Fleish, & Alt, 2001, p. 2). Grandori and Soda (1995, p. 184) present networks as "modes of organizing economic activities through inter-firm coordination and cooperation." Although these definitions give some insight on the networks' characteristics, they are still incomplete since they do not present the objective of involving in such form of partnerships. This chapter uses the following working definition: "Generally, a business network can be defined as a specific form of cooperation between two or more enterprises or between enterprises and non-profit entities with aim to build, maintain, or improve their market and competitive positions."

Network Types and Their Specific Characteristics

SMEs can participate in networks that are predominantly vertical or mostly horizontal in nature. *Vertical networks* are created between different actors in the value chain (most often customers, producers and suppliers) or between firms and other organizations or institutions (e.g. NGOs, local authorities, civil society structures, etc.). Examples of the last type of networks are the industrial (regional) clusters. The main benefits for participants include: access to international markets; promoting the development of the company; opportunity to exchange knowledge and information; easier access to financial resources and more. Very often vertical networks consist of SMEs serving one or several large companies (such are subcontracting networks). *Horizontal networks* consist of firms located at the same level of the value-adding chain, belonging to one sector or having similar activities (and they may be competitors). In this case, the targets are mostly related to the acquisition of competitive advantage and economies of scale or greater bargaining power. In the context of SMEs horizontal networks enable participants to acquire resources, reduce costs, gain access to markets, acquire technology and very often – to achieve collective efficiency. On the other hand, this type of partnership is unstable, if trust is weak. Examples of horizontal networks are the entrepreneurial networks and the various cooperation agreements between firms that are similar in nature and activity. In addition to horizontal and vertical networks there are *diagonal networks* – between firms from different sectors.

On the other hand, networks can be formal or informal. *Formal networks* are based on contracts – usually long-term, for example agreements for joint production, marketing or innovation activities. *Informal networks* created on the basis of good personal relationships between entrepreneurs are particularly useful for small businesses and are based on the *dominating informal culture* in a country (e.g. in Eastern Europe). Typically they involve firms that, *ceteris paribus*, are seen as competitors, but still cooperate because they benefit more from cooperation than from a competitive struggle. Trust among participants can eliminate the need for procedures that are expensive for small businesses, as in some cases can be the signing of a contract. Lin and Zhang (2005, p. 158) stated that "collaboration with ex-competitors can create 'win-win' results for both sides." Szerb (2003, p. 86) also distinguishes between two main types of networks: in the first type linkages between partners are loose and in some cases it is difficult to differentiate them from the surrounding environment. The other type of networks is characterized by formal membership, long-term, often strategic linkages between members, based on market relations.

According to the literature, beneath formal networks lie informal social networks (Freeman, 1991). Personal relationships (especially in East-European countries), whether characterized by trust, confidence, or fear, play a key role in how these networks operate, so considering cultural factors in formal networks is also important.

Strategic networks are not clearly defined in the literature. Much of the authors and researchers regard them as a form of cooperation between various actors, such as enterprises, local authorities, civil society structures, third sector representatives and others, as, for example, are industrial clusters. Other authors define them in a narrow sense, most often as a relationship only between enterprises. A leading author in this field is Carlos Jarillo (Jarillo, 1995). He describes networks as an organizational form that can be used by managers and entrepreneurs to put their firms in strictly competitive position. Therefore he speaks of *strategic networks*. In his view, they are flexible structures where centralized management of production activities is missing. This allows participants to compete with each other, to attract new partners and simultaneously to coordinate their activities. Another leading author in network researches – Kristian Möller, notes the increasing importance of strategic "nets" for creating economic value (Möller & Svahn, 2002, p. 2). Strategic networks can develop into so called 'quasi firms' with their own strategies and organization (including network leader, management, development, operative and supporting teams) and to hold important positions in the international market (Hyötyläinen, 2000, p. 44, p. 68). The author argues that the development of strategic networks is a process that requires learning and innovation. Van Winden and Woets (2003) discuss the relationship between strategic networks and regional development on the example of development of ICT sector in the region of Bari, Italy, Amsterdam, Holland, Dublin, Ireland and Oulu, Finland. Major role in supporting networks play: in Bari – the private sector; in Dublin – organizations such as Enterprise Ireland; in Olulu – the public sector (where a National Technology Fund support networks by providing a significant monetary stimulus for cooperation) (Van Winden & Woets, 2003, p. 22). These regions are characterized by established close links between education and business.

In summary, some common elements that stand out as contributing factors to development of strategic networks can be pointed out: innovations, trust (as a basis for knowledge sharing), establishment of a leader in the network, partnership between business and the public sector (in networks defined in a broader sense). Of course, in order to determine more in-depth the strategic networks specific features, further studies are needed that to apply appropriate research objects and methods.

Benefits from Strategic Networking

SMEs are increasingly benefiting from many advantages provided by strategic partnership with large companies having established market positions. This partnership combines the comparative advantages of large companies (economies of scale, financial and market power) with SMEs' ones – flexibility, quick responses to changes, innovativeness (of some), etc. Positive effects for SMEs are indisputable and the question that usually stands before their owners and managers is not whether to find a strategic partner, but how to find it. A good cooperation with a larger organization enables SMEs to create and sell competitive products and to grow. Establishing strategic partnership is often more important for SMEs than for the larger company. A report by the OECD confirms that empirical findings match networking benefits suggested by theory, for example increased innovativeness of networked SMEs, but it also acknowledges that "networking is not the panacea to meet the challenges of an innovation-driven economic development" (OECD, 2004, p. 13).

Creation, development and successful management of strategic relationships between SMEs themselves is a tool for growth and prosperity of the participants. They pursue different objectives and bring various benefits to partners such as achieving greater strength in negotiations with third parties.

Through strategic networks firms are able to gain access to information, resources, markets and technologies; to obtain benefits related to learning and development, advantages of scale and scope, to achieve strategic goals such as risk sharing, outsourcing of activities and processes (Gulati, Nohria, & Zaheer, 2000, p. 203). Möller and Svahn (2003, p. 210) present a summary of networking benefits provided by different researchers – among these are the division of labor and specialization (which however is also related to increased interdependency), offering compatible or complementary products, flexible governance, better adaptation to "knowledge-rich environments" which is related to joint creation of new knowledge, innovations and knowledge transfer, etc. They also argue that utilizing network benefits requires building specific organizational capabilities, called "network capabilities."

Motives of SMEs owners/ or managers to include their firms in different types of networks differ. However, as a result of studies in addition to those already mentioned, some basic advantages and benefits of SMEs participating in networks (that are strategic for their development) can be summarized:

- **Overcoming in sustainable matter the main weaknesses of SMEs:** Isolation and resource scarcity (Todorov, K., 2011, p. 354) as a prerequisite for future development of the business.
- **Human resources and production:**
    - Opportunities for increasing qualification of staff through acquisition of specialized knowledge and skills as a result of cooperation with competent and experienced employees of other network participants – these may be indicative of the strategic nature of a network for the partnering firms.
    - Increasing specialization and cost reduction, when networking allows division of labor among partnering firms (see Österle, Fleish, & Alt, 2001, p. 2) and respectively – achieving economies of scale.
    - Access to production equipment, specialized investment and production information, whose accumulation and processing is associated with high cost (often beyond possibilities of a small firm) – this applies to a greater extent for the companies involved in large-scale subcontracting networks.

- **Innovation and knowledge sharing:** They are among the key factors determining the strategic nature of relations between firms within a network. Participation in a network allows the firm to concentrate on its core competencies and to access resources (technology, finance, products, assets, etc.) of other organizations. This helps to improve its competitive position, to create and introduce innovations easier and to secure their market – mostly within the network. According to research of Japanese Small Business Research Institute networks are an important instrument for innovation and can have a significant contribution in this respect (Kaibori, p. 1). Influencing factor on the sustainability of networks and quality of information flows that are crucial for innovation is trust (Hoang & Antoncic, 2003, p. 178). The strategic nature of network is also evident from the existing favorable conditions to obtain technical, technological and managerial know-how from other network participants. However, important precondition for "collective learning" within the network is the establishment of a common language for talking about technological, organizational and other problems (Keeble, Lawson, Moore, & Wilkinson, 1998).
- **Development (growth):** This motive shows most clearly the strategic orientation of networked SMEs in a number of ways:
    - Ability to continuously improve and develop the potential for growth in case the network provides necessary conditions for this development.
    - Using the experience and famous name of other network participants, including through the formation of strategic partnerships.
    - Distribution of risk – networking allows to share new opportunities (such as those offered by foreign markets) by sharing the risks.
    - Providing markets within and outside the network.
    - Accumulating experience for working in a dynamic, and in many cases –international environment. On the one hand, *networks provide a favorable environment for SMEs internationalization*. On the other hand, thanks to networks, the traditional views of internationalization process have changed.

Barriers and Risks for SMEs Operating in a Network

Together with the advantages for SMEs provided by networking, successful operation of networks and firms in networks is associated with a number of difficulties, risks and barriers, and overcoming various challenges to their strategic management. The fact is that many of the networks that are created with the intention of long-term cooperation fail shortly after their formation, and such failure can be due to a number of factors.

According to Lin and Zhang (2005, p. 158) many networks are terminated because they do not give the expected tangible results for a given period of time. On the other hand, the emphasis on tangible outcomes can lead to underestimating the importance of intangible outcomes such as knowledge and capacity building. Other potential problems and risks can be related to 'closing' the firm in inappropriate network of relationships or in a network limiting linkages and partnerships with outside organizations that otherwise can have good development prospects (Gulati, Nohria, & Zaheer, 2000, p. 203).

Chen (1999, p. 58-61), studying the production strategies of Taiwanese SMEs in the textile sector, participating in networks, states that strategic management is increasingly focused on combining efforts in the value chain. In the case of SMEs networks, the author identifies the quality as a key weakness, and a possible way to overcome it – the establishment of network leader at the end of the chain (e.g. textile trader) that to initiate actions for improving the quality of products manufactured within the network.

In summary, main barriers and risks for firms operating in networks can be related to:

- Difficulties in choosing partners and building trust or lack of organizational capabilities to manage additional resources;
- Strong commitment to other network participants and losing independence – often larger companies gain dominance over smaller firms and transform their partnership in dependency relations; change in partners' strategic priorities over time;
- Issues and challenges arising from difficulties in resolving conflicts – mostly in informal relations; different management styles, corporate cultures, day-to-day operations and control mechanisms, style of interaction with representatives of foreign cultures not sharing the same values, including in business;
- Breaking of the broader market and losing flexibility and innovativeness as a result of concentrating efforts within the network, loss of competitive advantage of SME resulting from the use of its specific know-how;
- Negative impact of unexpected events in the external environment and others.

STRATEGIC NETWORKING BEHAVIOR OF BULGARIAN SMES: AN ILLUSTRATION

Background

In new emerging market (transition) economies, especially those in Eastern Europe, part of which is Bulgaria, in addition to the classical tasks SMEs perform specific tasks, such as (Todorov, 2011a, p. 19-20):

- Change in economic structure and size of enterprises from dominant role of large enterprises in the planned economy oriented toward socialist market to today's predominant share of SMEs oriented towards EU markets;
- Promotion of entrepreneurial culture associated with taking calculated risks, demonstration of personal responsibility and socially responsible behavior;
- Formation of a strong middle class based on the creation and successful operation of a significant number of family, micro and small businesses – entrepreneurs, managers, experts and highly qualified specialists.

Long-term network relations between firms in Bulgaria are not new. Even the centrally planned economy there were huge network structures established by the state (mostly cooperation between large enterprises), which included many elements of today's production networks, but with several important differences: self-planning, price negotiations and the overall commercial element in relations between enterprises were insufficient or totally missing. Moreover, in the past, networks have had mainly national character. Large state unions at the top of these production networks have participated in international division of labor, but the limited number of smaller companies – independent or subsidiaries of these structures did not had contacts with international market.

After the changes that occur in CEE countries and Bulgaria in the late 80s, their economies face a number of challenges, the biggest of which was their inevitable 'opening', establishment of hundreds of thousands of SMEs and joining the of process of business globalization. This undoubtedly gives many advantages of Bulgarian firms – opening up new markets, access to new technologies, participating in international networks. At the same time they are influenced by the increasing competitive pressure from international 'players'.

Currently Bulgarian economy is of open type – many Bulgarian enterprises already have internationalized their activities somehow and participate in networks, in many cases – international ones. This is especially valid for SMEs – networking is almost inevitable alternative. Successful networking requires following a certain strategy and strategic behavior of managers, employees and the firm as a whole. This is especially true for the relatively young SME sector which has insufficient experience, resources and support. K. Todorov distinguishes between two types of SMEs based on their orientation: dynamic and traditional, as the former are more long-term oriented and apply a proactive approach to business management, and the second group are more short-term oriented, following survival strategy. The process of formulating strategies in both groups of SMEs is predominantly informal and the resource support to strategies implementation is a major problem (Todorov, 2011b, p. 95-102). Implementing mechanisms of strategic management by SMEs operating in networks is almost essential to obtain maximum benefit from the networking. Networking can be viewed as an expression of SMEs' strategic behavior, aimed at improving competitiveness, internationalization, innovative orientation, etc. A practical tool for achieving (some of these) objectives is establishing strategic partnerships with other firms.

Bulgarian economy had strong traditions and positions in various industrial sectors. Notwithstanding the increasing share of SMEs involved in different production and service networks during the last two decades, more in-depth research on their sustainable competitive nature is still missing. Therefore the issue of strategic behavior and management of Bulgarian (industrial) SMEs operating in networks is up-to-date and important problem. The next section presents generalized empirical data from several researches conducted in this area. Based on the analysis and synthesis of results the objective is to try to highlight some specifics of strategic network behavior of Bulgarian SMEs.

Methodology

Research on various aspects of the state and development of small business is based on both purely quantitative or qualitative methods and the combination of both. As these methods reveal different aspects and characteristics of the networking SMEs it is better to combine both approaches in their research. Suitable tool for studying the strategic behavior of SMEs in networks is the questionnaire survey combined with the case study method to develop a deeper understanding of the issues.

For practical illustration of different aspects of network behavior of Bulgarian SMEs and its strategic elements the authors of this chapter use selected results of two collective research projects of the Institute for Entrepreneurship Development /IED/ at the University of National and World Economy:

(1) "Creation and development of industrial clusters, subcontracting chains and entrepreneurial networks" (IED, 2007).
(2) "Strategic partnerships of Bulgarian small and medium-sized enterprises: problems and perspectives" (IED, 2010).

In addition, this chapter uses the results of an individual research conducted in the frames of a doctoral dissertation:

(3) "Building strategic subcontracting relations of the industrial small and medium-sized enterprises" (Vasilska, 2010).

The three researches are independent but have similar methodology. First pilot surveys with random non-representative large samples were made in order suitable SMEs for targeted actual investigations to be identified (which are participating in a given type of network or partnership and wishing to be involved in further research). The pilot surveys were made by short questionnaires filled in mainly via email and personal interviews.

Given the above mentioned specifics of the Bulgarian economy, it is not accidental that after the pilot surveys the samples for further actual studies involved mainly industrial firms. A smaller number of firms were from the service sector, trade and transport. Research questionnaires for the three in-depth studies were different in scope and content, but also contained a number of similar questions, allowing their aggregation, consistent interpretation and analysis. The majority of responses were obtained by PAPI surveys (face-to-face interviews) allowing making clarifications when the respondents need them. Moreover, the personal interview conducted by an experienced interviewer helps obtaining wider information about the object than the questionnaire gives. The questionnaires' processing was carried out using specialized statistical software package SPSS and Microsoft Excel. The subsequent analysis was done using the methods of descriptive statistics.

In addition, in total nine case studies were conducted in the frames of the three researches aiming at revealing different strategic aspects of SMEs networking behavior. Companies for the case study analyses were selected on the base of the data obtained by the questionnaire surveys.

The sample for actual study within the first (1) project included 77 SMEs which were involved in one or more of the following three network forms: industrial cluster, subcontracting network, entrepreneurial network. This project used the following working definitions, also applied in this chapter:

- **Industrial cluster:** A geographic concentration of firms in a particular area together with their suppliers, manufacturers of related products, suppliers of related services and specialized institutions (organizations). The related industries form a wide network of market participants, and relations between them are focused around a competitive economic sector.
- **Subcontracting network:** A union between firms where a company-contractor assign manufacturing of product details, overall production or performing certain activities to other firms-subcontractors on the basis of a formal contract.
- **Entrepreneurial network:** A group of small and medium-sized firms operating in the same or similar industries that cooperate informally to increase their competitiveness.

The actual survey in the frames of the second (2) project covered 57 SMEs. Most of them have had established partnerships with more than one firm, i.e. it is also about networking relationships.

The individual research (3) studied the relationship of 60 SMEs-subcontractors with their main contractors. As the empirical study was focused mainly on bilateral business relations, its results are used in the chapter as an addition to the results of two research projects.

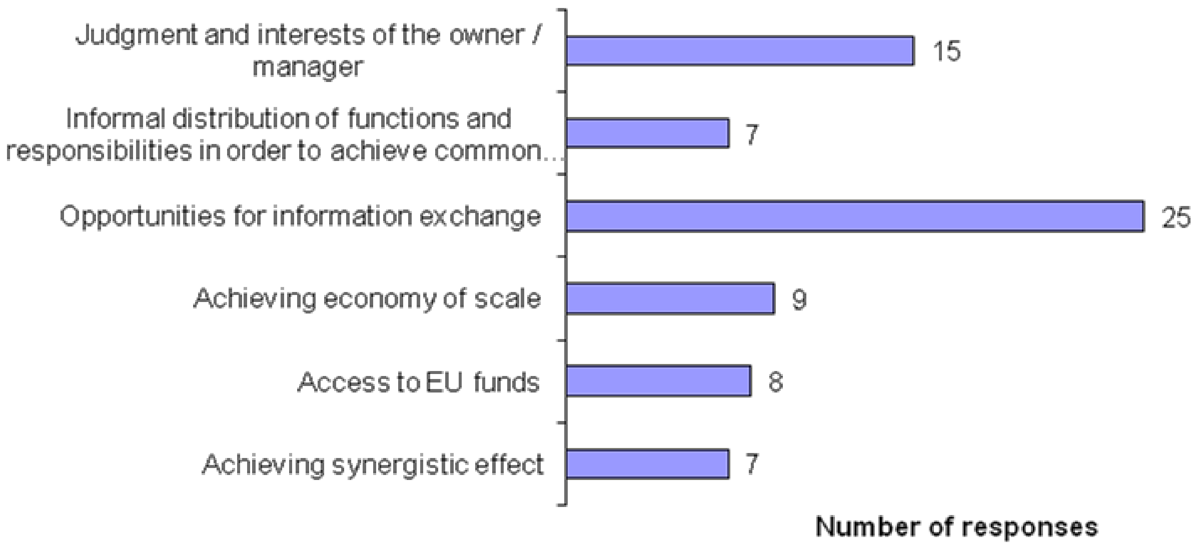
Distinctive feature of this chapter's methodology is that drawing conclusions and recommendations are based on data from several sources – research projects, enriched with personal observations and assessments of entrepreneurs and managers of SMEs involved in networks, and key accents of research in strategic management and networking of SMEs.

Selected Empirical Results and Discussion

Motives and Factors for Network Formation/Involvement in Networks: Objectives Pursued by Entrepreneurs

35 entrepreneurs who involved their businesses in entrepreneurial networks and were studied in

Figure 2. Motives for involvement in an entrepreneurial network (N=35 in the year 2007)



the (1) project, responded to the question "What motivates you to participate in Entrepreneurial Network?" The answers are presented in Figure 2.

Respondents from 57 SMEs surveyed in the (2) project were asked to answer the question "What were the factors with the greatest impact on the development of cooperation with your key partners?" Their responses evidence that the strong dynamic competition has greatest influence on creation of strategic partnerships; according to nearly 70% of respondents it is the leading factor for starting cooperation. Other factors having a strong influence on the partnership building process include: volatility and unpredictability of environment, limited access to certain resources and high costs of innovation and development. Seven of the surveyed firms reported rapid technological change as a determinant factor for initiating a partnership. The high risk (barriers) in entering new markets, short product life cycle, and others, has less weight.

In line with these motives and factors, the summarized results of the three studies show that the main objectives pursued by Bulgarian entrepreneurs with networking are associated with securing the employment of staff, reducing risk and costs (which are generally higher in self-development), finding markets, expanding market share, increasing profits, finding an exit of a difficult situation and others. *These objectives are important for SMEs, but they not lead convincingly to the conclusion that participation in a network can be seen as a strategic tool for business development.*

Such a conclusion, however, can be made based on other responses given by respondents in the three surveys. Most of the firms participating in a network pursue growth – mostly in terms of turnover and number of employees. By networking most of the surveyed enterprises aim to find clients with whom to build strategic partnerships. If in the networks operate stable and well-known companies, SMEs pursue strategic goals related to access to know-how, skills, innovations, distribution channels, and developing the firm's image. Sometimes networking is considered by entrepreneurs as a strategic step towards a new and higher stage of firm's development – from local to international market, from subcontracting to producing products with own brand, from production of one or more products to a major product diversification, etc.

Benefits of Networking

The answers to this question received from respondents of the (1) survey are diverse, but with approximately equal weight. This shows that the positive effects obtained by firms via participation in network structures depend on many factors – type of network, partners, objectives, etc.

However, taking into account the results of the two other studies, we can conclude that Bulgarian enterprises participate in business networks mostly to gain access to resources (including information), to secure or expand their market, including to other countries, to find strategic (international) partners and to realize growth. Other key benefits include development of production capacity of enterprises, reducing risk, opportunities for lobbying and relationships with stakeholders, introduction of innovation and know-how, development of new competitive advantages – quality and design of products or services, speed of response, lower costs, and others.

As an example of business success achieved on the basis of the benefits of networking can be given the company AMET Ltd. - Sofia. It has 55 people stuff and develops modern production in the field of medical equipment and electronics. AMET participates both in vertical networks (with clients and subcontractors) and in horizontal networks - with companies from the machine building industry. The two main activities of the company are manufacturing of electronic products - mostly electrosurgery appliances, and production of mechanical parts for medical equipment.

The work as a subcontractor is central to the overall development strategy of the company. Over the years the Bulgarian enterprise has managed to enter the production networks of renowned manufacturers of high-tech medical devices (mainly from Germany) and to obtain many benefits of this - financial stability, sustainable growth, implementation of international standards, technological modernization, ability to implement R&D activity (found expression in several patents), development of many new products, gained reputation, opportunity to establish new contacts and partnerships, etc. So this case can be viewed as an example of strategic networking behavior of SME resulting in improved competitive position through involvement in different forms of networks with various partners, including international ones.

About half of the surveyed firms have realized strategic benefits from network partnerships as they have implemented innovative projects with other network participants. Foremost among these players are suppliers of equipment, materials, components and software, and second – consultants and business customers (firms). After them, as innovation partners were ranked direct competitors of surveyed enterprises and firms in the same sector.

As factors for strategic success of networking SMEs appear the sustainability of network partnership over time, opportunities for growth, innovations and internationalization, access to key resources, acquiring distinctive competitive advantages, specialization.

Barriers and Risks of SMEs Participation in Network Structures

There are two main reasons that prevent and hinder the participation of Bulgarian SMEs in network structures. This is the possibility of losing independence and the difficult balance between cooperation and competition. One of the main reasons for starting a business is the desire of entrepreneurs to be independent. Their fear from dependency on a network is a major barrier to their inclusion in such structures.

Finding the right balance between cooperation and competition in networking is also a limiting factor. To the question "Do you have competitors among the participants in the network structure?" 64% of the representatives of firms studied in the (1) research answered "Yes," 20% – "No" and the rest – with "I don't know." Interestingly in entrepreneurial networks, as opposed to clusters and subcontracting chains the competition is much tougher. The reason for this can be found in the nature of relationships between the participating firms. Enterprises usually operate in one sector (often produce the same), links between them are horizontal and they operate on a narrow market niche.

Development of network structures in Bulgaria is also hampered by sometimes high entry barriers for such relationships (including difficulties in finding reliable information about potential partners), lack of trust at the beginning of the relationship, the risk of losing trust between the partners in established relationships and serious conflicts between them.

Risks associated with working in network structures include insufficient effect of cooperation and the threat of separating from the broader market due to concentrating efforts within the network. Orientation of some firms to survive rather than to grow and develop, including internationally, represents a barrier for inclusion of these firms in such relationships. However, the most serious obstacle for developing network structures in the region where the surveyed companies operate is the poor attitude (motivation) for cooperation between firms, indicated by most of the respondents. This is related to the 'culture of cooperation' of Bulgarian entrepreneurs that is still insufficiently developed – firstly they want to prove themselves alone, and then to take advantage of the multiplier effect of networking.

Intentions and Conditions for Inclusion in Other Network Structures

The results of both research projects indicate that more than two thirds of the surveyed firms plan to expand the existing network of relationships. However, they have not yet expressed proactive attitude towards their inclusion in network structures. This is confirmed by the fact that nearly 1/3 of the companies investigated in the (1) project would do this when the owners and managers receive profitable offer (see Figure 3). I.e., they are not actively searching, but waiting.

Two types of responses highlight extreme positions on the question when firms should involve in other networks. 19% would participate in such structures if the business is successful. In contrast, 12% would involve if the firm is not doing well, i.e. they consider networking as an opportunity to exit a difficult situation. Factor influencing the decision of 14% of the firms is emergence of favorable conditions in the region where they develop their business. These data demonstrate the short-term orientation of firms, the implemented survival strategy, and the lack of clear strategy for inclusion in network structures - it is seen more as a rescue tool than as a tool for business development. I.e. at the preliminary phase (intent for inclusion in other networks) is difficult to talk about strategic networking behavior of SMEs.

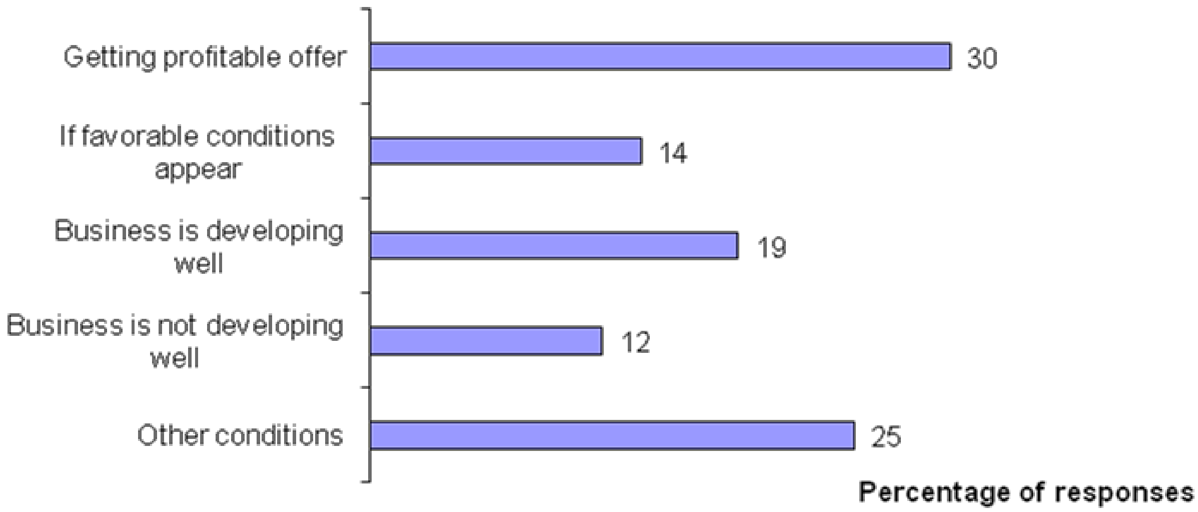
The next section focuses on the strategic aspects of SME participation in networks.

Strategic Behavior of SMEs Participating in Networks

Orientation and Strategic Nature of SMEs Network Relationships

The (2) project studied firms that have sustainable partnerships with other firms existing for at least two years, and according to respondents – having important implications for their activity. Surveyed SMEs most frequently create partnerships for delivery, subcontracting and distribution (see Figure 4). Partnering with suppliers can be explained by the importance for SME to obtain certain key resources on a regular basis and with guaranteed quality. The three types of partnerships are vertical;

Figure 3. Conditions for SMEs' inclusion in other network structures (N=77 in the year 2007)



they do not have expressed competitive relations and can be established more easily.

On second place as on the bases of number of responses of the studied companies come the horizontal networks – different kinds of joint production and agreements between similar enterprises, such as innovation and R&D agreements, consortia, agreements for joint participation in auctions and marketing activities, etc.

Bulgarian firms involve in diagonal networks relatively rarely – they are hard to be established.

Responses to another question show that according to the majority of entrepreneurs and managers the agreements that are most important for development of their business are those with firms in the same sector – these are the horizontal networks.

Conducted case studies in the frames of the three research projects also show that most entrepreneurs prefer cooperation with other SMEs instead of large enterprises because of the inherent flexibility of SMEs. For entrepreneurs, working with other entrepreneurs and managers from their rank is not so complicated and control is easier than in cooperation with large companies.

Among the most successful cluster structures in Bulgaria are these which are formed on the bases on existing traditions and available nature resources by SMEs working in one economic sector and in one geographic region. Such are the furniture cluster in the region of the city of Troyan and the cluster of the food industry in Stara Zagora region.

The case studies of entrepreneurs that have involved their business in several kinds of networks claim that the informal relations with their colleagues from similar enterprises (the entrepreneurial networks) are crucial for their business success.

Below we will present synthesized view of the main aspects of strategic networking behavior as a result of the three research projects.

Researching Future Partners

To the question "Have you made a thorough research of your future partners before starting your relationship?" half of the firms studied with the (2) project did so, using all available sources.

Figure 4. Types of network partnerships (N=57 in the year 2010)

Second come entrepreneurs who research their partners only in respect of the functional areas of strategic cooperation. A small part of firms have not done any research and they have used recommendations by other firms or have worked sporadically with their partners before building strategic relationships.

The above results apply in particular to firms involved in subcontracting networks (researched in the three studies). Almost half of the respondents said they do a research in all cases; ¼ of firms do not make a research, when partners are known and enjoy a good reputation. A little part of them explores contractors when both sides have intentions for long-term cooperation. Few firms explore their future partners, depending on the scope of activities that are subject to delivery.

Criteria for Selection of Network Partners

According to the results of the (2) survey, the main criteria of SMEs for selecting partners for establishment of network relationships are: subject of activity, developed reputation, market position, good personal relationships with their entrepreneurs/ managers, ability to meet certain requirements (for example cost, quality, time), having specific expertise and know-how, and others.

Problems in Managing Network Partner Relations

The three main problems in *management* of partner relations are: difficulties to achieve a balance between competition and cooperation – especially in horizontal networks, lack of trust between partners and differences in management styles and/ or organizational cultures. Next come problems arising from legislation and poor communication between partners. A major problem that arises in the strategic management of firms participating in vertical networks is the danger linkages with partners to turn into dependency. Management problems in diagonal networks are connected with the establishment of a mechanism for sharing information and resources between partners.

Most often a subject of disputes and conflicts between partners in networks is the violation of terms and conditions. After that Bulgarian SMEs point out inter-firm indebtedness, unfair competition and poor management of relationships.

Communication, Decision-Making and Control

Key elements of the strategic management of SMEs in networks are the organization of communication and the mechanism for taking joint decisions by partners. In firms covered by the (2) study, mostly entrepreneurs and managers are those who communicate with representatives of the network partners. This is typical mainly for micro and small businesses. In the remaining firms partners are contacted by employees authorized to perform this function, or by those responsible for the functional areas of cooperation.

More than half of the interviewed entrepreneurs state that joint decisions of partners (when necessary) are based on a consensus (see Figure 5). In 26% of the cases, decisions are made taking into account the amount of the contribution of each participant in the network and in 17% the type and importance of the resource provided by every cooperating member are decisive.

In the majority of firms control in the process of cooperation is carried out by entrepreneurs or managers. This can be explained by the fact that *in micro- and small enterprises entrepreneur perform several different roles* and often is unable to give control functions to another person. In some firms the control is carried out by a specialist, responsible for functional area of the partnership, and in a few cases – by established structural unit. The last division of responsibilities is typical mainly for medium-sized firms.

Measuring the Results of Network Cooperation

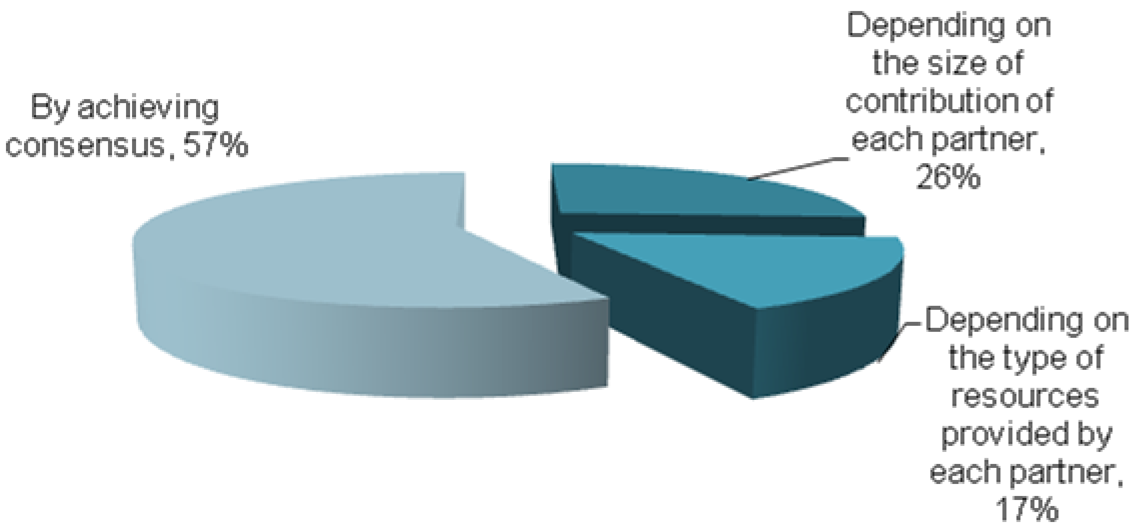
Almost all entrepreneurs/managers of firms surveyed in the (2) study measure the results of networking by tracking the change in sales and/ or profits. The second most frequently used indicator is the number of attracted new customers, incl. international ones. In almost half of the firms results are associated with increased customer satisfaction. One third of respondents use indicators such as the acquisition of new skills and competencies or cost reduction measures. Despite the indicative positive indicators, not all respondents were able to answer the question how to separate effects of cooperation from the influence of other factors such as improved market conditions, government regulations, etc.

Estimation of Network's Strategic Importance to SMEs

The strategic projection of benefits (importance) of SMEs networking is summarized below.

Networks can have a strategic character for some or all of its members. From the perspective of individual SME it is important to evaluate

Figure 5. Decision-making mechanism in networks (N=57 in the year 2010)



whether the network is of strategic importance for its development and on this basis to make decisions about future commitment of firm to the network.

Based on the literature review and the results of the three studies some possible indicators for the strategic nature of a network to the SME are deduced below:

- **To be sustainable over time:** Long-term relations between network participants are a prerequisite for gradual convergence of objectives, strategies and methods of working. Sustainable network cooperation allows the SME more easily to plan its activities and to develop at in a relatively greater security.
- **To enable growth and development of the SME:** To increase the volume and complexity of products marketed by the SME within the network or outside it, but with the help of other network participants.
- **To provide benefits for the SME:** From financial, resource, marketing, logistics and other perspectives, including *favorable conditions for internationalization of the firm's activities*; *access to key resources* – information, technology, and others that otherwise are difficult to be obtained by one SME.
- **To lead to the acquisition of new competitive advantages:** Low cost, speed of service, technological expertise, marketing skills, quality products, etc. and to *provide opportunities for specialization* – for its narrowing or expanding, depending on the SME' objectives.
- **To lead to the acquisition (development) and introduction of innovations:** In view of the successful collaboration other network participant to transfer product, technical, technological, organizational and management innovation to the SMEs or SMEs to develop such for the needs of collaboration.

RECOMMENDATIONS AND CONCLUSION

Based on the analysis and synthesis of the information presented, recommendations for effective strategic behavior of SME in different stages of its involvement in a particular business network can be made:

- **When determining the necessity of network involvement/formation:** It is essential the entrepreneur to define the causes (i.e. clearly to identify the problem to be solved, what is the firm's strategic position and how it will change by networking). It is also important to evaluate the benefits and risks connected with networking.
- **In research and selection of suitable network partners:** The entrepreneur should assess whether to join an operating network suitable for his/her objectives or to seek for individual partners with whom to form a new network. The sequence of actions can be as follows:
  - Building a profile of desired network/ partners based on specific criteria;
  - Collecting information and writing a list of potential network partners; evaluation and selection of partners, depending on the profile
  - Establishing contacts and negotiating for inclusion in a network.
- **In preparation for entering/ forming a new network:** It is necessary to specify the objectives to be achieved by SMEs through cooperation and to identify indicators for measuring the results achieved.

  The order could be also the opposite – first the entrepreneur meets firm/s whose quality and profile subsequently lead him to focus on larger and long-term cooperation by forming a network with these firm/s, i.e. first entrepreneur meets appropriate network / partner and then decide to establish partnerships with them.
- **In the SME "first steps" in a network:** It is good to adjust the objectives according to these of other network participants, possibly to set common network goals that to be communicated to all participants who will work to achieve them. The entrepreneur should undertake actions for building trust as a prerequisite for expanding the scope of cooperation and intensity of inter-firm relations. This includes neglecting own interests in favor of collaboration, limiting or terminating firm's relationship with other organizations if they are contrary to the network's interests.
- **The strategic networking behavior of SMEs with a view to effective management of relationships with other network participants is related to:**
  - Establishing a system for communication with network partners and mechanisms for monitoring and resolving conflicts: determining a representative of the firm, who to be authorized when and how to communicate with the network partners; how broad are his/ her powers and duties mainly to protect the firm's interests and to control the resources provided for the network. If possible, building a procedure for joint decisions making and control of various functional areas of network partnership approved by all network participants.
  - Strategic development of the network relations: it includes keeping the commitments (deadlines, formal and informal arrangements) and initiative for new ones; building a common network image; assuring that firm's management style, cultural and other features are complied with these of other network participants; increasing the volume and complexity of performed network tasks, joint implementation of innovative projects and others.
- **Measuring SME's performance in the network and evaluation of the results:** Identifying and tracking indicators such

as changes in turnover, number of new customers, conquered new markets, introduced innovations, incl. number of newly developed products, increased profits, acquired competencies, new competitive advantages and more. Evaluating the network's importance to SME and deciding on future participation: narrowing cooperation and reducing activities in the network; maintaining cooperation with unchanged parameters; development and expansion of relationships with network partners; or quitting the network.

The structure, content and research work in this chapter are subject to and directed towards achieving the research objective set at the beginning of its development. Without overestimating the results, especially having in mind the limited scope of the empirical researches, it is considered that the chapter will contribute to a better understanding of some strategic aspects of SMEs networking behavior in the specific conditions of emerging market economies of Eastern Europe and for better performance of these enterprises in various national and international networks.

Following this, the chapter draws and combines some basic ideas and concepts from both the theory of networks and strategic management relevant for the Eastern European SMEs, expressed by the so called network approach to strategic management of SMEs and the strategic behavior of SMEs involved in networks.

Based on the above, it could be summarized that the value added of the chapter results from: *first*, the comparison, analysis and synthesis of empirical data from several sources. At the same time it presents a new look at the strategic behavior of SMEs in the context of Eastern European countries in terms of their participation in different types of networks and the resulting benefits and challenges.

Second, the recommendations for strategic networking behavior of SMEs suggest a possibility for their practical implementation by SMEs in countries with similar geographic and socio-economic context. Here we refer mostly to the transition from a planned to market economy and related development of private sector and export orientation of local firms. In this respect, there is a need for implementation of targeted policies for fostering the SMEs' participation in international business networks, improving their competitive position in such networks. This is very important due to the still significant weaknesses of the SMEs sector and lack of critical mass of knowledge and practice.

As already mentioned, this chapter focuses on the strategic networking behavior of SMEs from the perspective of the SMEs themselves. Although the strategic networks are discussed briefly, their in-depth study and research on the network's strategic behavior may become a subject of future studies in Eastern Europe. The need for such research comes from the fact that in Bulgaria and Eastern Europe strategic networks are not sufficiently studied to utilize their potential for development of competitive advantages.

REFERENCES

Analoui & Karami. (2003). *Strategic management in small and medium enterprises*. Stamford, CT: Thomson Learning.

Chen, W. H. (1999). Manufacturing strategies of network-based small firms: Observations on the textile industry in Taiwan. *Journal of Small Business Management*, *37*(2), 46–62.

Day, G. S., & Shoemaker, P. J. (2000). *Wharton on managing emerging technologies*. New York: John Wiley & Sons.

Dollinger, M. (2003). *Entrepreneurship: Strategies and resources* (3rd ed.). Upper Saddle River, NJ: Prentice-Hall.

Fong, K. cS., & Mazzarol, T.cW. (2006). *Strategic networking and growth of technology-oriented SMEs: Evidence from Singapore.* Paper presented at 20th Annual Australia & New Zealand Academy of Management (ANZAM) Conference 2006, Rockhampton, Australia. Retrieved August 22, 2013 from http://www.cemi.com.au/sites/all/publications/ANZAM%20FONGMAZZ06.pdf

Ford, D., & Gadde, L.-E. Håkansson, & H., Snehota, I. (2002). *Managing networks*. Paper presented at the 18th IMP-conference in Perth, Australia. Retrieved August 12, 2013, from http://impgroup.org/uploads/papers/4198.pdf

Freeman, C. (1991). Network of innovators: A synthesis of research issues. *Research Policy*, *20*(5), 499–514. doi:10.1016/0048-7333(91)90072-X

Grandori, A., & Soda, G. (1995). Inter-firm networks: Antecedents, mechanisms and forms. *Organization Studies*, *16*(2), 183–214. doi:10.1177/017084069501600201

Gubik, A. (2005). New opportunities for SMEs founded by cooperation. *European Integration Studies*, *4*(1), 25–36.

Gulati, R., Dialdin, D. A., & Wang, L. (2002). Organizational networks. In J. A. C. Baum (Ed.), *Blackwell companion to organizations* (pp. 281–303). Oxford, UK: Blackwell Publishers.

Gulati, R., Nohria, N., & Zaheer, A. (2000). Strategic networks. *Strategic Management Journal*, *21*(3).

Hagedoorn, J., Roijakkers, N., & Van Kranenburg, H. (2006). Inter-firm R&D networks: The importance of strategic network capabilities for high-tech partnership formation. *British Journal of Management*, *17*, 39–53. doi:10.1111/j.1467-8551.2005.00474.x

Håkansson, H., & Snehota, I. (1995). *Developing relationships in business networks*. Boston: International Thomson Press.

Hitt, M. A., Ahlstrom, D., Dacin, M. T., Levitas, E., & Svobodina, L. (2004). The institutional effects on strategic alliance partner selection in transition economies: China vs. Russia. *Organization Science*, *15*, 173–185. doi:10.1287/orsc.1030.0045

Hoang, H., & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. *Journal of Business Venturing*, *18*(2), 165–187. doi:10.1016/S0883-9026(02)00081-2

Hyötyläinen, R. (2000). *Development mechanisms of strategic enterprise networks. Learning and innovation in networks*. Espoo, Finland: VTT Publications.

Jarillo, J. C. (1988). On strategic networks. *Strategic Management Journal*, 9.

Jarillo, J. C. (1995). *Strategic networks. Creating the borderless organization*. Oxford, UK: Butterworth-Heinemann Ltd., Linacre House.

Johannisson, B., & Lindholm Dahlstrand, Å. (2006, May). *Bridging the functional and territorial rationales: proposing a virtual integrating framework for regional dynamics*. Paper presented at the 14th Nordic Conference on Small Business Research, Stockholm, Sweden.

Institute for Entrepreneurship Development. (2007). *Creation and development of industrial clusters, subcontracting chains and entrepreneurial networks* (Unpublished research project, final report). Sofia, Bulgaria: UNWE.

Institute for Entrepreneurship Development (UNWE). (2010). *Strategic partnerships of Bulgarian small and medium-sized enterprises: Problems and perspectives* (Unpublished research project, final report). Sofia, Bulgaria: UNWE.

Kaibori, S. (2003). Strategic network for business innovation of SMEs. *Japan Small Business Research Institute*. Retrieved July 18, 2013, from http://www.jsbri.or.jp/new-hp-e/publications/js/03-1.pdf

Keeble, D., Lawson, C., Moore, B., & Wilkinson, F. (1999). Collective learning processes, networking and 'institutional thickness' in the Cambridge region. *Regional Studies*, *33*(4), 319–332. doi:10.1080/713693557

Kraus, S., Harms, R., & Schwarz, E. J. (2006). Strategic planning in smaller enterprises – New empirical findings. *Management Research News*, *29*(6), 334–344. doi:10.1108/01409170610683851

Lin, Y. Y., & Zhang, J. (2005). Changing structures of SME networks: Lessons from the publishing industry in Taiwan. *Long Range Planning*, *38*, 145–162. doi:10.1016/j.lrp.2005.02.007

Lok, P., Rhodes, J., & Walters, D. (2011). *Networks alliances as strategy: A case study of an SME in an emerging economy* (Working Paper ITLS-WP-11-15). University of Sydney, Australia. Retrieved July 11, 2013 from: http://sydney.edu.au/business/__data/assets/pdf_file/0020/105464/ITLS-WP-11-15.pdf

Mazzarol, T., & Reboud, S. (2006). *Strategic management in small firms: Developing a conceptual framework*. Paper presented at 20th Annual ANZAM Conference, Rockhampton, Australia. Retrieved July 9, 2013, from http://www.cemi.com.au/sites/all/publications/ANZAM%20 MAZZREB06.pdf

Möller, K., & Svahn, S. (2002). Role of knowledge in the value creation in business nets (A Competitive Paper submitted to the IMP). Dijon, France.

Möller, K., & Svahn, S. (2002). Managing strategic nets: A capability perspective. *Marketing Theory*, *3*, 209–234. doi:10.1177/14705931030032002

Mugler, J. (2004, September). *The configuration approach to the strategic management of small and medium-sized enterprise*. Paper presented to the Budapest Polytechnic Jubilee Conference, Budapest, Hungary.

OECD. (2004). Networks, partnerships, clusters and intellectual property rights: Opportunities and challenges for innovative SMEs in a global economy. In *Proceedings of 2nd OECD Conference of Ministers Responsible for SMEs Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation.* Retrieved July 19, 2013, from http://www.oecd.org/cfe/smes/31919244.pdf

Österle, H., Fleisch, E., & Alt, R. (2001). *Business networking: Shaping collaboration between enterprises*. Berlin: Springer-Verlag. doi:10.1007/978-3-642-56502-1

Pichler, J. H. (2007). SME-specific profiles, strategic potentials and attitudes toward internationalization in the enlarged EU. In *Yearbook of UNWE*. Sofia, Bulgaria: UNWE University Press. Retrieved July 1, 2013, from http://yearbook.unwe.bg/2007/3.pdf

Porter, M. (2004). *Konkurentnoto predimstvo na natsiite* [*The competitive advantage of nations*]. Sofia, Bulgaria: Klassika I Stil Publishing.

Porter, M. E. (1985). *Competitive advantage*. New York: Free Press.

Raymond, L., & St-Pierre, J. (2003). Entrepreneurial antecedents and performance outcomes of organisational development in manufacturing SMEs. *Institut de recherche sur les PME Université du Québec à Trois-Rivières*.

Ritter, T., Wilkinson, I. F., & Johnston, W. J. (2004). Managing in complex business networks. *Industrial Marketing Management*, 33.

Sanchez, R., & Heene, A. (1997). Reinventing strategic management: New theory and practice for competence-based competition. *European Management Journal*, *15*(3), 303–317. doi:10.1016/S0263-2373(97)00010-8

Szerb, L. (2003). The changing role of entrepreneurship in network organization. In I. Lengyel (Ed.), Knowledge transfer, small and medium-sized enterprises, and regional development in Hungary (pp. 81-95). University of Szeged, Hungary: JATE Press.

Tikkanen, J., & Halinen, A. (2003, September). *Network approach to strategic management – Exploration to the emerging perspective*. Paper presented at the 19th Annual IMP Conference, Lugano, Switzerland.

Todorov, K. (2001). *Strategichesko upravlenie na malkite i srednite firmi: teoriya i praktika, tom I* [*Strategic management in small and medium-sized enterprises: Theory and practice, issue I*]. Sofia, Bulgaria: Ciela Publishing.

Todorov, K. (Ed.). (2005). *Osnovi na drebniya biznes* [*Foundations of small business*]. Sofia, Bulgaria: Next Publishing.

Todorov, K. (2011a). *Biznes predpriemachestvo. Chast 1. Osnovi. Startirane na nov biznes* [*Business entrepreneurship. Part 1. Basics. New business development*]. Sofia, Bulgaria: BAMDE.

Todorov, K. (2011b). *Biznes predpriemachestvo. Chast 2. Upravlenie. Rastedzh. Biznes praktika* [*Business entrepreneurship. Part 2. Management. Growth. Business practices*]. Sofia, Bulgaria: BAMDE.

Van Winden, W., & Woets, P. (2003, November). *Local strategic networks and policies in european ict clusters: The cases of Amsterdam, Bari, Dublin and Oulu*. Paper presented at the 15th Annual Conference of the European Association for Evolutionary Political Economy, Maastricht, The Netherlands.

Vasilska, M. (2010). *Building strategic subcontracting relations of the industrial small and medium-sized enterprises* (Unpublished doctoral dissertation). Sofia, Bulgaria: UNWE.

Whickman, P. (2004). *Strategic entrepreneurship* (3rd ed.). Harlow, UK: Pearson Education.

KEY TERMS AND DEFINITIONS

Business Network: Specific form of cooperation between two or more enterprises or between enterprises and non-profit entities with aim to build, maintain, or improve their market and competitive positions.

Entrepreneurial Network: A group of small and medium-sized firms operating in the same or similar industries that cooperate informally to increase their competitiveness.

Industrial Cluster: A geographic concentration of firms in a particular area together with their suppliers, manufacturers of related products, suppliers of related services and specialized institutions (organizations). The related industries form a wide network of market participants, and relations between them are focused around a competitive economic sector.

Network Approach to Strategic Management: The network approach examines organizations as being located within a network of relationships with other organizations and individuals. In this view the firm does not have definite boundaries and functioning both in unstable and in uncertain and complex external environment. It considers the strategic management and in particular the firm's strategy as a set of relationships, and firm's relationships and network behavior as a basis for its ability to compete. In this regard, sources of competitive advantage are networks of relationships and hence firms with good portfolios of relationships can achieve higher competitiveness.

Strategic Nature of a Network: The strategic nature of a network for participating SMEs is determined by: its stability over time, provided opportunities for business growth based on access to key resources, gaining competitive advantage, specialization, innovation, etc.

Strategic Networking Behavior: A wide range of network activities of an organization such as formation, entering and locating in networks, through which firms intend to gain access to new markets and/or valuable resources, and to build, maintain or sustain competitive advantages.

Strategic Partnership: Sustainable cooperation in which participants share critical resources and thus improve their business results. Usually strategic partnership is based on long-term, supportive and balanced relationships.

Subcontracting Network: A union between firms where company-contractors assign manufacturing of product details, the overall production or performing certain activities to other firms-subcontractors on the basis of a formal contract.

Chapter 19
Entrepreneurship as a Survival-Seeking Strategy for Indigenous Communities:
The Case of Indigenous Ecotourism SMEs in Mexico

Virginia Barba-Sánchez
University of Castilla-La Mancha, Spain

Ericka Molina-Ramírez
National Polytechnic Institute, Mexico

ABSTRACT

The aim of this chapter is to offer an alternative to the emigration and marginalization currently experienced by indigenous Latin American communities by creating ecotourism ventures in their home territories. By fostering profitable and environmentally sustainable economic activities enabling them to remain in their settlements, it is possible to alleviate the problem of socio-economic marginalization which they currently face whilst helping conserve the environment and their ancient culture. Qualitative research has therefore been conducted by means of a multiple case study. This is an introductory work and the authors' preliminary findings highlight the importance not only of social networks in the creation of indigenous SMEs but also of the culture, values, uses and customs of such communities in the identification of the profile of the indigenous entrepreneur.

INTRODUCTION

This chapter sets out to exteriorize and highlight the benefits of entrepreneurship as a survival-seeking strategy in Latin America. The aim is to find a solution to the complex and historical problem of emigration and marginalization experienced by these populations (Navarrete, 2008) through the creation of ecotourism ventures. This type of venture will enable endogenous development of indigenous communities so that their quality of life may be improved and their cultural heritage

DOI: 10.4018/978-1-4666-5962-9.ch019

conserved while contributing to sustainable environmental conservation (Kirk, Peredo, & Chrisman, 2010).

Among the research developed on the common theme of venture creation are various study approaches which focus on the characteristics and attributes of the entrepreneur's personality, approaches which study the venture creation process itself, and also more complex approaches which examine social, cultural and economic factors. In this regard, venture creation is considered to be a complex and comprehensive process which includes a wide range of factors of a social, economic, public policy, cultural and situational nature.

Correspondingly, De Carolis and Shaparito (2006) state that different lines of research which consider psychological variables, personality traits and demographic factors as factors characterizing entrepreneurial activity are not completely reliable due to the ambiguity of the conclusions obtained. For this reason, they propose that social networks be included as an emerging research topic in the sphere of venture creation.

Additionally, the population-ecology model (Hannan & Freeman, 1979), which was developed to explain venture creation (Van de Ven, Hudson & Schroeder, 1984), studies the relationship between entrepreneurs and their surroundings and focuses on the relationships that are created to obtain information, resources and social support. In this regard, Moran (2005) maintains that in uncertain contexts with a high risk potential, reliable social networks represent an extremely valuable asset, particularly for reducing the risk which is inherent to venture start-up. There are, however, not nearly enough studies and in fact very few study the indigenous entrepreneur profile since such studies are addressed from a historical, anthropological and sociological perspective (Luz, 2005; Jiménez, 2000).

Mexico was chosen as the context to study this phenomenon given the diversity of its ethnic groups and the high percentage of its indigenous population (9.5%). Moreover, according to the CDT (2006), standard of living indicators for indigenous populations are clearly lower than those of the rest of the population, which highlights their marginality and poverty. Entrepreneurship is therefore conceived as a way of integrating indigenous groups into the country's economic activity so that their quality of life may be improved without relinquishing either their way of life or identity.

Consequently and accordingly, the chapter is organized as follows. We start with a brief review of the main entrepreneurship study approaches. We then analyze the impact of social networks on venture creation and the consolidation process. This is followed by an analysis of the indigenous population in Mexico and the basic characteristics of ecotourism ventures which this group has created. We then present a research strategy of multiple case studies. The final section presents the conclusions of the chapter and certain recommendations for improving the strategic management of this type of venture.

MAIN ENTREPRENEURSHIP STUDY APPROACHES

Kantis, Ishida and Komori (2002) classify the different lines of research which focus on solving the problem of ensuring that venture start-up is successful into three different approaches: those which focus on the entrepreneur's personality traits, those which focus on the venture creation process and those which combine social, cultural and economic factors.

Approaches Focusing on the Entrepreneur's Personal Traits

This approach encompasses groundbreaking venture creation research which analyzes the factors relating to the figure of the founder and the venture creation decision (Barba-Sánchez & Atienza-Sahuquillo, 2012) in order to pinpoint the critical qualities which distinguish the entrepreneur from the rest of the population. There are, therefore, two lines of research: one focusing on the founder's behavior and personality and the other on demographic characteristics (Robinson, Shaver, & Wrightsman, 1991); although both consider the entrepreneur to be the central, decisive agent in the successful venture creation process.

Among the main contributions exploring the entrepreneur's psychological traits or behavior is the work by McClelland (1961), who focuses on the founder's personality traits which are paramount for an entrepreneur, such as the need for achievement, Locus of Control or risk propensity, etc.

Need for achievement. Under the psychological trait approach, many studies have been published which highlight the importance of the need for achievement as the driving feature and factor for entrepreneurs to achieve venture success (Barba-Sánchez, 2007). The need for achievement refers to a strong desire to perform tasks well or better than others.

Locus of Control. Another psychological trait which has been studied in literature as decisive in entrepreneurial behavior is Locus of Control (Casrud & Brännback, 2011). Locus of Control refers to the self-confidence that an individual has.

Authors such as Box, White and Barr (1993) or Shaver and Scott (1991) have concluded that Locus of Control is directly linked to success in business since self-confidence supports the search for business opportunities and generates a positive attitude.

Risk propensity. Authors such as Douglas and Shepherd (2000) and Zhao, Seibert and Lumpkin (2010) propound risk orientation to be a special trait of entrepreneurs and one which distinguishes them from the rest of the population as they perceive it to be an opportunity rather than a threat. According to Lyon, Lumpkin and Dess (2000), risk propensity consists in carrying out activities such as going into debt above one's individual means, allocating a high proportion of personal resources to projects with uncertain results, or entering unknown markets.

Furthermore, according to specialized literature, the most important demographic variables in entrepreneurial behavior are age, gender, education, previous entrepreneurial experience and family entrepreneurial background.

Age. Empirical studies reveal that most entrepreneurs are in their thirties (Kelley, Singer, & Herrington, 2012). Some of the reasons which explain the relationship between youth and entrepreneurial intention are that young people have greater risk-propensity, are better trained, have fewer social and work commitments and are more likely to be unemployed (Barba-Sánchez & Atienza-Sahuquillo, 2012).

Gender. Although certain characteristics distinguish entrepreneurs of one sex from another (Shinnar, Giacomin, & Janssen, 2012), e.g. female entrepreneurs are more autonomous, flexible, committed and generally more satisfied at work, whereas male entrepreneurs are better trained and more experienced (Schiller & Crewson, 1997), there is no major difference between either group in terms of their desire for success, empathy, work capacity, Locus of Control, commercial skills or innovation capacity (Wilson, Marlino, & Kickul, 2004).

Education. Authors such as Patel and Thatcher (2013) stated that entrepreneurs have more university qualifications than the rest of the population; however, in studies conducted by the Global Entrepreneurship Monitor (Kelley, Singer, & Henington, 2012), results differed according to the prevailing economic model. Further education is not, therefore, a relevant factor in efficiency-driven or innovation-driven economies whereas it is in factor-driven economies.

Previous experience. According to Morris *et al.* (2012), successful entrepreneurs have experience of the activity sector in which they are involved, although this factor is age-dependent as older individuals have more experience while younger ones have the necessary energy, enthusiasm and innovation to start a business (Kautonen, Tornikoski, & Kibler, 2011).

Family background. Most studies conclude that entrepreneurs come from families where the father or mother are also entrepreneurs, thereby representing a role model to be followed (Hsu, Roberts & Eesley, 2007).

In short, there is a school of literature which believes that entrepreneurs have psychological and demographic traits which distinguish them from the rest of the population (Zhao, Seibert, & Lumpkin, 2010).

Approaches Focusing on the Venture Creation Process

Such an approach is based on the supposition that venture creation is the result of the entrepreneur's rational process whereby the decision to start a business is motivated by questions of a purely financial nature (Audretsch & Keilbach, 2004; Parker, 2004; Wennekers et al., 2005).

According to Gartner (1985), entrepreneurship is an activity not a trade. Within this activity, the entrepreneur is capable of a number of tasks which include identifying business opportunities, accumulating resources, producing, constructing organizations and answering to the government and society. Correspondingly, Bygrave and Hofer (1991) propose a change in the study approach covering venture creation, with an analysis from a dual perspective: from that of the entrepreneur's personality traits and that of the process, i.e. from what entrepreneurs do to create their ventures.

Similarly, from criticism of work which focuses on the entrepreneur's personal traits (Audretsch & Keilbach, 2004), the author focuses his analysis on the various activities which must be undertaken to successfully manage venture creation, concluding that success depends on the ability to identify business opportunity (Wennekers et al., 2005). In addition, the main criticism of this approach is based on the fact that each study identifies different phases between the first and final moment of venture creation. This is why Moroz and Hindle (2012) have chosen to offer a single model for the venture creation process, in order to reach a "single study body" and to provide a solid theory which would serve as the basis for analyzing venture creation.

Approaches Focusing on Environmental Factors: Social, Cultural and Economic

Much has been published about the impact of different environmental factors (e.g. legal matters, public policies, support services, or the beliefs, values, perceptions and attitudes in a given society) on venture creation (Busenitz, Gómez, & Spencer, 2000; Manolova, Eunni, & Gyoshev, 2008; Shapero & Sokol, 1982; Steyaert & Katz, 2004).

Kantis (2005) defines the entrepreneurial environment as a series of elements and factors that have an impact on the entrepreneurial process by contributing to or hindering the birth and development of entrepreneurs and ventures both in qualitative and quantitative terms. Literature classifies this series of environmental elements and factors as social, cultural and economic, given the importance of these three environmental dimensions in the venture-creation decision.

This approach is therefore based on the population perspective and on the study of the relationship between the venture and its surroundings, emphasizing the entrepreneur's social relations or contacts for the success of the venture (Johannisson, 2003; Szerb, 2003). These studies are based on the premise that venture creation is not an isolated event and the founder forms part of a group to establish useful contacts either for now or the future. According to Johannisson (1996), therefore, the network is extremely important for the entrepreneur as a way to boost self-confidence, thereby encouraging the entrepreneur to start their venture.

Similarly, studies about environmental factors include those which pinpoint the importance of the entrepreneur's culture as influential for venture creation. Pioneering work by Weber (1969) paves the way for considering the importance of beliefs and values on venture activity. From this premise, Shapero and Sokon (1982) also found that venture-creation intentions were affected by factors such as cultural surroundings.

Finally, the economic conditions of the region or place where the company is created are an important factor. Economic stability will always determine whether or not a venture is created (Kantis, 2005). In the same way, venture creation is also affected by other economic factors, such as market structure (García, Sáez, & Barba-Sánchez, 1999) or unemployment levels (Barba-Sánchez & Atienza-Sahuquillo, 2011).

In short, the role of the environment in the venture-creation decision has become critical, not only in terms of its economic dimension but also the social and cultural dimensions of a given society in that they affect the decisions and behavior of its members and can significantly affect a person's decision to become an entrepreneur.

SOCIAL ENTREPRENEURSHIP AND THE ROLE OF SOCIAL NETWORKS

In the field of social sciences, various studies have been published on the importance and impact of social networks on various contexts (see Baker, 1990; Birley, 1985; Bourdieu, 1986; Burt, 1992; Coleman, 1988; Lin, 2001; Putnam, 1993).

The impact that networks have on venture creation is based on the advantages that these offer to the founder, such as reliable inside information; reduction of uncertainty (Putnam, 1993); emotional support (Lee, Ruan, & Lai, 2005; Van der Gaag & Snijders, 2005) or the identification of an idea or opportunity to start a venture (Blesa & Ripollés, 2006). The entrepreneur's social networks and context are therefore key to venture creation (Molina, Barba-Sánchez & Martínez, 2008).

Correspondingly, from the theoretical perspective of population ecology (Hannan & Freeman, 1977; Van de Ven, Hudson & Schroeder, 1984), surroundings are regarded as a key factor of influence in the venture creation process (Tsai, MacMillan, & Low 1991). In this context, we can say that networks constitute an environmental factor which affects venture creation according to the variety of resources to be found in the network (Kantis, 2004). There are, therefore, real and/or potential resources (Barney, 1991; Grant, 1991) embedded in the relationship network called social capital (e.g. Nahapiet & Goshal, 1998). On this subject in particular, Leiva (2004) includes the context of the entrepreneur, who he affirms is capable of providing what he refers to as *support resources*.

Despite the vast number of studies which have been published on the impact of networks and/or social capital on the creation process (Anderson & Jack, 2002; Baron & Markman, 2003; Birley, 1985; Blesa & Ripollés, 2006; Bollingtof & Ulhoi, 2005; Davisson & Honig, 2003; De Koning, 1999; De Carolis & Saparito, 2006; Hills, Lumpking, & Singh, 1997; Nahapiet & Ghoshal, 1998; McFadyen & Cannela, 2004; Moran, 2005), few have analyzed the emotional support provided by the entrepreneur's social networks during the venture creation process (Anderson, Jack, & Dodd, 2005; Klyver & Hindle, 2007; Lee, Ruan, & Lai, 2005; Smith & Lohrke, 2008; Van der Gaag & Snijders, 2005).

Social Entrepreneurs and the Role of Social Networks

The various findings of studies into entrepreneurship and the role played by social networks are summarized in Table 1.

By analyzing man's nature as a social and economic agent, it can generally be affirmed that economic agents do not operate in isolation but rather carry out economic interactions which are

Table 1. Studies into entrepreneurship and social networks

Author (year)	Study conclusions
Birley (1985)	Both the entrepreneur's formal and informal networks and behavior affect the venture creation process.
Ostgaard and Birley (1994)	The importance of networks and human behavior on the creation process, development and growth of new enterprises.
Hansen (1995)	The social network size and its degree of interconnectivity and frequency of contacts have a positive influence on the growth of the venture during the first year.
Johannisson and Monsted (1997)	Categorization and development of the characteristics of Scandinavian entrepreneurial strategic networks.
Brüderl and Preisendörfer (1998)	The network and its support (social capital) are used to compensate for the small shortcomings of other types of capital. Emotional support increases the success of the venture.
Thornton (1999)	A sociological perspective of entrepreneurs is developed, distinguishing between *embeddedness*, institutional and ecological perspectives, suggesting their full use for research purposes.
Allen (2000)	The individual self-employment choice is highly influenced by the activity developed.
Anderson and Jack (2002)	Social capital is both the glue which forms the network structure and the lubricant which facilitates network operation.
Ng (2004)	The benefits of network proximity and diversity are different for each entrepreneur, and a balanced network in terms of diversity and proximity optimizes the benefits offered.
Witt (2004)	Based on the theoretical review of the dynamics of networks, an extended model of networks is developed and their impact on the enterprise start-up process.
Anderson, Jack and Dodd (2005)	Results show that help is offered by the entrepreneur's family not only during the venture start-up stage but also in subsequent years.
Bollingtoft and Ulhoi (2005)	Networks influence the venture creation process by acting as venture incubators.
Hite (2005)	The entrepreneurial networks of emerging firms are important for entrepreneurial opportunity recognition, resource acquisition and effective governance of relationally embedded ties.
Koch and Kautonen (2005)	There is the need for a legislative framework and to stimulate entrepreneurship through government programs.
Moran (2005)	There is a productive influence of social networks (through social capital) on the enterprise's resources.
Blesa and Ripollés1(2006)	The entrepreneur's networks as resource providers have a bearing on entrepreneurial orientation and positively affect the growth of the new venture.
Cruickshank and Rolland (2006)	Communication connects a network to support entrepreneurship and ICTs (Information and Communication Technologies) are used for the interconnection.
Klyver and Hindle (2007)	The structural diversity of social networks changes during start-up: diversity is more important to entrepreneurs during the discovery stage than to those in the start-up stage and moderately important to entrepreneurs who have already started their business.
Smith and Lohrke (2008)	Relationships based on affection and trust have a bearing on network development.
Grossman, Yli-Renko and Janakiraman (2012)	The importance of the entrepreneur's social networks during the initial stage of the venture creation process is paramount.

Source: Author's own compilation.

integrated within social networks and structures (Granovetter, 1985). These networks form a model in which it is possible to identify different social structures of human relations (Sanz, 2003).

Taking these ideas into account, the network is considered to contain a number of people and/or groups of related enterprises, among which relationships and agreements are established between members, and which are coordinated by means of market mechanisms, so that activities may be carried out.

The main reason why enterprises establish relationships with each other is to help each other obtain information, mainly related to the market and technology (Gulati, Nohria, & Zaheer, 2000). In this respect, social networks have been studied from the main perspectives (Anderson & Jack, 2002): the impact on economic exchanges (Johannisson & Landström, 1997), the resources which they provide to enterprises (Ostgaard & Birley 1994) and the creation process (Anderson & Jack, 2002; Baron & Markman, 2003; Bollingtof & Ulhoi, 2005; Davisson & Honig, 2003; De Carolis & Saparito, 2006; Grossman, Yli-Renko, & Janakiraman, 2012; McFadyen & Cannela, 2004; Moran, 2005).

On this in particular, Forni, Siles and Barreiro (2004) observed that despite the differences, however large, that may exist between the concept of social networks and that of social capital, it is important to bear in mind that the resource of social capital is generated by social networks themselves and is accumulated in these. From this point of view, social networks arise from the individual's need for relationships and this is satisfied by exchanges (Adler & Kwon, 2002).

Since social networks are relationships which are created to obtain resources, they are therefore submerged in a social structure and may be classified into: (1) market relationships, in which products and services are exchanged or are supplied for monetary payment; (2) hierarchical relationships, where authority is obeyed in return for maternal and spiritual security; and (3) social relationships, where favors and gifts are exchanged (Adler & Kwon, 2002). The entrepreneur is therefore a factor which is affected by various interactions of social relationships which will undoubtedly determine the enterprise's future (Hormiga, Batista, & Sánchez, 2007).

Social Networks and Their Impact on Enterprise Creation

Among the research developed around the subject of venture creation are the study approaches focusing on the characteristics and attributes of the entrepreneur's personality (see Barba-Sánchez & Atienza-Sahuquillo, 2011), approaches which study the very venture creation process (see Moroz & Hindle, 2012), and also more complex approaches which study social, cultural and economic factors (e.g. Manolova, Eunni, & Gyoshev, 2008). In this regard, venture creation is considered to be a wide and complex process which includes a wide range of factors of a psychological, strategic, cognitive, social, economic, cultural or situational nature.

Correspondingly, De Carolis and Shaparito (2006) state that the different lines of research which consider psychological variables, personality traits and demographic factors as factors characterizing entrepreneurial activity are not completely reliable due to the ambiguity of the obtained conclusions.

As part of the venture creation process, there is a preparation period prior to start-up as the individual's decision to become an entrepreneur develops. This period is based on a complex motivation process (Barba-Sánchez & Atienza-Sahuquillo, 2012) supported by their psychological and demographic characteristics on one hand and on the expectations generated in relation to the new enterprise on the other (Barba-Sánchez, Atienza-Sahuquillo & Francis, 2012). In this period, various phases may also be established which range from identification of the idea to effective start-up of the new enterprise whereby it is converted into a dynamic interaction process between the potential entrepreneur and their surroundings.

Butler and Hansen (1991) therefore classify networks into three types according to their stage of development. Firstly, it is necessary to mention the social networks which exist before enterprise creation such as those of family, friends or acquaintances. Thanks to these networks, support and information may be obtained for the identification of an idea or opportunity to start a business (Hills, Lumpkin, & Singh, 1997; De Koning, 1999). Secondly, it is possible to highlight the personal networks which are created at venture start-up, when the entrepreneur establishes links with other network members in order to consolidate the enterprise (Coleman, 1988; Grossman, Yli-Renko, & Janakiraman, 2012). These networks provide resources for starting, consolidating and making the venture competitive, including such things as information or the exchange of knowledge and goods. Finally, once the enterprise has been consolidated, it is possible to mention strategic networks and these are mainly characterized by relations with competitors, enabling risk minimization (Gulati, Nohria, & Zaheer, 2000). In the same way, each type of network affects the different stages of the enterprise creation process in different ways (Blesa & Ripollés, 2006; Nieto & González, 2008).

In terms of the degree of network formality, formal networks can be distinguished which include local, state and federal agents, banks, accountants or chambers of commerce (Birley, 1985); informal networks, meanwhile, mainly comprise family, friends, workmates or classmates, all of whom can undoubtedly provide the entrepreneur with information and options (Birley, 1985).

From this perspective, social networks can provide support both for the individual who is considering creating an enterprise and for recently created enterprises (Witt, 2004), since they are a means of accessing resources which are valuable and critical for solving problems (Kantis, 2004).

In this respect, family and friends as part of these informal networks play an important role as they represent the entrepreneur's primary and immediate networks which will support him throughout the process, providing the resource which is indispensable for completion: emotional and moral support (Anderson & Miller, 2003; Birley, 1985; Greve & Salaff, 2003; Hite & Hesterly 2001; Lee, Ruan, & Lai, 2005; Van der Gaag & Snijders, 2005; Witt, 2004).

In this line of research, Tsai, MacMillan and Low (1991), on the basis of the premises of the population ecology theory, concluded that environment and strategy are vitally important for new enterprises since by studying the social relationships that entrepreneurs establish with their environment to obtain information, tangible resources and social support, they observed how the success or failure of a new venture was conditional on these contacts.

In the same way, Chandler and Hanks (1994) indicated that among the most important factors affecting the creation process it is important to include the context in which the entrepreneur develops. This context is capable of providing support for entrepreneurs as long as they are able to detect the support sources. From this perspective, the entrepreneur attempts to establish various social relationships in order to obtain resources such as information, services or favors (Witt, 2004; Lin, 2001). According to Larson (1991), the entrepreneur's skill in identifying, cultivating and managing their social network is critical for the new enterprise's survival and success.

In reference to this, Witt (2004) maintains that according to the development level reached by the company in the creation process, there are different ways to define success which can be measured by both objective and subjective indicators. Among the objective indicators, it is possible to mention market persistence, i.e. the number of years the firm has been operating in the market since it began its activities (Bruderl & Preisndorfer, 1998; Chell & Baines, 2000; Witt, 2004); growth rates, both in terms of sales (Baron & Markman, 2003; Bruderl & Preisndorfer, 1998; Chandler & Hanks, 1993; Ostgaard & Birley, 1994; Witt, 2004) and number of employees (Capelleras et al., 2010; Ostgaard

& Birley, 1994; Serarols & Urbano, 2007; Witt, 2004); and other financial statement data (Baron & Markman, 2003; Ostgaard & Birley, 1994). Similarly, subjective measures can be categorized into two groups (Serarols & Urbano, 2007): those which refer to the entrepreneur's satisfaction in relation to business performance (Cooper, 1984; Chandler & Hanks, 1993) and those based on comparison with competitors (Hormiga, Batista & Sánchez, 2007). Subjective indicators cannot, however, replace objective ones since they are based on the entrepreneur's expectations or imperfect information.

INDIGENOUS ENTREPRENEURSHIP IN MEXICO

Mexico has a wealth of ethnic groups (26 regions and approximately 57 indigenous languages) and a high percentage of its population is indigenous (9.5%). Besides the ethnic diversity, according to data from the Comisión Nacional para el Desarrollo de los Pueblos Indígenas (*National Commission for the Development of Indigenous Peoples*) (CDI, 2006), standard of living indicators are clearly lower than those of the rest of the population and this highlights indigenous marginalization and poverty. The entrepreneurial spirit is therefore conceived as a way of involving indigenous groups in the country's economic activity so that their quality of life may be improved without relinquishing either their lifestyle or identity (Anderson, Dana, & Dana, 2006).

To date, few studies have examined the profile of the Mexican or Latin American indigenous entrepreneur due to the fact that classical studies have researched indigenous communities from a historical, anthropological and sociological perspective (Luz, 2005; Jiménez, 2000), leaving aside all forms of entrepreneurial organization and the possibility that these entrepreneurs are capable of creating profitable enterprises. Tackling this new subject also involves picking up the thread of questions relating to culture, uses and traditions, for example, which affect these communities. Consequently, the task of identifying the entrepreneurial traits and profile of the indigenous Mexican, the aim of our empirical study, is by no means easy.

To begin with, it is necessary to understand indigenous communities as being groups with a vast, natural and cultural wealth of knowledge. These communities are characterized by their form of organization, which is based on communal responsibility, a high environmental awareness, which was inherited from their forebears and involves finding and preserving the natural balance to ensure their own survival, a strong group identity based on common work and mutual support, a deep respect for their elders' knowledge, culture and traditional values, and spiritual beliefs based on their forebears and mother earth (Davis & Patrinos, 1996).

Unfortunately, social and historical conditions have not been kind to this population, resulting in high levels of poverty and also marginalization and lack of financial resources. This situation is the same today largely due to lack of employment, low or non-producing lands, poor profitability of handicraft products, under-utilization of natural resources and historical discrimination towards anything indigenous (Navarrete, 2008).

The poverty and marginalization in which they are trapped lead to additional problems such as the search for alternative salaries by means of illegal activities (CDI, 2008), uprooting by emigrating from their original settlements, bad exploitation and use of natural resources, high levels of illiteracy (21.6%) and school absenteeism (8.4%), poor nutrition, and even inadequate access to health services (CDI, 2008). This situation is exacerbated in the case of women: for example, the illiteracy rate among indigenous females (27.1%) was 6 percentage points higher than among males.

On the other hand, another characteristic of the Latin American indigenous population is the system or form of government, based on politico-religious organizations. Indigenous peoples are organized around their own community and their belief in the earth as Mother and territory. At the Community Assemblies, systems of responsibilities are therefore created which take care of allocating collective work and supervising the rites and ceremonies, as traditions which create a sense of identity (Díaz, 2001). The Community Assemblies are a hierarchical organization, where the highest authority is the Council of Elders. Only the oldest males may become members due to their greater experience and the respect with which they are held by the rest of the community and they are the ultimate decision-makers over anything concerning the community.

In terms of the economy, the main economic activities of indigenous communities are those of the *traditional economy* whereby no money changes hands and barter still represents the means of exchange (Zolla & Zolla, 2004). In this respect, indigenous peoples are generally at a disadvantage when engaging in economic exchange relations with the rest of the population (Ramírez, 2008). There are also two main characteristics conditioning their economic activity: a) the organization of the indigenous group (previously mentioned), which decides how work is allocated and resources distributed; and b) the conception of the earth as Earth (a living being), which determines its treatment and communal use (Perafán, 2000). All of this hinders integration of these communities in the current economic context.

Authors such as Uygun and Kasimoglu (2013) therefore believe that enterprise creation could be a valid option to alleviate these imbalances and facilitate the economic integration of indigenous communities. Perafán (2000), meanwhile, considers that indigenous communities show certain shortcomings which impede venture start-up: the lack of accountancy systems, entrepreneurial knowhow or financial skills combined with a mistrust of other sectors of the non-indigenous population to initiate a joint entrepreneurial venture.

Another question which distinguishes indigenous communities is social networks, firstly because the products or services developed by indigenous communities are devalued by the rest of the population and this results in an unfair economic exchange. The reciprocity offered by local networks, however, provides an economic balance and this makes the group more socially cohesive (Warman, 2003). In recent years, therefore, indigenous communities have started to take advantage of not only their social capital but also their cultural values (Skoufias, Lunde, & Patrinos, 2009), leading to the creation of ecotourism ventures.

In Mexico, the ecotourism ventures created by indigenous communities are characterized by a series of aspects relating to the particular features and specific problems of indigenous Latin Americans: illiteracy, school absenteeism and low incomes. All these factors prevent access to real opportunities for earning higher incomes from other activities which are unconnected with agriculture or handicraft production. It is, therefore, not surprising that in recent years efforts have been made to encourage the creation of alternative tourism ventures in indigenous areas to spur their socio-economic development (Uygun & Kasimoglu, 2013). This type of venture also enables endogenous development of indigenous communities so that their quality of life may be improved and their cultural heritage preserved, thereby contributing to sustainable environmental conservation (Kirk, Peredo, & Chrisman, 2010). Sources such as the Comisión Nacional de los Pueblos Indígenas (*National Commission for the Development of Indigenous Peoples*) (CDI), the Red Indígena de Turismo de México A.C. (*Mexican Indigenous Tourism Network*) and the International Non-Governmental Organization EchoWay have highlighted the creation of ecotourism ventures in indigenous areas as one of the most outstanding support mechanisms.

Correspondingly, the CDI has supported the creation of this type of venture through the Programa de Turismo Alternativo en Zonas Indígenas (*Alternative Tourism in Indigenous Areas Program*). In 2010, this governmental program supported 169 projects, of which only 85 managed to successfully complete the creation process by having the necessary infrastructure and training, in particular, to offer a quality tourism service.

Research Method and Sampling Structure

In this research, and in line with work previously published in relevant literature, a research method was conducted in order to explore and analyze the reality of various Mexican enterprises which had recently been created by indigenous entrepreneurs and which were connected with ecotourism. The case study represents an important qualitative methodology for analyzing specific problems

Table 2. Variable description

Variables	Description	Variables	Description
Sex	Male Female	Age	25-35 years 36-45 years 46-55 years Over 56 years
Motivation	Environmental protection Keep traditions Invitation Customer feedback Self-employment	Years of Business	Five years Four years Three years Two years One year Other
Financing	Own resources, Family loans Friends loans Bank loans Suppliers and customers Federal Government Programs National, municipal and local government programs	Time invested in Social Capital per week	Less than 8 hours 8-14 hours 15-21 hours 22-35 hours More than 35 hours
Information	Family Friends Colleagues Banks Chambers of Commerce Business incubators Government institutions Consultants Futures customers Prospective suppliers Universities Indigenous associations Other	Collaborators	Family Friends Colleagues Banks Chambers of Commerce Business incubators Government institutions Consultants Futures customers Prospective suppliers Universities Indigenous associations Other
Number of Networks	No network One network 2-3 networks 4-5 networks More than 5 networks		

Source: Author's own compilation.

(particularly in the sphere of social sciences) by providing an in-depth knowledge of the study subject, contextualizing it in its reality (Baxter & Jack, 2008; Yin, 1984). More specifically, in terms of the creation of ventures and SMEs, various authors have used this method in their research (e.g. Perre & Ram, 2004; Ucbasaran, Wright & Westhead, 2003).

As no study had been made of the general profile of this kind of entrepreneur, we decided to start by conducting a strictly exploratory, statistical study. Drawing on quantitative data collected through 29 face-to-face structured interviews (Table 2) with indigenous entrepreneurs whose enterprises, located in different states in the Mexican Republic (Table 3), are characterized by the

Table 3. Sample description

Cases	Mexican State	Age (years)	Number of workers (including partners)	Alternative Tourism Sector	Entrepreneurship Rank
1	Campeche	6	13	Ecotourism Adventure tourism Ethnotourism	Founder entrepreneur
2		6	25		
3	Chiapas	8	22		
4		8	22		
5		5	28		
6	Hidalgo	6	258		
7		6	400		
8	Jalisco	4	27		
9	Michoacán	3	19		
10		8	25		
11		7	14		
12		7	10		
13		7	20		
14	Nayarit	7	10		
15	Oaxaca	7	7		
16	Puebla	4	11		
17		5	8		
18	Quintana Roo	7	56		
19		2	146		
20		2	15		
21		2	15		
22		2	54		
23		4	11		
24		4	28		
25	Tlaxcala	10	22		
26	Veracruz	6	19		
27		3	5		
28	Yucatán	2	16		
29		4	23		

Source: Author's own compilation.

Table 4. Indigenous entrepreneur profile

Sex	Male
Age	25-35 years old
Motivation	Environmental Protection
Years of Business	More than 5 years
Financing	Government programs, own resources, family and friends loans
Information	Government Institutions and friends
Collaborators	Consultants, friends and family
Time invested in Social Capital of the week	Less than 8 hours
Number of Networks	One network

Source: Author's own compilation.

fact that their main activity is ecotourism and by the length of time since they began market activity (i.e. enterprises with an average age of 5 years).

Personal and detailed interviews were subsequently conducted with the founding partners from four objective companies corresponding to the studied cases.

For the results analysis of the case study, we decided to first conduct a cross analysis of the cases in order to identify the characteristics of the indigenous entrepreneurs, their motivations and, finally, the sort of social network. The obtained data was then compared with the descriptive study and the general characteristics of the indigenous people.

Findings

Table 3 summarizes the main results of the descriptive analysis of the 29 indigenous entrepreneurs comprising the study population.

Gender and age: in this study, a mainly male population is sampled (85%), against a minority of females (15%). The majority of the entrepreneurs sampled (35% of the population) were in the 25- 35 age range, followed by those in the 36-45 range and then those in the 46-55 range (30% for each). Finally, entrepreneurs over the ages of 56 only represented 5% of the population.

Motivation: there were any one of five reasons motivating this type of entrepreneur to create an enterprise, with the most common being the desire to conserve the environment. In second place was the desire to preserve traditions and identity, followed by the desire for self-employment and to earn an income. The final reason was the invitation from different organizations such as the CDI or the Red Indígena de Turismo Alternativo (*Indigenous Network of Alternative Tourism*) (RITA).

Age in years: 45% of the enterprises comprising the population had lasted for more than five years, 25% for longer than four years and 20% for longer than six years. The smallest percentage of enterprises (10%) had existed for longer than two years.

Funding sources: the main source of funding for the entrepreneurs was obtained from state government programs (35%), closely followed by funding with own resources (25%), savings provided by family members (25%) and loans from friends (25%).

Information sources: the information sources for subjects relating to the enterprise creation process are mainly government institutions (90%) and friends (80%). However, the least used information source was that of banks (10%).

Contributors to the creation process: during enterprise creation, entrepreneurs mainly relied on the help of consultants (70%), friends (70%)

and family members (65%). Banks, chambers of commerce, enterprise incubators and other entities or bodies, meanwhile, hardly represented any form of contribution to the entrepreneurs in the study (10%).

Investment for the creation of social capital: 35% of the entrepreneurs in the study devoted fewer than 8 hours per week to venture creation. This was followed by those who devoted 8-14 hours per week to entrepreneurial activities (25%), those devoting 15-21 hours (15%), those devoting 22-35 hours (15%), and finally, those devoting more than 35 hours per week (10%). A larger number of entrepreneurs, therefore, devoted fewer hours to entrepreneurial activities.

Number of indigenous networks to which they belong: generally speaking, the entrepreneurs only belong to one network (40% of the population in the study). In order of importance, this was followed by the number of entrepreneurs belonging to 2 or 3 networks (25% of the population in the study), to 4 or 5 (15% of the entrepreneurs) and to 5 or more networks (5% of the entrepreneurs).

The following table presents the results from the detailed interviews with four indigenous entrepreneurs. The analysis of the cases shows interesting results regarding the following aspects: characteristics of the indigenous entrepreneurs, motivations and type of social network (Table 4).

Characteristics of the indigenous entrepreneurs. In order to generally analyze the characteristics of the entrepreneurs, the interviewees provided demographic data such as age, geographic location and sex. The cases comprised four different Mexican States. The age of the interviewees ranged from 30 to 60 years old. It is important to emphasize that in all four cases, the founding partners interviewed are males.

Motivation. The interviewees revealed that in three cases (C-1, C-2 and C-3), their main motivation for starting a business was to protect the environment, traditions and culture. They understand that natural resources are limited and they must be preserved because "Mother Earth" provides them. It is important to emphasize that the interviewee in Case 3 stated that his main

Table 5. Aspects of the case study

Aspects	Case 1	Case 2	Case 3	Case 4
Entrepreneur Characteristics:				
Indigenous Entrepreneur Age Range	50-60	30-60 (two partners-leaders of the project)	50-60	30
Geographic location	Distrito Federal	Veracruz	Hidalgo	Morelos
Sex	Male	Male	Male	Male
Motivation	Environmental protection	Environmental protection, traditions and culture	Alternative income	Job Creation Program Protection of Traditions
Social Networks:				
At the beginning and during the process	Family, friends and government institutions	Family, friends and government institutions	Family, friends and government institutions	Friends and Non-Governmental Organizations
Present Networks	Academic and government institutions, related companies	Academic and government institutions, related foreign and national companies	Academic and government institutions	Academic and government institutions, Non-Governmental Institutions and related companies

Source: Author's own compilation.

motivation was to obtain an alternative source of income. He was invited to participate on a governmental program that helps this type of entrepreneur. He met the Mayor who invited him to participate, and he saw an opportunity to obtain an alternative income. The founding partner in Case 4 stated his motivations throughout the interview and he realized that not only could he protect his ancient traditions but he could also provide jobs for himself and other people in the community. These answers reveal a characteristic of trust and support within the community.

Social Networks. In order to analyze this aspect, there are two dimensions. The first dimension is that of the initial social network during the process and the second is that of the current network.

Regarding the initial social network during the process, in Cases 1, 2 and 3, families provide a great deal of support, which is mainly emotional. Friends provide information and government institutions help them through their financing programs. In Case 4, the interviewee stated that friends were his biggest support in terms of information. Regarding financing, a Non-Governmental Organization gave him the initial resources to start his business. The four cases obtained resources from government institutions throughout the creation process.

The current networks, which have consolidated indigenous entrepreneurs, mentioned academic institutions and other companies besides the government institutions.

DISCUSSION OF RESULTS AND CONCLUSIONS

This work has picked up the three classical approaches for studying the phenomenon of new venture creation (that focusing on the entrepreneur's personal traits, that focusing on the new venture start-up process and that focusing on environmental factors) and also the importance of social networks in the enterprise creation process as a conceptual framework for tackling the problems of indigenous entrepreneurship and their defining features.

Firstly, the main motivational factor which drives the indigenous individual to create an enterprise is environmental maintenance or conservation, something which is not common among other entrepreneurs analyzed by specialist literature (Barba-Sánchez & Atienza-Sahuquillo, 2012), but it does match the results obtained by authors such as López and Palomino (2008) in empirical studies conducted into indigenous entrepreneurship. It should be remembered that the indigenous population is organized into communities and one of the key elements is the Earth conceptualized as "Mother," in other words as the provider of all resources.

Indigenous entrepreneurs are therefore deeply rooted in the land of their forebears and are reluctant to emigrate if there is a choice, a feature shared by other entrepreneurial groups such as the ethnic minorities located in countries other than their countries of origin (Klyver & Foley, 2012; Ndofor & Priem, 2011; Wang & Altinary, 2012). In this respect, venture creation can be regarded as a viable alternative to emigration to urban centers, enabling entrepreneurs to preserve their natural heritage, provide job opportunities and generate income for their economic survival.

Secondly, in terms of social networks and in line with other research work conducted (e.g. Hite, 2005; Kuada, 2009), primary networks comprising friends and family play an important role not only for starting the venture but also for its permanence over time and consolidation by providing emotional support. In the case of the indigenous entrepreneur, this aspect of the entrepreneurial process becomes more significant by deferring the decision of whether or not the venture should be created to the support and authorization of the Community Assembly and the Council of Elders, which ensures the support of the entire community for the life of the enterprise.

This approach also explains the fact that the main sources of funding for indigenous ecotourism enterprises are governmental programs and savings from friends and family. These are also the main providers of human resources and useful information for venture start-up.

In conclusion, an *indigenous* entrepreneurial profile is observed, which differs from the profiles commonly accepted by literature where the need for achievement or the Locus of Control play a leading role. In this case, individual achievement is deferred to the common good and entrepreneurial intention to the will and support of the community, although this research work is only a descriptive approach based on the study of 29 cases and detailed interviews of 4 indigenous entrepreneurs and it only presents our preliminary results. This line of research should therefore be continued with a wider number of cases and a more representative sample of the object population being studied, including indigenous populations of other countries, both in Latin America and the rest of the world, in order to extrapolate the results and conclusions obtained.

REFERENCES

Adler, P., & Kwon, S. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, *27*(1), 17–40.

Allen, W. D. (2000). Social networks and self-employment. *Journal of Socio-Economics*, *29*(5), 487–501. doi:10.1016/S1053-5357(00)00086-X

Anderson, A. R., & Jack, S. L. (2002). The articulation of social capital in entrepreneurial networks: A glue or a lubricant? *Entrepreneurship & Regional Development*, *14*(3), 193–210. doi:10.1080/08985620110112079

Anderson, A. R., Jack, S. L., & Dodd, S. D. (2005). The role of family members in entrepreneurial networks: Beyond the boundaries of the family firm. *Family Business Review*, *18*(2), 135–154. doi:10.1111/j.1741-6248.2005.00037.x

Anderson, A. R., & Miller, C. J. (2003). Class matters: Human and social capital in the entrepreneurial process. *Journal of Socio-Economics*, *32*(1), 17–36. doi:10.1016/S1053-5357(03)00009-X

Anderson, R. B., Dana, L. P., & Dana, T. E. (2006). Indigenous land rights, entrepreneurship, and economic development in Canada: Opting-in to the global economy. *Journal of World Business*, *41*(1), 45–55. doi:10.1016/j.jwb.2005.10.005

Audretsch, D. B., & Keilbach, M. (2004). Does entrepreneurship capital matter? *Entrepreneurship: Theory & Practice*, *28*(5), 419–429.

Baker, W. (1990). Market networks and corporate behaviour. *American Journal of Sociology*, *96*(3), 589–625. doi:10.1086/229573

Barba-Sánchez, V. (2007). La necesidad de logro y la experiencia del emprendedor: Elementos clave en el crecimiento de la nueva empresa. *Contabilidad y Dirección*, *5*, 121–138.

Barba-Sánchez, V., & Atienza-Sahuquillo, C. (2011). El papel del espíritu emprendedor en el proceso de cambio económico. *Revista del Instituto de Estudios Económicos*, *1/2011*, 213–238.

Barba-Sánchez, V., & Atienza-Sahuquillo, C. (2012). Entrepreneurial behavior: Impact of motivation factors on decision to create a new venture. *European Research on Management and Business Economics*, *18*(2), 132–138.

Barba-Sánchez, V., Atienza-Sahuquillo, C., & Francis, J. (2012). *The decision to start-up a small business: An application of the expectancy theory of motivation.* Paper presented at the International Academy of Business and Public Administration Disciplines (IABPAD) Conference, Orlando, FL.

Barney, J. B. (1985). Dimensions of informal social network structure: Toward a contingency theory of informal relations in organization. *Social Networks*, *7*(1), 1–46. doi:10.1016/0378-8733(85)90007-3

Barney, J. B. (1991). Firm resource and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Baron, R. A., & Markman, G. D. (2003). Beyond social capital: The role of entrepreneurs' social competence in their financial success. *Journal of Business Venturing*, *18*(1), 41–60. doi:10.1016/S0883-9026(00)00069-0

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *Qualitative Report*, *13*(4), 544–559.

Becerra, F. (2008). Las redes empresariales y la dinámica de la empresa: Aproximación teórica. *Innovar*, *18*(32), 27–46.

Birley, S. (1985). The role of networks in the entrepreneurial process. *Journal of Business Venturing*, *1*(1), 107–117. doi:10.1016/0883-9026(85)90010-2

Blesa, A., & Ripollés, M. (2006). Redes personales del empresario y orientación emprendedora en las nuevas empresas. *Cuadernos de Economía y Dirección de la Empresa*, *26*, 73–94.

Bollingtoft, A., & Ulhoi, J. P. (2005). The networked business incubator-leveraging entrepreneurial agency? *Journal of Business Venturing*, *20*(2), 265–290. doi:10.1016/j.jbusvent.2003.12.005

Bourdieu, P. (1986). The forms of capital. In J. G. Richardson (Ed.), *Handbook of theory and research in the sociology of education*. New York: Greenwald Press.

Box, T. M., White, M. A., & Barr, S. H. (1993). A contingency model of new manufacturing firm performance. *Entrepreneurship: Theory and Practice*, *18*(2), 31–45.

Brüderl, J., & Preisendörfer, P. (1998). Network support and de success of newly founded businesses. *Small Business Economics*, *10*(3), 213–225. doi:10.1023/A:1007997102930

Burt, R. S. (1992). The social structure of competition. In Nohria & Eccles (Eds.). Networks and organizations: Structure, form, and action (pp. 57-82). Boston: Harvard Business School Press.

Busenitz, L. W., Gomez, C., & Spencer, J. W. (2000). Country institutional profiles: Unlocking entrepreneurial phenomena. *Academy of Management Journal*, *43*(5), 994–1003. doi:10.2307/1556423

Butler, J. E., & Hasen, G. S. (1991). Network evolution, entrepreneurial success and regional development. *Entrepreneurship and Regional Development*, *3*(1), 1–16. doi:10.1080/08985629100000001

Bygrave, W., & Hofer, C. (1991). Theorizing about entrepreneurship. *Entrepreneurship Theory and Practice*, *16*(2), 13–23.

Capelleras, J.-Ll., Greene, F., Kantis, H., & Rabetino, R. (2010). Venture creation speed and subsequent growth: Evidence from South America. *Journal of Small Business Management*, *48*(3), 302–324. doi:10.1111/j.1540-627X.2010.00296.x

Casrud, A., & Brännback, M. (2011). Entrepreneurial motivations: What do we still need to know? *Journal of Small Business Management*, *49*(1), 9–26. doi:10.1111/j.1540-627X.2010.00312.x

CDI. (2006). *Indicadores sociodemográficos de la población indígena 2000-2005*. México DC: Comisión Nacional para el Desarrollo de los Pueblos Indígenas.

CDI. (2008). *Programa de turismo alternativo en zonas indígenas. Evaluación de consistencia y resultados 2007.* México DC: Comisión Nacional para el Desarrollo de los Pueblos Indígenas.

Chandler, G. N., & Hanks, S. H. (1993). Measuring the performance of emerging businesses: A validation study. *The Journal of Business*, *8*(5), 391–408.

Chandler, G. N., & Hanks, S. H. (1994). Market attractiveness, resource-based capabilities, venture strategies and venture performance. *Journal of Business Venturing*, *9*(4), 331–349. doi:10.1016/0883-9026(94)90011-6

Chell, E., & Baines, S. (2000). Networking, entrepreneurship and microbusiness behavior. *Entrepreneurship and Regional Development*, *12*(3), 195–215. doi:10.1080/089856200413464

Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, *94*(Supplement), S95–S129. doi:10.1086/228943

Cooper, R. G. (1984). How new product strategies impact on performance. *Journal of Product Innovation Management*, *1*, 5–18. doi:10.1016/S0737-6782(84)80038-7

Cruickshank, P., & Rolland, D. (2006). Entrepreneurial success through networks and social capital: Exploratory considerations from GEM research in New Zealand. *Journal of Small Business and Entrepreneurship*, *19*(1), 63–80. doi:10.1080/08276331.2006.10593359

Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, *18*(3), 301–331. doi:10.1016/S0883-9026(02)00097-6

Davis, S., & Patrinos, H. A. (1996, January). *Investing in Latin America's indigenous peoples: The human and social capital dimensions.* Paper presented at Nordic Council of Ministers Seminar on Indigenous Peoples Production and Trade, Copenhagen.

De Carolis, D. M., & Saparito, P. (2006). Social capital, cognition, and entrepreneurial opportunities: A theoretical framework. *Entrepreneurship Theory and Practice*, *30*(1), 41–56. doi:10.1111/j.1540-6520.2006.00109.x

De Koning, A. (1999). *Conceptualizing opportunity recognition as a socio-cognitive process*. Stockholm, Sweden: Centre for Advanced Studies in Leadership.

Díaz, F. (2001). Derechos humanos y derechos fundamentales de los pueblos indígenas. *La Jornada Semanal,* 11 de marzo de 2001.

Donckerls, R., & Lmbrecht, J. (1995). Networks and small business growth: An explanatory model. *Small Business Economics*, *7*(4), 273–289. doi:10.1007/BF01108617

Douglas, E. J., & Shepherd, D. (2000). Entrepreneurship as a utility maximizing response. *Journal of Business Venturing*, *15*(3), 231–251. doi:10.1016/S0883-9026(98)00008-1

Forni, P., Siles, M., & Barreiro, L. (2004). *Qué es el Capital Social: Cómo analizarlo en contextos de exclusión social y pobreza? (JSRI Research Report #35)*. MI: The Julian Samora Research Institute, Michigan State University.

García, P. M., Sáez, F. J., & Barba-Sánchez, V. (1999). Análisis del resultado de las empresas de nueva creación: Influencia de la estrategia y el sector de actividad. *Revista Europea de Dirección y Economía de la Empresa*, *8*(3), 109–123.

Gartner, W. B. (1985). A conceptual framework for describing the phenomenon of new venture creation. *Academy of Management Review*, *10*(4), 696–706.

Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, *91*(3), 481–510. doi:10.1086/228311

Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, *33*(3), 114–135. doi:10.2307/41166664

Greve, A., & Salaff, J. W. (2003). Social networks and entrepreneurship. *Entrepreneurship Theory and Practice*, *28*(1), 1–22. doi:10.1111/1540-8520.00029

Grossman, E. B., Yli-Renko, H., & Janakiraman, R. (2012). Resource search, interpersonal similarity, and network tie valuation in nascent entrepreneurs' emerging networks. *Journal of Management*, *38*(6), 1760–1787. doi:10.1177/0149206310383693

Gulati, R., Nohria, N., & Zaheer, A. (2000). Strategic networks. *Strategic Management Journal*, *21*(3), 203–215. doi:10.1002/(SICI)1097-0266(200003)21:3<203::AID-SMJ102>3.0.CO;2-K

Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, *84*(4), 929–964. doi:10.1086/226424

Hansen, E. L. (1995). Entrepreneurial networks and new organization growth. *Entrepreneurship Theory and Practice*, *19*(4), 7–19.

Hills, G., Lumpkin, G. T., & Singh, R. P. (1997). Opportunity recognition: Perceptions and behaviors of entrepreneurs. *Frontiers of Entrepreneurship Research*, *17*, 203–218.

Hite, J. M. (2005). Evolutionary processes and paths of relationally embedded network ties in emerging entrepreneurial firms. *Entrepreneurship Theory and Practice*, *29*(1), 113–144. doi:10.1111/j.1540-6520.2005.00072.x

Hite, J. M., & Hesterly, W. S. (2001). The evolution on firm networks: From emergence to early growth of the firm. *Strategic Management Journal*, *22*(3), 275–286. doi:10.1002/smj.156

Hormiga, E., Batista, R. M., & Sánchez, A. (2007). La influencia del capital relacional en el éxito de las empresas de nueva creación. In J. C. Ayala (Ed.), *Conocimiento, innovación y emprendedores: Camino al futuro* (pp. 1215–1231). Logroño, Spain: Servicio de Publicaciones de la Universidad de la Rioja.

Hsu, D. H., Roberts, E. B., & Eesley, C. E. (2007). Entrepreneurs from technology-based universities: Evidence from MIT. *Research Policy*, *36*(5), 768–788. doi:10.1016/j.respol.2007.03.001

Jiménez, R. (2000). El comunitarismo en los pueblos indígenas de México. *Arbor: Ciencia, pensamiento y cultura, 652*, 747-758.

Johannisson, B. (1996). The dynamics of entrepreneurial networks. *Frontiers of Entrepreneurship Research*, *1996*, 253–267.

Johannisson, B. (2003). Entrepreneurship as a collective phenomenon. In E. Genescá, D. Urbano, J. Capelleras, C. Guallarte, & J. Vergés (Eds.), *Creación de empresas. Entrepreneurship. Homenaje al profesor José María Veciana* (pp. 87–109). Barcelona, Spain: Servei de Publicacions de la Universitat Autónoma de Barcelona.

Johannisson, B., & Landström, H. (1997). Research in entrepreneurship and small business-state of the art in Sweden. In H. Landström, H. Frank, & J. M. Veciana (Eds.), *Entrepreneurship and small business research in Europe: An ECSB survey* (pp. 276–295). Aldershot, UK: Avebury.

Johannisson, B., & Monsted, M. (1997). Contextualizing entrepreneurial networking: The case of Scandinavia. *International Studies Management & Organization*, *27*(3), 109–136.

Kantis, H. (2004). Un enfoque sistémico en la creación de empresas. In H. Kantis, P. Angelli, & K. Morí (Eds.), *Desarrollo emprendedor. América Latina y la experiencia internacional* (pp. 21–34). Washington, DC: BID-FUNDES Internacional.

Kantis, H. (2005). The emergence of dynamic ventures in Latin America, Southern Europe and East Asia: An international comparison. *International Journal of Entrepreneurship and Small Business*, *2*(1), 34–56. doi:10.1504/IJESB.2005.006069

Kantis, H., Ishida, M., & Komori, M. (2002). *Empresarialidad en economías emergentes: Creación y desarrollo de nuevas empresas en América Latina y del Este de Asia*. New York: Banco Interamericano de Desarrollo.

Kautonen, T., Tornikoski, E. T., & Kibler, E. (2011). Entrepreneurial intentions in the third age: The impact of perceived age norms. *Small Business Economics*, *37*(2), 219–234. doi:10.1007/s11187-009-9238-y

Kelly, D. J., Singer, S., & Herrington, M. (2012). *The global entrepreneurship monitor: 2011 global report*. London: Global Entrepreneurship Research Association.

Kirk, R., Peredo, A., & Chrisman, J. (2010). Business networks and economic development in rural communities in the United States. *Entrepreneurship Theory and Practice*, *34*(1), 171–195. doi:10.1111/j.1540-6520.2009.00307.x

Klyver, K., & Foley, D. (2012). Networking and culture in entrepreneurship. *Entrepreneurship & Regional Development*, *24*(7), 561–588. doi:10.1080/08985626.2012.710257

Klyver, K., & Hindle, K. (2007). The role of social networks at different stages of business formation. *Small Business Research*, *15*(1), 22–38.

Koch, L. T., & Kautonen, T. (2005). Organizing new venture support in regional networks: Exploring evidence from exist-entrepreneurs from universities in Germany. *Journal of Enterprising Culture*, *13*(2), 127–144. doi:10.1142/S0218495805000094

Kuada, J. (2009). Gender, social networks, and entrepreneurship in Ghana. *Journal of African Business*, *10*, 85–103. doi:10.1080/15228910802701445

Larson, A. (1991). Partner networks: Leveraging external ties to improve entrepreneurial performance. *Journal of Business Venturing*, *6*(3), 173–188. doi:10.1016/0883-9026(91)90008-2

Lee, R. P. L., Ruan, D., & Lai, G. (2005). Social structure and support networks in Beijing and Hong Kong. *Social Networks*, *27*(3), 249–274. doi:10.1016/j.socnet.2005.04.001

Leiva, J. C. (2004, marzo 15-17). *Empresarialidad en economías emergentes: Creación de empresas en América Latina y Este de Asia: Informe Costa Rica.* Ponencia presentada en el I Congreso Motiva, Valencia, Spain.

Lin, N. (2001). *Social capital: A theory a social structure in action*. New York: Cambridge University Press. doi:10.1017/CBO9780511815447

López, G., & Palomino, B. (2008). Políticas públicas y ecoturismo en comunidades indígenas de México. *Teoría y Praxis*, *5*, 33–50.

Luz, O. (2005). Ciudadanía, género y conflicto en pueblos indígenas. *Convergencia*, *12*(37), 11–57.

Lyon, D. W., Lumpkin, G. T., & Dess, G. G. (2000). Enhancing entrepreneurial orientation research: Operationalizing and measuring a key strategic decision making process. *Journal of Management*, *26*(5), 1055–1085. doi:10.1177/014920630002600503

Manolova, T. S., Eunni, R. V., & Gyoshev, B. S. (2008). Institutional environments for entrepreneurship: Evidence from emerging economies in Eastern Europe. *Entrepreneurship: Theory & Practice*, *32*(1), 203–218.

McClelland, D. (1961). *The achieving society*. Princeton, NJ: Van Nostrand. doi:10.1037/14359-000

McFadyen, M. A., & Cannela, A. A. (2004). Social capital and knowledge creation: When do marginal costs associated with social capital exceed marginal benefits? *Academy of Management Journal*, *47*(5), 735–746. doi:10.2307/20159615

Molina, E., Barba-Sánchez, V., & Martínez, M. P. (2008). Relevancia e implicaciones del Capital Social en la creación de empresas. *Boletín Económico del ICE*, *2933*, 31–43.

Moran, P. (2005). Structural and relational embeddedness: Social capital and managerial performance. *Strategic Management Journal*, *26*, 1129–1151. doi:10.1002/smj.486

Moroz, P., & Hindle, K. (2012). Entrepreneurship as a process: Toward harmonizing multiple perspectives. *Entrepreneurship Theory and Practice,* 781–818

Morris, M. H., Kuratko, D. F., Schindehutte, M., & Spivack, A. J. (2012). Framing the entrepreneurial experience. *Entrepreneurship Theory and Practice*, *36*, 11–40. doi:10.1111/j.1540-6520.2011.00471.x

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, *23*(2), 242–266.

Navarrete, F. (2008). *Pueblos Indígenas del México Contemporáneo*. México: CDI.

Ndofor, H. A., & Priem, R. L. (2011). Immigrant entrepreneurs, the ethnic enclave strategy, and venture performance. *Journal of Management*, *37*(3), 790–818. doi:10.1177/0149206309345020

Ng, D. (2004). The social dynamics of diverse and closed networks. *Human Systems Management*, *23*(2), 111–122.

Nieto, M., & González, N. (2008, September). *Capital Social: un análisis de su influencia en la existencia, descubrimiento y explotación de oportunidades empresariales.* Paper presented at XVII Congreso Nacional de ACEDE, León, Spain.

Ostgaard, T. A., & Birley, S. (1994). Personal networks and firm competitive strategy: A strategic or coincidental match? *Journal of Business Venturing*, *9*(4), 281–305. doi:10.1016/0883-9026(94)90009-4

Parker, S. C. (2004). *The economics of self-employment and entrepreneurship*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511493430

Patel, P. C., & Thatcher, S. M. B. (2013). Sticking it out: individual attributes and persistence in self-employment. *Journal of Management*. doi: doi:10.1177/0149206312446643

Perafán, C. (2000). *Adecuación de servicios financieros a las economías tradicionales indígenas*. Washington, DC: BID, Unidad de Pueblos Indígenas de y Desarrollo Comunitario, Departamento de Desarrollo Sostenible.

Perre, L., & Ram, M. (2004). Case-study method in small business and entrepreneurial research: Mapping Boundaries and perspectives. *International Small Business Journal*, *22*(1), 83–101. doi:10.1177/0266242604039482

Putnam, R. D. (1993). *Making democracy work*. New York: Princeton University Press.

Ramírez, B. (2008). Reseña de pueblos indígenas, territorio y género en el México rural contemporáneo. *Ra Ximhai*, *4*(3), 809–813.

Robinson, J. P., Shaver, P. R., & Wrightsman, L. S. (1991). *Measures of personality and social psychological attitudes*. San Diego: Academic Press.

Sanz, L. (2003). Análisis de Redes Sociales o como representar las estructuras sociales subyacentes. *Apuntes de Ciencia y Tecnología*, *7*, 21–29.

Schiller, B. R., & Crewson, P. E. (1997). Entrepreneurial origins: A longitudinal inquiry. *Economic Inquiry*, *35*, 523–531. doi:10.1111/j.1465-7295.1997.tb02029.x

Serarols, T., & Urbano, D. (2007). El empresario y los factores de éxito: Estudio de casos de empresas tradicionales y digitales. *Revista de Contabilidad y Dirección*, *5*, 139–168.

Shapero, A., & Sokol, L. (1982). The social dimensions of entrepreneurship. In C. A. Kent, D. L. Sexton, & K. H. Vesper (Eds.), *Encyclopedia of entrepreneurship* (pp. 72–90). Englewood Cliffs, NJ: Prentice-Hall.

Shaver, K. G. & Scott, L. R. (1991). Person process choice: The psychology of new venture creation. *Entrepreneurship Theory and Practice*. Winter. 23-45.

Shinnar, R. S., Giacomin, O., & Janssen, F. (2012). Entrepreneurship perceptions and intentions: The role of gender and culture. *Entrepreneurship Theory and Practice*, *36*(3), 465–493. doi:10.1111/j.1540-6520.2012.00509.x

Skoufias, E., Lunde, T., & Patrinos, H. A. (2009). *Social networks among indigenous peoples in Mexico*. Worldbank. doi:10.1596/1813-9450-4949

Smith, D. A., & Lohrke, F. T. (2008). Entrepreneurial network development: Trusting in the process. *Journal of Business Research*, *61*(4), 315–322. doi:10.1016/j.jbusres.2007.06.018

Steyaert, C., & Katz, J. (2004). Reclaiming the space of entrepreneurship in society: Geographical, discursive and social dimensions. *Entrepreneurship & Regional Development*, *16*(3), 179–196. doi:10.1080/0898562042000197135

Szerb, L. (2003). The changing role of entrepreneur and entrepreneurship in network organizations. In I. Lengyel (Ed.), *Knowledge transfer, small and medium-sized entreprieses and regional development in Hungary* (pp. 81–95). Szeged, Hungary: Jate Press.

Thornton, P. H. (1999). The sociology of entrepreneurship. *Annual Review of Sociology*, *25*(1), 19–46. doi:10.1146/annurev.soc.25.1.19

Tsai, W. M., MacMillan, I. C., & Low, M. B. (1991). Effects of strategy and environment on corporate venture success in industrial markets. *Journal of Business Venturing*, *6*(1), 9–28. doi:10.1016/0883-9026(91)90003-V

Ucbasaran, D., Wright, M., & Westhead, P. (2003). A longitudinal study of habitual entrepreneurs: Starters and acquirers. *Entrepreneurship & Regional Development*, *15*, 207–228. doi:10.1080/08985620210145009

Uygun, R., & Kasimoglu, M. (2013). (in press). The emergence of entrepreneurial intentions in indigenous entrepreneurs: The role of personal background on the antecedents of intentions. *International Journal of Business and Management*, *8*(5). doi:10.5539/ijbm.v8n5p24

Van de Ven, A. H., Hudson, R., & Schroeder, D. M. (1984). Designing new business startups: Entrepreneurial organizational, and ecological considerations. *Journal of Management*, *1*(10), 87–107. doi:10.1177/014920638401000108

Van der Gaag, M., & Snijders, T. A. B. (2005). The resource generator: Social capital quantification with concrete items. *Social Networks*, *27*(1), 1–29. doi:10.1016/j.socnet.2004.10.001

Wang, C. L., & Altinary, L. (2012). Social embeddedness, entrepreneurial orientation and firm growth in ethnic minority small businesses in the UK. *International Small Business Journal*, *30*(1), 3–23. doi:10.1177/0266242610366060

Warman, A. (2003). *Los indios mexicanos en el umbral del milenio*. México: FCE.

Weber, M. (1930). *The Protestant ethic and the spirit of capitalism*. New York: Scribner.

Wennekers, S., van Wennekers, A., Thurik, R., & Reynolds, P. (2005). Nascent entrepreneurship and the level of economic development. *Small Business Economics*, *24*(3), 293–309. doi:10.1007/s11187-005-1994-8

Wilson, F., Marlino, D., & Kickul, J. (2004). Our entrepreneurial future: Examining the diverse attitudes and motivations of teens across gender and ethnic identity. *Journal of Developmental Entrepreneurship*, *9*(3), 177–197.

Witt, P. (2004). Entrepreneurs networks and the success of start-ups. *Entrepreneurship and Regional Development*, *16*(5), 391–412. doi:10.1080/0898562042000188423

Yin, R. (1984). *Case study research. Design and methods*. London: Sage.

Zhao, H., Seibert, S. E., & Lumpkin, G. T. (2010). The relationship of personality to entrepreneurial intentions and performance: A meta-analytic review. *Journal of Management*, *36*(2), 381–404. doi:10.1177/0149206309335187

Zolla, C., & Zolla, E. (2004). Los pueblos indígenas de México, 100 preguntas. México: Universidad Nacional Autónoma de México.

KEY TERMS AND DEFINITIONS

Case Study Research: A detailed intensive study of a unit, such as a venture or a corporation.

Ecotourism: A form of tourism involving visiting fragile and relatively undisturbed natural areas, intended as a low-impact and often small scale alternative to standard commercial tourism.

Entrepreneurship: A process of identifying and starting a business venture, and connotes a special ability to sense and act on opportunity.

Ethnic Entrepreneurship: The creation, management, and development of new ventures by ethnic minority persons (usually immigrants).

Indigenous Entrepreneurship: The creation, management, and development of new ventures by Indigenous people for the benefit of Indigenous people. Indigenous people are people whose ancestors were living in an area prior to colonization or prior to the formation of a national-state.

SMEs: Small and Medium Enterprises.

Social Entrepreneurship: A set of behaviors that are exceptional. Social entrepreneurs are one species in the genus entrepreneur with a social mission: social improvements for the targeted group and even society at large. Wealth is just a means to an end for social entrepreneurs.

Social Network: A social structure made up of a set of social actors (such as individuals or organizations) and a set of ties between these actors.

Sustainable Tourism: Attempting to make as low an impact on the environment and local culture as possible, while helping to generate future employment for local people.

Chapter 20
Effects of Business Managers' Skills:
A Study of ERP Strategic Alignment in Some Arab SMEs

Karim Mezghani
Al Imam Mohammad Ibn Saud Islamic University, Saudi Arabia

Faouzi Ayadi
Al Imam Mohammad Ibn Saud Islamic University, Saudi Arabia

Wassim Aloulou
Al Imam Mohammad Ibn Saud Islamic University, Saudi Arabia

ABSTRACT

In this chapter, the authors introduce the key ideas related to strategic alignment and ICT in SMEs. They present the ERP strategic alignment in SMEs as an important investment but more problematic, discussing the challenges of ERP systems implementation in Arab SMEs by introducing the main studies conducted in the area. This literature review helps to understand the main enablers of ERP strategic alignment in this context. The intent of the chapter is to provide readers with a theoretical framework linking business managers' skills and interaction between business managers and IS managers to ERP strategic alignment as main chosen variables. This framework was tested in previous research conducted in Tunisian context and retested for this study in a Saudi context. Within this context, the authors hope the chapter can be helpful for researchers in ERP strategic alignment, mainly for students and professors in their academic activities.

INTRODUCTION

Enterprise Resources Planning is a software package that is composed of standard modules connected directly to a single database and could cover all business processes of a firm. This software began to be largely adopted by both small and big firms since the 90's because it is developed basing on "*management best practices*." The most well-known editors in the world are SAP, Oracle and Microsoft Dynamics (Panorama Consulting, 2013).

DOI: 10.4018/978-1-4666-5962-9.ch020

Implementing an ERP is considered as a strategic investment due to the big costs and organizational impacts of this system: "Over the past four years of Panorama's independent ERP research, the average cost of implementations has been $7.3 million dollars and the average duration has been 16.6 months" (Panorama Consulting, 2013). However, many firms could not benefit from their ERP systems because they did not pay attention to strategic alignment aspects during ERP implementation (Yaseen, 2009).

Since the development of Strategic Alignment Model (SAM) by Henderson and Venkatraman (1993), the concept of strategic alignment has continued to attract the attention of researchers in the Information and Communication Technologies (ICT) field. However, while several studies have addressed the impact of alignment on performance, the question that still arouses the interest of researchers lies in the study of factors that contribute to this alignment (Chao and Chandra, 2012). Moreover, according to Chan, Sabherwal and Thatcher (2006), few empirical researches focused on the determinants of alignment.

This can be noted mostly in the case of Small and Medium-sized Enterprises (SMEs): "While the positive impact of strategic alignment has been studied relatively extensively in the large firm context, the topic has not been the subject of extensive study in small firms" (Chao and Chandra, 2012).

Indeed, SMEs face some problems related to having a real Information Systems (IS) department and focusing on ICT strategic alignment (Gutierrez, Orozco, and Serrano, 2009). This situation seems to be the same in Arab SMEs, if we know the multiple problems associated with the lack of appropriate infrastructure and investment on ICT in the Arab world (ITU, 2012).

Here, although some research works were conducted to study ICT strategic alignment in Arab firms, only a few studies were concerned with the enablers of such alignment, especially in SMEs (Mezghani, 2011).

Thus, in this chapter, the authors try to study ERP strategic alignment in some Arab SMEs from the enablers' perspective. To present more significant results from the Arab context, the authors chose to base their work on a study conducted by Mezghani (2011) within Tunisian SMEs. Indeed, the authors present an extended research by testing the research model developed by Mezghani (2011) in Saudi SMEs.

This model presents enablers of ERP strategic alignment. This should be interesting since ERP implementation presents many challenges for SMEs, especially in alignment aspects, and since ERP systems continue to attract many Arab firms thanks to their strategic and organizational benefits.

The enablers presented are linked to business managers' skills, which seems to be innovative since previous researches focused on IS managers' skills as key factors in the alignment process.

Before presenting their study within Saudi SMEs, the authors give an ample review of ICT strategic alignment and its link with ERP projects in SMEs in general, and then in Arab ones, in particular.

ICT STRATEGIC ALIGNMENT IN SMEs

Many researches were conducted to study the importance of ICT strategic alignment for firms. Because we focus on factors (skills) that influence alignment, we present the main studies that focused on the enablers of alignment, especially in SMEs context.

One of the most famous studies is that of Reich and Benbasat (2000). These researchers proposed a model that presents the enablers of ICT strategic alignment, based on what they call the "social dimension" of alignment. This dimension is related to the interactions between business managers and IT managers as the main drivers of alignment. These interactions can be furthered by shared domain knowledge and successful IT histories. The model developed by Reich and Benbasat (2000) influenced many subsequent researches (Hussin, King, & Cragg, 2002; Hu & Huang, 2005; Martin, Gregor, & Hart, 2005; Yayla, 2008; Mezghani, 2011).

To compare SMEs and large organizations, Gutierrez, Orozco, and Serrano (2009) conducted a very interesting research. Based on previous researches, these authors tried to find differences between SMEs and large organizations in terms of enablers of alignment. So, they tested the Strategic Alignment Model (SAM) proposed by Luftman (2000), using three samples of firms (small, medium and large ones).

The results showed that "the factors that have been found relevant to attain alignment seem to be relevant for all organizations regardless of their size." The main difference was in ICT governance which is more formal in large organizations and, thus, would make better alignment.

These results are almost similar to those found by Chan, Sabherwal, and Thatcher (2006) who studied some antecedents of alignment. These researchers found that organizational size does not influence the antecedents but the alignment itself. Thus, the factors influencing alignment are relevant to both SMEs and large organizations. Therefore, the degree of alignment seemed to be higher in large organizations which "have the resources to focus more wealth on identifying and implementing technologies that support business strategy" (Chan, Sabherwal, & Thatcher, 2006).

All these researches were so very useful for studying different factors affecting alignment in many contexts, including Arab one. However, these studies were related to ICT in general, without considering their specificities. Indeed, each kind of ICT may have effects on alignment and on its enablers. This is the specificity of our research.

Also, studying ERP as sophisticated technology in SMEs context may disclaim the conclusions of Chan, Sabherwal, and Thatcher, (2006) and Gutierrez, Orozco, and Serrano (2009) who claimed that large organizations are considered "more aligned" due to the technologies adopted and their governance. The study conducted by Mezghani (2011) in an Arab context (Tunisian SMEs) would confirm this point of view.

ERP STRATEGIC ALIGNMENT IN ARAB SMEs

What is ERP Strategic Alignment?

Many definitions are suggested for the "strategic IS alignment" concept. Some researchers consider that alignment is a process of continuous changes that aim to ensure coherence between business strategy and IS strategy (Henderson & Venkatraman, 1993). However, the researchers who expected to study the antecedents of alignment defined the alignment as a state (Reich & Benbasat, 2000).

In our study, because we emphasize some factors which influence alignment (the skills), we decided to adopt the definition of Mezghani (2011), based on Reich and Benbasat (2000) and Cigref (2002) who defined the strategic ERP alignment as a state in which:

- The ERP implementation integrates business strategy (in terms of strategic choices);
- The business strategy considers the ERP characteristics (mainly the benefits and limitations).

This alignment is defined as a pattern of co-variation due to the specificities of ERP systems that are standard and adaptable at the same time.

Although ERP systems can be configured to fit the business processes and objectives, the possibilities of configuration can be limited (according to the ERP chosen). Thus, the company may be forced to adapt its processes and even some objectives to be able to use the ERP systems.

Process adaptation can also be a choice rather than an obligation. In fact, this adaptation allows firms to benefit from best practices integrated into the ERP systems.

Importance of ERP Strategic Alignment in SMEs

According to Kyobe (2008), "Lack of proper alignment of IT-strategy with business strategy remains a serious challenge for SMEs (Levy, Powell, & Yetton, 2003). It has been reported that opportunities to use IT in SMEs are usually not identified, prioritized or formally authorized and in many cases not implemented based on importance to business objectives. Furthermore, planning for IT is not a continuous process (Ciborra et al., 2000). IT decisions are never revised as the business needs evolve, outdated software and hardware are often used and IT resources are under-utilized to an extent that they cannot support business goals effectively. There is therefore a need to ensure alignment in these organizations." This need becomes more problematic when the considered ICT is an ERP system.

Indeed, ERP systems are considered by Teltumbde (2000) as strategic investments due to their high costs, long installation period, and their organizational impacts as they cover all business processes. In addition, the company cannot proceed without its ERP once installed because this involves the loss of money spent so far (Mourlon & Neyer, 2002).

These characteristics of ERP projects may justify the strategic aspect given to such projects. Moreover, several researchers argue that without the consideration of these projects at the strategic level by the top management, it would be difficult to successfully implement these systems (Bernier, Bareil, & Rondeau, 2003; Nandhakumar, Rossi, & Talvinen, 2005). This strategic consideration is manifested mainly by the emphasis on the strategic alignment of these systems (Grant, 2003).

In addition, Lee and Myers (2004) find that the long-term ERP projects can pose problems of coherence between the strategic and implementation of ERP. Indeed, these authors argue that the "strategic context" of a company may change during the implementation of an ERP system (by changes in the top management or strategic direction) which can affect it (change therefore needs redirection settings and specific developments). Thus, Lee and Myers (2004) propose to explore mechanisms to keep maximum alignment between the ERP and the context in which it operates (strategy, organization...) during the implantation.

ERP in Arab World

Despite many problems associated with the lack of appropriate infrastructure and investment in ICT, the Arab region is considered as "a rapidly developing region in terms of ICTs and characterized particularly by strong growth in the area of mobile telephony over the last five years" (ITU, 2012).

This can be noted in some countries of the Gulf Cooperation Council (United Arab Emirates, Bahrain, Qatar and Saudi Arabia) that rank in the top 50 of the global ICT Development Index (IDI), knowing that the IDI "captures the level of ICT developments in 152 economies worldwide by combining 11 indicators into one benchmark measure and compares progress over time" (ITU, 2012).

As one of the most important and useful ICT systems, ERP systems attracted many Arab firms thanks to their strategic and organizational benefits. In this vein, a study conducted by International Data Corporation (IDC) in 2002 illustrated that Arab firms invested 98.5 million dollars in ERP systems until 2001. Thirty-four point two percent (34.2%) of these investments were in Saudi Arabia. In addition, according to Mobashar Hossain, Bala and Bhagwatwar (2011), "more than seven hundred Saudi organizations have implemented ERP solutions and this number is expected to grow exponentially in the coming years."

Moreover, one can note the growing number of ERP developers that tend to offer solutions in Arabic due to the evolving weight of Arab firms and their high demands for such solutions: "With an average of two new customers selecting SAP business solution in the MENA region per week, and the mid-market sector accounting for more than 50 per cent of SAP's revenue, we are committed to supporting our customers in this field with tools that allow companies to leverage industry, best practices and the agility to respond quickly to market changes and today in Arabic as well." said Sergio Maccotta, managing director of SAP Middle East and North Africa (Furfie, 2010).

On the other hand, a study conducted by Barakat, Yaghi and Hamdan (2011) within MIS students in 13 Arabic countries reported that more than 63% of these students believe that ERP skills are strongly useful for IS specialists in Arab world.

The growing importance of ERP in the Arab world can also be noted when we look into the research studies conducted on ERP implementation and performance in the Arab context.

As an example, the study conducted by Al-Mashari (2003) treated a fundamental aspect of ERP implementation, which is the organizational alignment. This aspect still interests ERP specialists all over the world.

The results found by Al-Mashari (2003) and those found by Al-Mashari and Al-Mudimigh (2003) interested many researchers who studied ERP implementation. Other recent researches in the Arab world attempted to study the critical success factors in ERP implementation (Kamhawi, 2007, 2008; Mezghani & Mezghani, 2007; Rabaa'i & Gammack, 2008; Rabaa'i, 2009; Abdelghaffar, Hamdy & Azim, 2010; Hawari & Heeks, 2010; Mobashar, Hossain, Bala, & Bhagwatwar, 2011; Aarabi *et al.*, 2012). Most of these researches argued that failure of ERP implementation in Arab countries is linked to the lack of fit between business processes and ERP ones, which is called "organizational fit" or "organizational alignment."

As we reported above, the lack of alignment is a "*universal*" problem in ERP implementation. Its consideration at only the organizational level could be insufficient to solve it (Bernier, Bareil & Rondeau, 2003). That is why many researchers extended it to the strategic level through "strategic alignment" (Mezghani, 2011).

Strategic Alignment in Arab SMEs: Main Studies

Considering the importance of alignment for successful ICT projects, many researchers attempted to study strategic alignment in the Arab world (Azab, 2005; Al Ammary & Fung, 2008; Alawneh & Hattab, 2009; Jorfi, Nor, & Najjar, 2011; Mezghani, 2011).

When analyzing these researches, we reported some comments:

- Like the majority of studies conducted on ICT strategic alignment in the world, these researches concentrated on studying the effects of alignment on performance (except Azab, 2005 and Mezghani, 2011). Nevertheless, the companies, mainly small and medium sized ones, need "*best practices*" that can help them to reach strategic alignment. So, more studies focusing on enablers of alignment need to be conducted.
- Except Azab (2005) and Mezghani (2011), the rest of studies did not take into account the specificities of each ICT when studying alignment. This could influence the results if we know that all ICTs do not have the same characteristics; nor the same organizational impacts.
- The study of Azab (2005) is useful for our research because it presents some enablers of strategic alignment. Also, like Mezghani (2011), Azab (2005) insists on "*social*" enablers because these ones can be applied in different contexts and countries. However,

the results presented by Azab (2005) are linked to one case study, which seems insufficient to generalize and confirm them.

Actually, we choose to concentrate on Mezghani (2011) to present our framework. Then, in the next section, we will present our literature review based on the above research conducted in Tunisia. This would help us to make a comparison between Saudi and Tunisian contexts as two Arab countries and to have richer results and discussion.

SKILLS AS ENABLERS OF ALIGNMENT

According to the literature, it is possible to note that most enablers of ICT strategic alignment are defined from firms' Resources Based View (RBV). Indeed, according to Kearns and Lederer (2003), firms' resources are key factors for performance, mainly when used in the alignment process. Moreover, ICT performance as a resource is not ICT as such but how it is implemented and managed in combination with other firms' resources (Kearns & Lederer, 2003). Indeed, according to RBV, ICT are not "rare resources," so they cannot produce competitive advantages alone.

In this way, researchers that studied enablers of alignment concentrate on human resources as main factors influencing alignment because of their role in defining and adapting plans and strategies. More precisely, these researchers considered managers' skills as the principal antecedent of each alignment process (Reich & Benbasat, 2000; Hu & Huang, 2005; Kashanchi & Toland, 2008). Indeed, in their efforts to realize ICT strategic alignment, IS and business managers need a set of technical and managerial skills:

- IS managers need technical skills so they can manage the technical aspects of ICT projects in response to business managers' needs.
- IS managers need previous ICT implementation success; so business managers would be motivated to collaborate with them in alignment process (Reich & Benbasat, 2000; Hu & Huang, 2005; Kashanchi & Toland, 2008; Mezghani, 2011).
- IS managers need business knowledge; so they could communicate easily with business managers (Reich & Benbasat, 2000).
- Business managers need some required knowledge in ICT domain which could create an "absorptive capacity" that helps these managers to understand IS managers in alignment process (Kearns & Sabherwal, 2007).

Nevertheless, because alignment concerns mainly ICT plans and strategies, most researchers concentrated on IS managers' skills. In this regard, little attention has been given to business managers' skills although these managers are considered as key players in ICT projects.

This could be relevant mainly to ERP projects which are considered as organizational projects that affect many business aspects of the firms.

RESEARCH STUDY: EFFECTS OF BUSINESS MANAGERS' SKILLS ON ERP STRATEGIC ALIGNMENT IN SAUDI SMEs

Literature Review

When analyzing literature treating the antecedents of ICT strategic alignment, we can note that most researchers concentrated on IS managers' skills. Indeed, it is recognized that ICT management is the task of IS managers, and thus aligning ICT is the responsibility of these managers. Nevertheless, it is considered that business managers play an important role in helping IS managers achieve alignment. This role is explained by Mezghani (2011) through the analysis of two theories:

- The "alignment duality" (Reich & Benbasat, 2000): according to these researchers, two dual dimensions of alignment can be distinguished. The first is the "intellectual dimension" which focuses on coherence between the business plans and the IS ones. The second is "the social dimension" which is related to the interactions between the business managers and the IS managers. These interactions are considered as the most important enabler of alignment (Reich & Benbasat, 2000; Kearns & Lederer, 2003; Chan & Reich, 2007; Kashanchi & Toland, 2008; Chao & Chandra, 2012).
- The "Knowledge Based View" (KBV): Based on this theory, Kearns and Sabherwal (2007) state that alignment is achieved through interactions between business managers and IS managers. However, to stimulate these interactions, business managers must have ICT skills (in terms of knowledge and experience). Indeed, the shared skills between business managers and IS managers help them share the specific knowledge; so, better alignment is achieved (Reich & Benbasat, 2000; Kearns & Lederer, 2003; Kearns & Sabherwal, 2007).

Thus, through interaction with IS managers, business managers are helpful in the alignment process. According to Mezghani (2011), their role becomes more important when we talk about ERP strategic alignment because this alignment is defined as a pattern of co-variation due to the specificities of ERP systems. Indeed, these systems can impose some changes on business (Davenport, 1998). The importance of interactions for alignment is noted for both large organizations and SMEs (Gutierrez, Orozco, & Serrano, 2009).

As noted by theories above, to stimulate interactions, business managers must have ICT skills. These skills refer to some knowledge and previous experiences that business managers may have in ICT domain. Indeed, unlike IS managers who need heavy skills regarding the technical aspect of ICT, business managers could be useful even with little experience in ICT domain, like previous participation in ICT projects (Kearns & Sabherwal, 2007).

Here, some questions may be formulated: is it easy to find business managers with large ICT skills? If not, does this mean that business managers in this case could not be helpful in strategic alignment?

To answer these questions, Mezghani (2011) tried to study the possible effects of the "specific" skills of business managers on strategic alignment. Based on skills classification proposed by Katz (1974), he identified two specific skills of business managers:

- Interpersonal skills: the ability of a manager to work with a team, to understand, guide and motivate others. According to Yukl (1998), these skills include knowledge of human behavior, the ability to understand the attitudes and motivations of others, and the ability to communicate clearly and persuasively.
- Conceptual skills: the ability of a manager to see the organization as a whole. These are the most important skills for a business manager. Indeed, very often, he faces complex and sometimes interrelated organizational problems. So, he needs to understand the various interrelationships in order to solve these problems properly, which requires a higher level of conceptual skills.

  Finding the links between these skills and interactions was possible through analyzing researches of Ajzen (2002) and Mezghani (2011):
- Link between "interpersonal skills" and "interactions": we can note that these two concepts are associated with the same "so-

cial dimension." Here, according to the theory of planned behavior, Ajzen (2002) states that when a manager is "accustomed" to doing something, he will do it later. So, if the manager is used to interacting with other managers, he will do this with IS manager.

- Link between "conceptual skills" and "interactions": Mezghani (2011) stated that IS managers need to interact continuously with business managers to know all organizational needs so they could align ERP systems. This supposes that business managers have the ability to recognize all organizational aspects that must be considered in ERP alignment. Thus, conceptual skills appear as an important antecedent.

Based on this literature review, we have restricted our research to three business managers' skills required for strategic alignment: ICT skills, interpersonal skills and conceptual skills. So, it is possible to present the research model as in Figure 1.

This model integrates the specific skills of business managers, besides their ICT skills, as antecedents of ERP strategic alignment. These skills facilitate interaction with IS managers and could influence directly business strategy alignment, seeing that developing and adapting business strategy belong to business managers tasks.

Mezghani (2011) tested this model in the context of Tunisian SMEs. The results of these tests are presented below. The authors will test the same model in a Saudi context to have richer results regarding Arab SMEs.

Main Results of the Study Conducted in Tunisia

After making interviews with IS managers into five Tunisian SMEs (exploratory study), Mezghani (2011) built a questionnaire basing on measures from previous researches and sent it to 125 Tunisian SMEs that adopted different brands of ERP (Navision, MFG Pro, Adonix). These brands are considered suitable for SMEs context.

The data collected were analyzed using maximum likelihood (ML) method with AMOS software. The main result was that the direct link between skills and alignment did not appear as significant (according to critical ratio value).

Thus, Mezghani (2011) stated that business managers' skills do not influence directly strategic alignment. This result confirms many theoretical ideas which insist on the importance of interaction as a mediation between skills and alignment (Reich & Benbasat, 2000; Kearns & Sabherwal, 2007). In other words, skills are not sufficient if they are not used in an "innovative way," through interaction for example, to improve alignment. However, business managers could not interact effectively with IS managers if they do not have a set of skills (Mezghani, 2011).

Based on the literature, business managers and IS managers need "shared skills" to interact. In this way, Kearns and Sabherwal (2007) affirm that business managers need IS skills to participate in an IS project and then to contribute to alignment. This idea was verified by Mezghani (2011). Indeed, this author noted that IS skills influence positively the involvement of business managers in ERP project. This involvement contributes to the ERP alignment. In other words, this involvement could help business managers to clearly express their needs; so IS managers could align the ERP system.

According to Mezghani (2011), we note that the IS skills of business managers influence positively the communication between IS managers and business managers. This link can be explained with reference to Reich and Benbasat (2000) who state that when business managers have IS skills, IS managers tend to communicate with these managers because they know they would be understood.

*Firm 1, Computer sector, IS manager "Our boss has **long experience** in computer sector and in developing software. That is why I tell him about all steps and all aspects of ERP project… because I am sure he **can be very helpful** in such project" according to interviews conducted with IS managers, Mezghani (2011) noted that ERP alignment is well achieved in the firm 1. This was explained mainly regarding the IS skills of the business manager. Indeed, the business manager knows previously the specificities and the challenges of ERP systems (he is a computer specialist), by the way he participated in ERP project planning, he helped other managers to express well their needs, he supports this project continuously…*

Another important result noted by Mezghani (2011) is the strong link between the specific skills (interpersonal and conceptual) of business managers and interactions in the context of IS project. This link was not supported in previous IS researches which insisted on IS skills as determinant of interactions (and accordingly of alignment).

Besides, Mezghani (2011) states that interpersonal skills influence positively all types of interactions and therefore both directions of strategic alignment. This result can be explained with reference to Strang (2007) who states that the execution of a role requires specific skills for this role. So, playing an interpersonal role (like communication) would require interpersonal skills.

*Firm 2, Chemicals sector, IS manager "IS knowledge of CEO is very limited…but he is **very curious** about ERP implementation… he is habituated to **support managers** in all organizational projects… he **encourages them to take initiatives**… and he **did it well** in the ERP project."*

Also, we note the positive link between conceptual skills and support. This result can be explained by the nature of ERP projects that implies ambiguous organizational changes. So, by having conceptual skills, business managers would have, according to Yukl (1998), the ability to perceive this ambiguity. This would allow them to support IS managers during an ERP project to overcome the difficulties related to this project.

To sum up, we can state that specific skills (mainly interpersonal ones) of business managers are as important as IS skills during an ERP implementation. This result highlights the importance of the interpersonal (social) aspect, compared to the technical one, in an ERP project for improving alignment, and thus for a successful ERP implementation.

Survey Research in Saudi Arabia

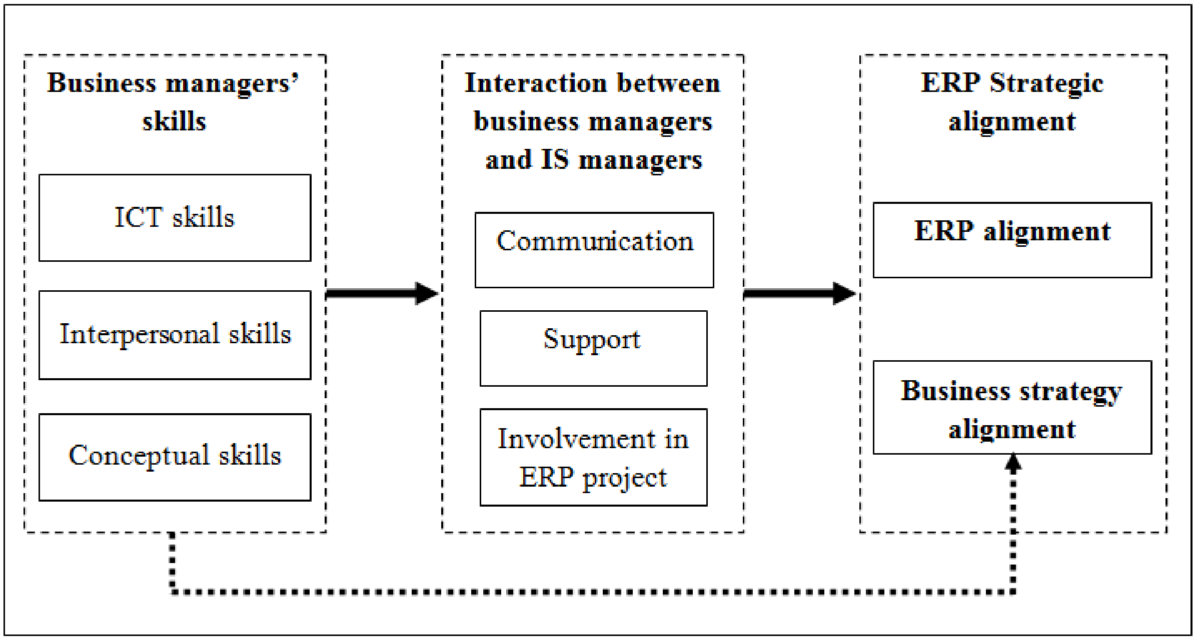
To have a clearer idea about the effects of business managers' skills on ERP strategic alignment in Arab SMEs, the authors reproduced the research model developed by Mezghani (2011) and tested it in the Saudi context. This is considered interesting because it would let us compare two Arab contexts and make the results more rich and significant.

To do this, the authors conducted a research survey among a sample of Saudi SMEs that implemented or are implementing ERP systems. The five-page survey instrument contains questions pertaining to business managers' skills, their participation to the ERP project implementation, and the dimensions of ERP strategic alignment (ERP alignment and Business strategy alignment). Thus, the authors sent the questionnaire to 129 SMEs using, mainly, email.

The surveyed population is IS managers. Indeed, these managers are considered as key informants when the survey is about IS, even if it is also related to business managers' skills (Kearns and Sabherwal, 2007). Besides, surveying directly these managers would cause egocentric bias (Mezghani, 2011).

After two months, 31 useful questionnaires were collected (24% was the response rate). Due to the limited size of the sample, the authors decided to use the Xlstat[1] software for data analysis. This

Figure 1. The research model (Source: Mezghani, 2011)



Source: Mezghani (2011)

Table 1. Results of factor analysis

Before FA	After FA	Variables codification
Interpersonal skills	Skills to "share the vision"	Intervis
	Skills to "motivate"	Intermotiv
Conceptual skills	Conceptual skills	ConceSK
ICT skills	ICT knowledge	ICTkw
	ICT experience	ICTexp
Communication	Communication "from business managers to IS managers"	BtoIScomm
	Communication "from IS managers to business managers"	IStoBcomm
Support	Support	Support
Involvement in ERP project	Involvement in ERP project	Involv
ERP alignment	ERP alignment	ERPalign
Business strategy alignment	*This variable was eliminated*	-

software is suitable for small samples, mainly when using the structural equation modeling (SEM) because it integrates a PLS (Partial Least Squares) module (the suitable SEM method for small samples).

Before testing the links between variables (Path analysis), the authors proceeded to a factor analysis (FA) to purify the variables measures and to verify the factor structure of the research model presented in Figure 1. The results of FA are summarized below (Table 1).

When conducting FA with Xlstat, we obtained a new factor structure of variables used in the research model. In other words, we found that some variables are multidimensional (Interpersonal skills, ICT skills and communication). The same results were found by Mezghani (2011), so the factors obtained were named in reference to this researcher. Another important result found here is the deletion of the variable "Business strategy alignment" when analyzing the correlation matrix. Indeed, we found that the measures of this variable are not valid. So, it would be better to delete it. This result is different from that found by Mezghani (2011) although the authors used the same measures. Explanations for these differences will be given when discussing all the results.

After conducting FA, we present the research model with its new factor structure (Figure 2). Only structural links are presented in this figure.

As we can see, the variables are named according to the codification presented in Table 1.

The model above was tested by using PLS method which is a SEM method suitable for small samples. The authors chose to proceed with SEM because this modeling is recommended when having mediating variables.

A first set of analysis showed that the variable "Intermotiv" (Skills to motivate) is not linked significantly with other variables. When deleting this variable, we found better results in terms of reliability (Dillon-Goldstein (D-G) rho > 0,7) and validity (average variance extracted (AVE) > 0,5) of each kept variable (Table 2).

The results of tests conducted using PLS method showed also a good quality of model fit through a satisfactory value of Goodness-of-Fit (GoF) index (0.672). Thus, it is possible to interpret the results of the fitted model (tested model that presents good fit) shown in Figure 3.

Only the significant links are presented in Figure 3. The main results of this fitted model are presented as follows:

Figure 2. The research model (structural links)

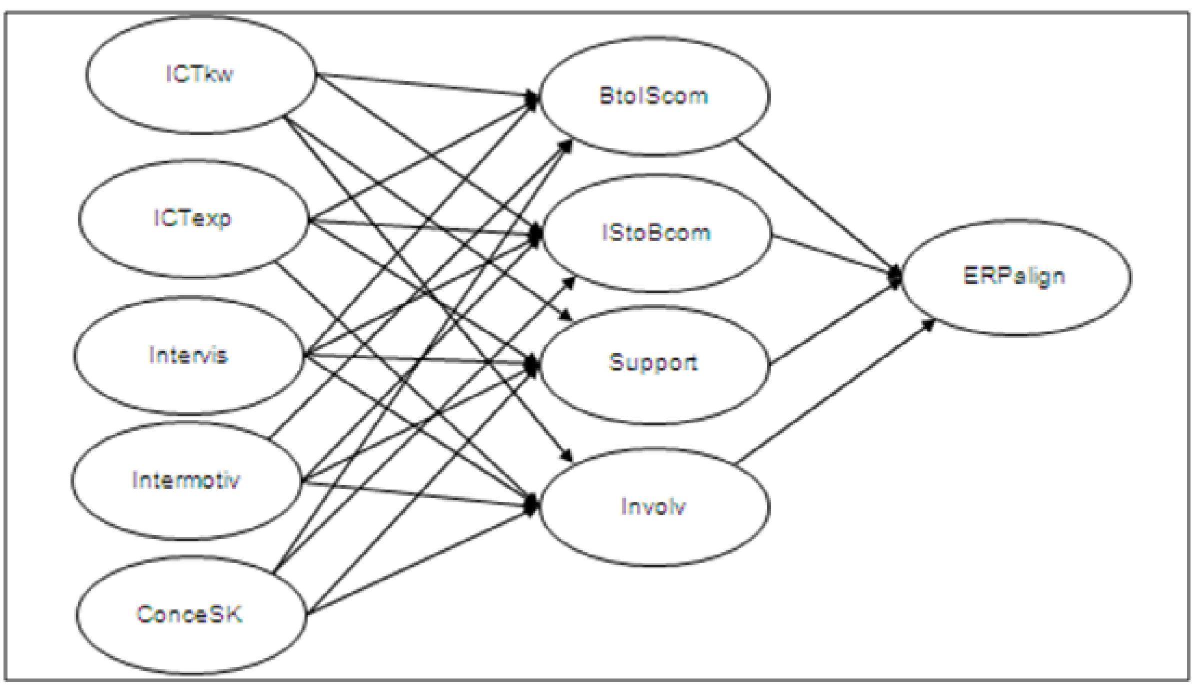
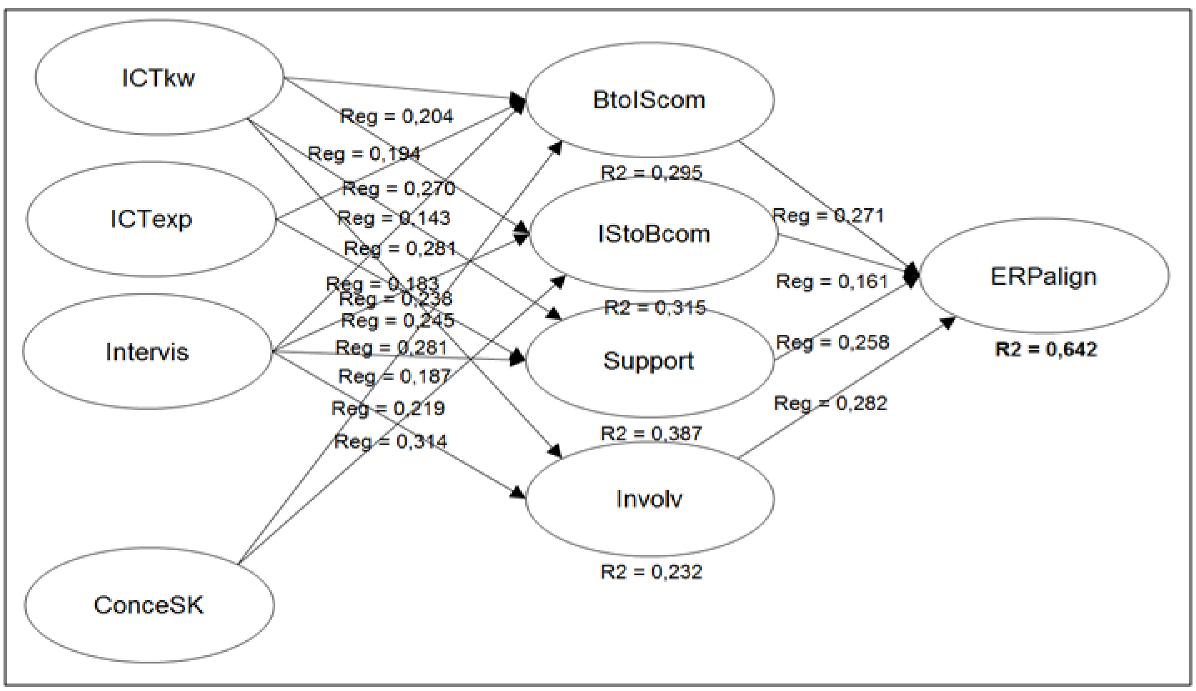


Table 2. Results of reliability and validity tests

Variables	D-G rho	AVE
ICTexp	0,931	0,772
Intervis	0,859	0,587
ConceSK	0,914	0,567
ICTkw	0,879	0,588
BtoIScom	0,819	0,680
IStoBcom	0,865	0,617
Support	0,825	0,612
Involv	0,909	0,716
ERPalign	0,893	0,580

Figure 3. The fitted model (final model)



- The R^2 of "ERPalign" is high (0.642). This result shows that ERP alignment is highly influenced by the different forms of interaction between business managers and IS managers (communication, support and involvement). Thus, the social dimension is very important enabler of alignment.
- The mediating variables (related to interaction) are strongly influenced by different business managers' skills. As we can see in figure 3, "Intervis" and "ICTkw" (related respectively to interpersonal and ICT skills) are the variables that most influence interaction.

- No direct link can be found between business managers' skills and alignment.

All these results will be discussed in the section below.

DISCUSSION AND IMPLICATIONS

Here, we discuss the results obtained in the survey research conducted in Saudi Arabia by comparing them to those obtained in the Tunisian context and to the literature review.

The first result that needs to be discussed is the deletion of the variable "business strategy alignment" due to the absence of significant correlations between its measures. This result differs from what is obtained by Mezghani (2011) who found that these measures are valid.

This difference can have two different reasons:

- Technical reason: when making statistical analysis, Mezghani (2011) used maximum likelihood (ML) method with AMOS software which is different "technically" from PLS method. Although these two methods are both related to SEM, they can sometimes provide different results. Moreover, ML is considered suitable for confirming the cases where PLS is mainly a predictive method.
- Managerial reason: considering "business strategy alignment" as a non-reliable construct in this research means that the business managers in the firms surveyed do not align or accept to align business strategy. So, they do not accept to modify their strategic choices to fit into the best practices of ERP systems. In other words, they consider that the ERP adaptation is the only way to reach strategic alignment. Therefore, it is possible that the business managers in Saudi SMEs are so tied to their strategic choices that they refuse to adapt them for fear of losing strategic advantages. In this way, Davenport (1998) states that adopting the best practices of ERP systems could dissolve the strategic advantages of the firms. The latter have to assess the impacts of ERP implementation to predict the "necessities" and the "possibilities" of alignment.

For the ERP alignment, we noted that this alignment is highly enabled by interaction between business managers and IS managers. As Reich and Benbasat (2000) noted, the social dimension is the most important factor to facilitate alignment, regardless of the tools used to do it. So, in their efforts to align ERP systems, IS managers have to communicate with business managers to understand their business requirements, need to be supported by them to succeed in such work and need the business managers' involvement to facilitate alignment.

All these mediating factors are influenced by business managers' skills, although many measures of these skills were eliminated. Indeed, statistical analysis caused the deletion of many measures of interpersonal skills. Only those related to the factor "Skills to share the vision" are considered useful.

This confirms the results found by Mezghani (2011) in the Tunisian context. So, business managers need a set of skills to be able to interact effectively with IS managers. In this way, a number of researchers, such as Kearns and Sabherwal (2007) state that, in their efforts to help realize alignment, business managers need mainly ICT skills. However, according to the results of statistical analysis, we found that business managers can be useful in ERP strategic alignment thanks to their specific skills (interpersonal and conceptual).

The results obtained in the Tunisian and Saudi contexts confirm that the "specific" skills of business managers (interpersonal and conceptual) are very useful in the alignment process. Moreover, the analysis of indirect links between skills and

ERP alignment shows a high link between interpersonal skills and such alignment. These skills are considered as one of the most important skills that help business managers to interact with IS managers. Indeed, when having these skills, business managers are considered to be able to communicate clearly, to convince others easily, and to coordinate the efforts of others.

To apprehend closely this idea, we returned to a Saudi case judged as "highly aligned" regarding ERP project and in which business manager have many interpersonal and conceptual skills (according to the questionnaire responses). Then, we made a short interview with IS manager. His discourse was very clear and significant:

Business manager is **highly involved in the ERP implementation**. *In fact, in addition in the initial stage of decision making and the choice of the ERP, he is* **involved in the continuous follow up of the implementation**, *in the Beta environment testing, the difficulties faced, the results and then in the go live for each module. The deadlines fixed in the planning period are also under* **continuous review** *with him…for the case of our company,* **a full department in charge of the ERP implementation (since the need happened till full implementation) has been created**.

One can note the high involvement of this manager in ERP project although he is not an IS specialist. According to the interview results, business manager is considered in this case as a cooperative and visionary manager that knows what and how to prioritize. These skills may be the source of this involvement in such project.

Nevertheless, while researches in the subject of strategic alignment antecedents, including those made in Arab contexts, consider the social dimension as the main enabler of alignment, most researchers continue to emphasize on IS skills when talking about business managers' skills as antecedents of alignment (Kearns and Sabherwal, 2007; Chao and Chandra, 2012). For these authors, business managers "must" have IS skills to create an "absorptive capacity" when talking with IS managers in their efforts to reach alignment.

When studying alignment in some Arab SMEs, we found that interpersonal (social) skills of business managers are more useful than IS skills in improving the social dimension of alignment (interactions). Maybe this result is caused by lack of IS skills within business managers in Arab world. IS managers interviewed by Mezghani (2011) in the exploratory phase of his research mentioned this idea. In this case, business managers would compensate this lack by a high degree of social skills that are found useful in enabling the social dimension of alignment.

Elsewhere, all these "social" aspects are as important as the "technical" aspects that facilitate interaction between business managers and IS managers to achieve strategic alignment

In conclusion, business managers' skills are very useful in proceeding to alignment implementation, even if we talk about ERP alignment which is the task of IS specialists. However, these skills cannot affect alignment directly in the absence of interaction that could play a very important mediator role.

CONCLUSION

This chapter attempted to examine ERP strategic alignment notion in SMEs context, especially in Arab one.

Whereas business managers are key managers in SMEs, the authors chose to focus on studying business managers' skills as enablers of ERP strategic alignment, by extending a research conducted by Mezghani (2011) in Tunisia to the Saudi context. This choice was aimed to have a clearer idea about Arab SMEs in term of ERP strategic alignment and the role of business managers in achieving such alignment.

After presenting multiple aspects about ERP projects and strategic alignment in the Arab context, the authors conducted a survey research within Saudi SMEs to study the effects of business managers' skills on strategic alignment among these SMEs.

When comparing the results to those obtained by Mezghani (2011) in Tunisia and to the literature, we can note three main ideas:

- While business managers in the study conducted by Mezghani (2011) accept to review their strategic choices if necessary, in Saudi SMEs surveyed, business is not aligned to fit ERP. This difference exists also in the literature and may be explained by the fear to dissolve some strategic advantages in case of business alignment, especially in SMEs.
- As noted in many studies, interaction between business managers and IS managers is the key factor that facilitates ICT strategic alignment. This "*social*" dimension helps business managers to better explain their needs and to support IS managers so that alignment can be achieved.
- Through a set of skills, business managers can be very helpful in achieving alignment. However, unlike several studies that insist on the importance of ICT skills to enable interaction, the results obtained within the Tunisian and Saudi SMEs show strong links between the specific skills (mainly interpersonal) of business managers and interactions. Thus, the interpersonal skills seem to be more important than the others in improving ERP strategic alignment among Arab SMEs.

Through these results, we can affirm the importance of specific skills of business managers even in an ICT project. Probably, the Arab context, where the socio-cultural aspects are very determinant in interpersonal relations, gives us a new lesson: "Business managers! You can participate in the ICT strategic alignment, and you can do it thanks to your specific skills."

As recommendations, we can advance the following: we invite SMEs business managers:

1. To participate at preference to training sessions dedicated to acquire more ICT skills;
2. To increase their participation in the ERP projects by organizing regular meetings with ICT managers and other employees (users…) in order to identify needs, follow up all steps of ERP projects and make evaluations;
3. To communicate efficiently with other members in order to articulate and mobilize (especially) their (specific) skills with a holistic reasoning;
4. And to be involved in ERP projects in order to clearly evaluate needs and priorities in these projects.

Finally, there appears to be an increasing use of ERP systems by SMEs in Arab context. During their implementation, business managers (founders, owner-managers) may be in a position to draw benefit from their '*specific'* skills to achieve the ERP systems alignment. In order to be agile and adapt to their dynamic environment, SMEs should be in a position to take advantage of these systems to make use of information and extract the necessary knowledge needed for choosing new strategic orientations and making decisions. These strategic orientations should be aligned/fit with their technology orientation (IT/IS for example) in order to be entrepreneurial in the sense of seizing new opportunities, creating new strategic advantages and gaining flexibility (Aloulou & Fayolle, 2005).

REFERENCES

Aarabi, M., Saman, M. Z. M., Wong, K. Y., Azadnia, A. H., & Zakuan, N. (2012). A comparative study on critical success factors (CSFs) of ERP systems implementation among SMEs and large firms in developing countries. *International Journal of Advancements in Computing Technology*, *4*(9), 226–239. doi:10.4156/ijact.vol4.issue9.27

Abdelghaffar, H., Hamdy, R., & Azim, A. (2010). Significant factors influencing ERP implementation in large organizations: Evidence from Egypt. In *Proceedings of the European, Mediterranean & Middle Eastern Conference on Information Systems (EMCIS)*. Retrieved November, 10, 2012, from http://www.iseing.org/emcis/EMCIS2010/Proceedings/Accepted%20Refereed%20Papers/C96.pdf

Ajzen, I. (2002). Residual effects of past on later behavior: Habituation and reasoned action perspectives. *Personality and Social Psychology Review*, *6*(2), 107–122. doi:10.1207/S15327957PSPR0602_02

Al-Ammary, J., & Fung, C. C. (2008). Knowledge management strategic alignment in the Gulf Cooperation Council countries. *Electronic Journal of Knowledge Management*, *6*(2).

Al-Mashari, M. (2003). A process change-oriented model for ERP application. *International Journal of Human-Computer Interaction*, *16*(1), 39–55. doi:10.1207/S15327590IJHC1601_4

Al-Mashari, M., & Al-Mudimigh, A. (2003). ERP implementation: Lessons from a case study. *Information Technology & People*, *16*(1), 21–33. doi:10.1108/09593840310463005

Alawneh, A., & Hattab, E. (2009). An empirical study of sources affecting e-business value creation in Jordanian banking services sector. *International Arab Journal of e-Technology, 1*(2), 1-8.

Aloulou, W., & Fayolle, A. (2005). A conceptual approach of entrepreneurial orientation within small business context. *Journal of Enterprising Culture*, *13*(01), 21–45. doi:10.1142/S0218495805000045

Azab, N. A. (2005). Investigating IT-business alignment in an Egyptian medium-sized enterprise. In *Proceedings of the European and Mediterranean Conference on Information Systems (EMCIS)*. Retrieved December, 12, 2012, from http://www.iseing.org/emcis/EMCIS2005/pdfs/12.pdf

Barakat, S., Yaghi, K., & Hamdan, Z. (2011). MIS students perception of most wanted MIS job market skills. *Computer and Information Science*, *4*(3), 33–42. doi:10.5539/cis.v4n3p33

Bernier, C., Bareil, C., & Rondeau, A. (2003). Transformer l'organisation par la mise en œuvre d'un ERP: Une appropriation à trois niveaux. *Revue Internationale de Gestion*, *27*(4), 24–33.

Chan, Y. E., Sabherwal, R., & Thatcher, J. B. (2006). Antecedents and outcomes of strategic IS alignment: An empirical investigation. *IEEE Transactions on Engineering Management*, *53*(1), 27–47. doi:10.1109/TEM.2005.861804

Chao, C. A., & Chandra, A. (2012). Impact of owner's knowledge of information technology (IT) on strategic alignment and IT adoption in US small firms. *Journal of Small Business and Enterprise Development*, *19*(1), 114–131. doi:10.1108/14626001211196433

Ciborra, C. Braa, K., Cordella, A., Dahlbom, B., Failla, A., Hanseth, O., … Simon, A. (2000). From control to drift: The dynamics of corporate information infrastructures. New York: Oxford University Press.

Cigref. (2002). Alignement stratégique du système d'information. *Report of Cigref (Club informatique des grandes entreprises françaises)*. Retrieved September, 08, 2011, from: http://www.cigref.fr/CIGREF02/FR/rapport.nsf/0/2ad571bd29244a83c1256c3e0042ea68/ $FILE/alignement2002-web.pdf/

Davenport, T. H. (1998). Putting the enterprise into the enterprise system. *Harvard Business Review*, *76*(4), 121–131. PMID:10181586

Furfie, B. (2010). *SAP to release Arabic ERP solution*. Retrieved October, 05, 2013, from http://www.itp.net/

Grant, G. G. (2003). Strategic alignment and enterprise systems implementation: The case of Metalco. *Journal of Information Technology*, *18*(3), 159–175. doi:10.1080/0268396032000122132

Gutierrez, A., Orozco, J., & Serrano, A. (2009). Factors affecting IT and business alignment: A comparative study in SMEs and large organisations. *Journal of Enterprise Information Management*, *22*(1/2), 197–211. doi:10.1108/17410390910932830

Hawari, A. A., & Heeks, R. (2010). Explaining ERP failure in a developing country: A Jordanian case study. *Journal of Enterprise Information Management*, *23*(2), 135–160. doi:10.1108/17410391011019741

Henderson, J. C., & Venkatraman, N. (1993). Strategic alignment: Leveraging information technology for transforming organizations. *IBM Systems Journal*, *32*(1), 4–16. doi:10.1147/sj.382.0472

Hu, Q., & Huang, C. D. (2005). Aligning IT with business strategies using the balanced scorecard system. In *Proceedings of the 38th Hawaii International Conference on System Sciences.*

Hussin, H., King, M., & Cragg, P. (2002). IT Alignment in small firms. *European Journal of Information Systems*, *11*(2), 108–127. doi:10.1057/palgrave/ejis/3000422

International Telecommunication Union (ITU). (2012). *Measuring the information society*. Geneva Switzerland. Retrieved February 10, 2013, from: http://www.itu.int/

Jorfi, S., Nor, K. M., & Najjar, L. (2011). Assessing the impact of IT connectivity and IT capability on IT-business strategic alignment: An empirical study. *Computer and Information Science*, *4*(3), 76–87. doi:10.5539/cis.v4n3p76

Kamhawi, E. M. (2007). Critical factors for implementation success of ERP systems: An empirical investigation from Bahrain. *International Journal of Enterprise Information Systems*, *3*(2), 34–49. doi:10.4018/jeis.2007040103

Kamhawi, E. M. (2008). Enterprise resource-planning systems adoption in Bahrain: Motives, benefits, and barriers. *Journal of Enterprise Information Management*, *21*(3), 310–334. doi:10.1108/17410390810866655

Kashanchi, R., & Toland, J. (2008). Investigating the social dimension of alignment: Focusing on communication and knowledge sharing. In *Proceedings of the19th Australasian Conference on Information Systems*, Christchurch, New-Zealand.

Katz, R. L. (1974). *Skills of an effective administrator*. Boston: Harvard Business School Press.

Kearns, G. S., & Lederer, A. L. (2003). A resource-based view of strategic IT alignment: How knowledge sharing creates competitive advantage. *Decision Sciences*, *34*(1), 1–29. doi:10.1111/1540-5915.02289

Kearns, G. S., & Sabherwal, R. (2007). Strategic alignment between business and information technology: A knowledge-based view of behaviors, outcome, and consequences. *Journal of Management Information Systems*, *23*(3), 129–162. doi:10.2753/MIS0742-1222230306

Kyobe, M. (2008). The influence of strategy-making types on IT alignment in SMEs. *Journal of Systems and Information Technology*, *10*(1), 22–38. doi:10.1108/13287260810876876

Lee, G. G., & Bai, R. J. (2003). Organizational mechanisms for successful IS/IT strategic planning in the digital era. *Management Decision*, *41*(1), 32–42. doi:10.1108/00251740310445536

Lee, J. C., & Myers, M. D. (2004). Dominant actors, political agendas, and strategic shifts over time: A critical ethnography of an enterprise systems implementation. *The Journal of Strategic Information Systems*, *13*(4), 355–374. doi:10.1016/j.jsis.2004.11.005

Levy, M., Powell, P., & Yetton, P. (2003). IS alignment in small firms: New paths through the maze. In *Proceedings of European Conference on Information Systems (ECIS)*, Naples, Italy. Retrieved September 25, 2010, from http://is2.lse.ac.uk/asp/aspecis/20030124.pdf

Luftman, J. (2000). Assessing business-IT alignment maturity. *Communications of the Association for Information Systems*, *4*(14), 1–51.

Martin, N., Gregor, S., & Hart, D. (2005). The social dimension of business and IS/IT alignment: Case studies of six public-sector organizations. *Australian Accounting Review*, *15*(3), 28–38.

Mezghani, K. (2011). Effects of business managers' skills on strategic ERP alignment. In *Proceedings of the 11th Tunisia-Japan Symposium on Society, Science and Technology*, Hammamet, Tunisia.

Mezghani, K., & Mezghani, L. (2007). Alignement des processus ERP et des processus organisationnels: Le cas du processus commercial d'une entreprise. *eJournal of Digital Entreprise*, No. 19.

Mobashar Hossain, M., Bala, H., & Bhagwatwar, A. B. (2011). Untold stories of ERP systems implementation: Role of ownership and governance, scope management, and employee empowerment. In *Proceedings of the ACIS.* Retrieved December, 25, 2012, from: http://aisel.aisnet.org/acis2011/12

Mourlon, S., & Neyer, L. (2002). Tout ce que nous avons voulu savoir sur les ERP: Qu'attendre des progiciels de gestion intégrés? *Revue Française de Gestion Industrielle*, *21*(4), 119–155.

Nandhakumar, J., Rossi, M., & Talvinen, J. (2005). The dynamics of contextual forces of ERP implementation. *The Journal of Strategic Information Systems*, *14*(2), 221–242. doi:10.1016/j.jsis.2005.04.002

Panorama Consulting. (2013). *2013 ERP report*. Retrieved October, 05, 2013, from http://Panorama-Consulting.com/resource-center/2013-erp-report/

Rabaa'i, A. A. (2009). The impact of organisational culture on ERP systems implementation: Lessons from Jordan. In *Proceedings of the Pacific Asia Conference on Information Systems*. Retrieved October, 10, 2010, from http://eprints.qut.edu.au/29838/1/THE_IMPACT_OF_ORGANISATIONAL_CULTURE_ON_ERP_SYSTEMS_IMPLEMENTATION.pdf

Rabaa'i, A. A., & Gammack, J. (2008). A hiccup or a rift? ERP implementation success in Jordan. In *Proceedings of the Cultural Attitudes towards Technology and Communication (CATaC '08)*, Nîmes, France. Retrieved January, 08, 2010, from: http://eprints.qut.edu.au/29932/1/29932.pdf

Reich, B. H., & Benbasat, I. (2000). Factors that influence the social dimension of alignment between business and Information Technology Objectives. *Management Information Systems Quarterly*, *24*(1), 81–113. doi:10.2307/3250980

Reix, R. (2005). *Systèmes d'informations et management des organizations* (5th ed.). Paris: Vuibert.

Strang, K. D. (2007). Examining effective technology project leadership traits and behaviors. *Computers in Human Behavior*, *23*(1), 424–462. doi:10.1016/j.chb.2004.10.041

Teltumbde, A. (2000). A framework for evaluating ERP projects. *International Journal of Production Research*, *38*(17), 4507–4520. doi:10.1080/00207540050205262

Yaseen, S. G. (2009). Critical factors affecting enterprise resource planning implementation: An explanatory case study. *International Journal of Computer Science and Network Security*, *9*(4), 359–363.

Yayla, A. A. (2008). *Antecedents of IT-business strategic alignment and the moderating roles of goal commitment and environmental uncertainty* (Doctoral dissertation). Retrieved from ProQuest Dissertations and Theses.

Yukl, G. A. (1998). *Leadership in organizations* (4th ed.). New York: Prentice-Hall.

KEY TERMS AND DEFINITIONS

Business Managers: Executives who manage all business aspects of the firm.

Conceptual Skills: The ability of a manager to see the organization as a whole.

Enterprise Resources Planning (ERP): A software package that is composed of standard modules connected directly to a single database and could cover all business processes of a firm.

ICT Skills: knowledge and previous experiences in ICT domain.

ICT Strategic Alignment: coherence between business strategy and ICT strategy in a firm.

Interpersonal Skills: the ability of a manager to work with a team, to understand, guide and motivate others.

IS Managers: Executives who are in charge of implementing and managing ICT in the firm.

Partial Least Squares (PLS): a structural equation modeling technique, suitable for small sized samples, based on maximizing the variance of dependent variables.

ENDNOTES

[1] Available from http://www.xlstat.com/en/

Compilation of References

Aarabi, M., Saman, M. Z. M., Wong, K. Y., Azadnia, A. H., & Zakuan, N. (2012). A comparative study on critical success factors (CSFs) of ERP systems implementation among SMEs and large firms in developing countries. *International Journal of Advancements in Computing Technology*, *4*(9), 226–239. doi:10.4156/ijact.vol4.issue9.27

Abdelghaffar, H., Hamdy, R., & Azim, A. (2010). Significant factors influencing ERP implementation in large organizations: Evidence from Egypt. In *Proceedings of the European, Mediterranean & Middle Eastern Conference on Information Systems (EMCIS)*. Retrieved November, 10, 2012, from http://www.iseing.org/emcis/EMCIS2010/Proceedings/Accepted%20Refereed%20Papers/C96.pdf

Abell, D. F. (1980). *Defining the business: The starting point of strategic planning*. Englewood Cliffs, NJ: Prentice-Hall.

Ackoff, R. (1973). Planning in the systems age. *Sankhya: The Indian Journal of Statistics, Series B*, *35*(2), 149–164.

Acs, Z., & Audretsch, D. (1990). *Innovation and small firms*. Cambridge, MA: The MIT Press.

Adizes, I. (1979). Organizational passages: Diagnosing and treating life cycle problems in organizations. *Organizational Dynamics*, *8*, 3–24. doi:10.1016/0090-2616(79)90001-9

Adler, P. (2001). Market, hierarchy, and trust: The knowledge economy and the future of capitalism. *Organization Science*, *12*(2), 215–234. doi:10.1287/orsc.12.2.215.10117

Adler, P. S., & Kwon, S.-W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, *27*(1), 17–40.

Adler, P. S., & Obstfeld, D. (2007). The role of affect in creative projects and exploratory search. *Industrial and Corporate Change*, *16*(1), 19–50. doi:10.1093/icc/dtl032

Afuah, A. (1998). *Innovation management: Strategies, implementation and profits*. New York: Oxford University Press.

Aharoni, Y. (1966). *The foreign investment decision process*. Boston: Graduate School of Business Administration, Harvard University.

Ahokangas, P. (1998). 5 International orientation and external resource dependence of Nordic engineering firms. *The Internationalization of SMEs*, 81.

Ahsen, A., Heesen, M., & Kuchenbach, A. (2010). Grundlagen der Bewertung von Innovationen im Mittelstand. In A. von Ahsen (Ed.), *Bewertung von Innovationen im Mittelstand* (pp. 1–38). Heidelberg, Germany: Springer. doi:10.1007/978-3-642-01700-1_1

Ahuja, G., & Lampert, C. M. (2001). Entrepreneurship in the large corporation: A longitudinal study of how established firms create breakthrough inventions. *Strategic Management Journal*, *22*(6-7), 521–543. doi:10.1002/smj.176

Ajzen, I. (2002). Residual effects of past on later behavior: Habituation and reasoned action perspectives. *Personality and Social Psychology Review*, *6*(2), 107–122. doi:10.1207/S15327957PSPR0602_02

Akan, O., Allen, R. S., Helms, M. M., & Spralls, S. A. (2006). Critical tactics for implementing Porter's generic strategies. *The Journal of Business Strategy*, *27*(1), 43–53. doi:10.1108/02756660610640173

Al-Ammary, J., & Fung, C. C. (2008). Knowledge management strategic alignment in the Gulf Cooperation Council countries. *Electronic Journal of Knowledge Management*, *6*(2).

Alawneh, A., & Hattab, E. (2009). An empirical study of sources affecting e-business value creation in Jordanian banking services sector. *International Arab Journal of e-Technology, 1*(2), 1-8.

Albright, K. S. (2004). Environmental scanning: Radar for success. *Information Management Journal*, *38*(3), 38–45.

Allen, W. D. (2000). Social networks and self-employment. *Journal of Socio-Economics*, *29*(5), 487–501. doi:10.1016/S1053-5357(00)00086-X

Allio, D. J., & Allio, R. J. (2002). Coors Light in Puerto Rico: Battling for local dominance in a global market. *Strategy and Leadership*, *30*(6), 13–17. doi:10.1108/10878570210451579

Almani, A., & Esfaghansary, M. (2011). Strategic planning: A tool for managing organizations in competitive environments. *Australian Journal of Basic & Applied Sciences*, *5*(9), 139–149.

Al-Mashari, M. (2003). A process change-oriented model for ERP application. *International Journal of Human-Computer Interaction*, *16*(1), 39–55. doi:10.1207/S15327590IJHC1601_4

Al-Mashari, M., & Al-Mudimigh, A. (2003). ERP implementation: Lessons from a case study. *Information Technology & People*, *16*(1), 21–33. doi:10.1108/09593840310463005

Aloulou, W., & Fayolle, A. (2005). A conceptual approach of entrepreneurial orientation within small business context. *Journal of Enterprising Culture*, *13*(01), 21–45. doi:10.1142/S0218495805000045

Amat, J., Carmona, S., & Roberts, H. (1994). Context and change in management accounting systems: A Spanish case study. *Management Accounting Research*, *5*, 107–122. doi:10.1006/mare.1994.1008

Ambastha, A., & Momaya, K. (2004). Competitiveness of firms: Review of theory, frameworks and models. *Singapore Management Review*, *3*(5), 45–61.

Amit, R., MacCrimmon, K. R., Zietsma, C., & Oesch, J. M. (2001). Does money matter? Wealth attainment as the motive for initiating growth-oriented ventures. *Journal of Business Venturing*, *16*(2), 119–143. doi:10.1016/S0883-9026(99)00044-0

Amsden, A. H., & Hikino, T. (1994). Project execution capabilities, organizational know-how and conglomerate corporate growth in late industrialization. *Industrial and Corporate Change*, *3*(1), 111–147. doi:10.1093/icc/3.1.111

Analoui, F., & Karami, A. (2003). *Strategic management in small and medium enterprises*. London: Thomson Learning.

Andersen, O. (1993). On the internationalisation process of firms: A critical analysis. *Journal of International Business Studies*, *24*(2), 1–26. doi:10.1057/palgrave.jibs.8490230

Andersen, O. (1997). Internationalization and market entry mode: A review of theories and conceptual frameworks. *Management International Review*, *37*(2), 27–42.

Andersen, O., & Buvik, A. (2002). Firms' internationalization and alternative approaches to the international customer/market selection. *International Business Review*, *11*(3), 347–363. doi:10.1016/S0969-5931(01)00064-6

Andersen, T. J. (2004). Integrating decentralized strategy making and strategic planning processes in dynamic environments. *Journal of Management Studies*, *41*(8), 1271–1299. doi:10.1111/j.1467-6486.2004.00475.x

Anderson, A. R., & Jack, S. L. (2002). The articulation of social capital in entrepreneurial networks: A glue or a lubricant? *Entrepreneurship & Regional Development*, *14*(3), 193–210. doi:10.1080/08985620110112079

Anderson, A. R., Jack, S. L., & Dodd, S. D. (2005). The role of family members in entrepreneurial networks: Beyond the boundaries of the family firm. *Family Business Review*, *18*(2), 135–154. doi:10.1111/j.1741-6248.2005.00037.x

Anderson, A. R., & Miller, C. J. (2003). Class matters: Human and social capital in the entrepreneurial process. *Journal of Socio-Economics*, *32*(1), 17–36. doi:10.1016/S1053-5357(03)00009-X

Anderson, A., Park, J., & Jack, S. (2007). Entrepreneurial social capital: Conceptualizing social capital in new high-tech firms. *International Small Business Journal*, *25*(3), 245–272. doi:10.1177/0266242607076526

Anderson, D., & Ackerman, L. (2001). *Beyond change management: Advanced strategies for today's' transformational leaders*. San Francisco, CA: Jossey-Bass/Pfeiffer.

Anderson, R. B., Dana, L. P., & Dana, T. E. (2006). Indigenous land rights, entrepreneurship, and economic development in Canada: Opting-in to the global economy. *Journal of World Business*, *41*(1), 45–55. doi:10.1016/j.jwb.2005.10.005

Andersson, S. (2000). The internationalization of the firm from an entrepreneurial perspective. *International Studies of Management & Organization*, 63-92.

Andrews, K. (1971). *The concept of corporate strategy*. Homewood, IL: Richard D. Irwin.

Ansoff, H. I., Declerk, R. P., & Hayes, R. L. (1976). *From strategic planning to strategic management*. New York: John Wiley and Sons.

Ansoff, H. I., & McDonnel, E. J. (1990). *Implanting strategic management*. London: Prentice-Hall.

Ansoff, I. (1965). *Corporate strategy*. New York: McGraw Hill.

Anthony, R. N. (1965). *Planning and control systems: Framework for analysis*. Boston: Harvard University Press.

Antonelli, C. (1987). L'impresa rete: Cambiamento tecnologico, internazionalizzazione e appropriazione di quasi rendite. *Annali di storia dell'impresa*, (3).

Aouni, Z., & Surlemont, B. (2008). Entrepreneurial competencies within the process of opportunity recognition (Interactive paper). *Frontiers of Entrepreneurship Research, 28*(17).

Aragón-Sánchez, A., & Sánchez-Marín, G. (2005). Strategic orientation, management characteristics, and performance: A study of Spanish SMEs. *Journal of Small Business Management*, *43*(3), 287–308. doi:10.1111/j.1540-627X.2005.00138.x

Aram, D. J., & Cowan, S. (1990). Strategy planning for increased profit in the small business. *Long Range Planning*, 63–70. doi:10.1016/0024-6301(90)90103-B

Arbeitskreis Entrepreneurship der Wirtschaftsjunioren Stuttgart (Junior Chamber of Commerce). (1998). *Entrepreneure unternehmen. Empirical study*. Stuttgart, Germany: Author.

Archer, G., Baker, T. & Mauer, R. (2009). Towards an alternative theory of entrepreneurial success: Integrating bricolage, effectuation, and improvisation. *Frontiers of Entrepreneurship, 29*(6).

Ardichvili, A., Cardozo, R., & Ray, S. (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, *18*(1), 105–123. doi:10.1016/S0883-9026(01)00068-4

Argyris, C. (1991). Teaching smart people how to learn. *Harvard Business Review*, *4*(2), 99–109.

Armstrong, J. S. (1986). The value of formal planning for strategic decisions: A reply. *Strategic Management Journal*, *7*, 183–185. doi:10.1002/smj.4250070207

Aronoff, C. E., & Ward, J. L. (1997). *Preparing your family business for strategic change*. Marietta, GA: Family Enterprise Publishers.

Astrachan, J. H., & Shanker, M. C. (2003). Family businesses' contribution to the U.S. economy: A closer look. *Family Business Review*, *16*(3), 211–219.

Atuahene-Gima, K., & Murray, J. (2007). Exploratory and exploitative learning in new product development: A social capital perspective on new technology ventures in China. *Journal of International Marketing*, *15*(2), 1–29. doi:10.1509/jimk.15.2.1

Atwater, L. A., Waldman, D., & Brett, J.-F. (2002). Understanding and optimizing multisource feedback. *Human Resource Management Journal*, *41*, 193–208. doi:10.1002/hrm.10031

Audretsch, D. B., & Keilbach, M. (2004). Does entrepreneurship capital matter? *Entrepreneurship: Theory & Practice*, *28*(5), 419–429.

Au, K., Chiang, F. F. T., Birtch, T. A., & Ding, Z. (2013). Incubating the next generation to venture: The case of a family business in Hong Kong. *Asia Pacific Journal of Management*, *30*, 749–767. doi:10.1007/s10490-012-9331-7

Aureli, S., Ciambotti, M., & Giampaoli, D. (2012). I sistemi informativi automatizzati a supporto dei processi di direzione aziendale. Ancora un ritardo cronico per le piccole imprese?. *Controllo di gestione, 6*, 48-59.

Auster, E., & Choo, C. W. (1994). CEOs, information, and decision making: Scanning the environment for strategic advantage. *Library Trends*, *43*(2), 206–225.

Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal*, *43*(5), 909–924. doi:10.2307/1556419

Awuah, G. B., & Amal, M. (2011). Impact of globalisation: The ability of less developed countries' (LDCs) firms to cope with opportunities and challenges. *European Business Review*, *23*(1), 120–132. doi:10.1108/09555341111098026

Axinn, C. N., & Matthyssens, P. (2002). Limits of internationalization theories in an unlimited world. *International Marketing Review*, *19*(5), 436–449. doi:10.1108/02651330210445275

Azab, N. A. (2005). Investigating IT-business alignment in an Egyptian medium-sized enterprise. In *Proceedings of the European and Mediterranean Conference on Information Systems (EMCIS)*. Retrieved December, 12, 2012, from http://www.iseing.org/emcis/EMCIS2005/pdfs/12.pdf

Bagby, D. R. (2004). Enhancing succession research in the family firm: A commentary on "Toward an integrative model of effective succession.". *Entrepreneurship Theory and Practice*, *28*, 329–333. doi:10.1111/j.1540-6520.2004.00048.x

Baker, T., Miner, A. S., & Eesley, D. T. (2003). Improvising firms: Bricolage, account giving, and improvisational competencies in the founding process. *Research Policy*, *32*(2), 255–276. doi:10.1016/S0048-7333(02)00099-9

Baker, T., & Nelson, R. E. (2005). Creating something from nothing: Resource construction through entrepreneurial bricolage. *Administrative Science Quarterly*, *50*(3), 329–366. doi:10.2189/asqu.2005.50.3.329

Baker, W. (1990). Market networks and corporate behaviour. *American Journal of Sociology*, *96*(3), 589–625. doi:10.1086/229573

Ballarini, K., & Keese, D. (2006). Unternehmensnachfolge. In H.-C. Pfohl (Ed.), *Betriebswirtschaftslehre der Mittel- und Kleinbetriebe* (pp. 439–464). Berlin: Erich Schmidt Verlag.

Barakat, S., Yaghi, K., & Hamdan, Z. (2011). MIS students perception of most wanted MIS job market skills. *Computer and Information Science*, *4*(3), 33–42. doi:10.5539/cis.v4n3p33

Barba-Sánchez, V., Atienza-Sahuquillo, C., & Francis, J. (2012). *The decision to start-up a small business: An application of the expectancy theory of motivation.* Paper presented at the International Academy of Business and Public Administration Disciplines (IABPAD) Conference, Orlando, FL.

Barba-Sánchez, V. (2007). La necesidad de logro y la experiencia del emprendedor: Elementos clave en el crecimiento de la nueva empresa. *Contabilidad y Dirección*, *5*, 121–138.

Barba-Sánchez, V., & Atienza-Sahuquillo, C. (2011). El papel del espíritu emprendedor en el proceso de cambio económico. *Revista del Instituto de Estudios Económicos*, *1/2011*, 213–238.

Barba-Sánchez, V., & Atienza-Sahuquillo, C. (2012). Entrepreneurial behavior: Impact of motivation factors on decision to create a new venture. *European Research on Management and Business Economics*, *18*(2), 132–138.

Barkema, H. G., Bell, J. H. J., & Pennings, J. M. (1996). Foreign entry, cultural barriers and learning. *Strategic Management Journal*, *17*, 151–166. doi:10.1002/(SICI)1097-0266(199602)17:2<151::AID-SMJ799>3.0.CO;2-Z

Barnard, M. (2005). *Graphic design as communication*. London: Routledge.

Barnes, L. B., & Hershon, S. A. (1976). Transferring power in the family business. *Harvard Business Review*, (July-August): 105–114.

Barney, J. B. (2006). Risorse, competenze e vantaggi competitivi: manuale di strategia aziendale. M. Sciarelli, & V. Della Corte (Eds.). Carocci.

Barney, J. B. (1985). Dimensions of informal social network structure: Toward a contingency theory of informal relations in organization. *Social Networks*, *7*(1), 1–46. doi:10.1016/0378-8733(85)90007-3

Barney, J. B. (1986). Firm resources and sustainable competitive advantage. *Journal of Management*, *17*(1), 99–120. doi:10.1177/014920639101700108

Barney, J. B. (1995). Looking inside for competitive advantage. *The Academy of Management Executive*, *9*(4), 49–61.

Baron, R. A. (2006). Opportunity recognition as pattern recognition: How entrepreneurs connect the dots to identify new business opportunities. *The Academy of Management Perspectives*, *20*(1), 104–119. doi:10.5465/AMP.2006.19873412

Baron, R. A., & Markman, G. D. (2003). Beyond social capital: The role of entrepreneurs' social competence in their financial success. *Journal of Business Venturing*, *18*(1), 41–60. doi:10.1016/S0883-9026(00)00069-0

Baron, R. A., & Tang, J. (2011). The role of entrepreneurs in firm-level innovation: Joint effects of positive affect, creativity, and environmental dynamism. *Journal of Business Venturing*, *26*(1), 49–60. doi:10.1016/j.jbusvent.2009.06.002

Barrett, F. J. (1998). Creativity and improvisation in jazz and organizations: Implications for organizational learning. *Organization Science*, *9*(5), 605–622. doi:10.1287/orsc.9.5.605

Barringer, B. R., & Bluedorn, A. C. (1999). The relationship between corporate entrepreneurship and strategic management. *Strategic Management Journal*, *20*, 421–444. doi:10.1002/(SICI)1097-0266(199905)20:5<421::AID-SMJ30>3.0.CO;2-O

Barringer, B. R., & Greening, D. W. (1998). small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, *13*, 467–492. doi:10.1016/S0883-9026(97)00038-4

Bass, B. M. (1985). *Leadership and performance*. New York: Free Press.

Bass, B. M. (1990). From transactional to transformational leadership: Learning to share the vision. *Organizational Dynamics*, *18*, 19–31. doi:10.1016/0090-2616(90)90061-S

Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *Qualitative Report*, *13*(4), 544–559.

Beal, R. M. (2000). Competing effectively: Environmental scanning, competitive strategy, and organisational performacne in small manufacturing firms. *Journal of Small Business Management*, *38*(1), 27–47.

Beaver, G. (2003). Management and the small firm. *Strategic Change*, *12*(2), 63–68. doi:10.1002/jsc.623

Beaver, G. (2007). The strategy payoff for smaller enterprises. *The Journal of Business Strategy*, *28*(1), 11–17. doi:10.1108/02756660710723161

Beaver, G., & Jennings, P. (1997). The performance and competitive advantage of small firms: A managerial perspective. *International Small Business Journal*, *15*(2), 63–75. doi:10.1177/0266242697152004

Becerra, F. (2008). Las redes empresariales y la dinámica de la empresa: Aproximación teórica. *Innovar*, *18*(32), 27–46.

Bell, J., McNaughton, R., & Young, S. (2001). ''Born-again global'' firms – An extension to the ''born global'' phenomenon. *Journal of International Management*, *7*, 173–189. doi:10.1016/S1075-4253(01)00043-6

Bell, J., McNaughton, R., Young, S., & Crick, D. (2003). Towards an integrative model of small firm internationalisation. *Journal of International Entrepreneurship*, *1*(4), 339–362. doi:10.1023/A:1025629424041

Bentham, J. (1961). An introduction to the principles of morals and legislation. In *Utilitarianism* (pp. 7–398). Garden City, NY: Doubleday. (Original work published 1789)

Berghman, L., Matthyssens, P., Streukens, S., & Vandenbempt, K. (2013). Deliberate learning mechanisms for stimulating strategic innovation capacity. *Long Range Planning*, *46*(1-2), 39–71. doi:10.1016/j.lrp.2012.11.003

Bernier, C., Bareil, C., & Rondeau, A. (2003). Transformer l'organisation par la mise en œuvre d'un ERP: Une appropriation à trois niveaux. *Revue Internationale de Gestion*, *27*(4), 24–33.

Bharat, M., & Bick, J. (2007, October 21). The Google way: Give engineers room. *The New York Times*. Retrieved from http://www.nytimes.com.

Bhaskaran, S. (2006). Incremental innovation and business performance: Small and medium-size food enterprise in a concentrated industry environment. *Journal of Small Business Management*, *44*(1), 64–80. doi:10.1111/j.1540-627X.2006.00154.x

Bhide, A. V. (1994). How entrepreneurs craft strategies that work. *Harvard Business Review*, *72*(2), 150–161.

Bianchi, C., & Winch, G. (2008). *Giants with feet of clay. The pitfalls in going for unbalanced and unsustainable growth*. Paper presented at the 5th AGSE Entrepreneurship Research Exchange, Melbourne, Australia.

Bianchi, C., Raimondi, L., & Fasone, V. (2004, September). *Structural growth disengagement and value creation in small and micro-firms. Mapping pathologies and physiologies of business dwarfism in a dynamic resource-based view*. Paper presented at the Rencontres de St. Gallen, St. Gallen, Switzerland.

Bianchi, C., Winch, G., & Cosenz, F. (2010, September). *Generalising theories explaining the different modes of SME development and the associated growth trajectories*. Paper presented at the Rencontres de St. Gallen, St. Gallen, Switzerland.

Bianchi, C., Winch, G., & Cosenz, F. (2010). Generalising theories explaining the different modes of SME development and the associated growth trajectories. In U. Fueglistaller (Ed.), *Strategic Entrepreneurship–The Promise for Future Entrepreneurship, Family Business and SME Research*. Berlin: KMU-Verlag HSG.

Bianchi, C., Winch, G., & Cosenz, F. (2012). A physiological approach to analysing SME growth patterns and to understanding the distinctions and similarities between normal and abnormal growth. In M. Porada-Rochon (Ed.), *Managing a small business in the contemporary environment*. Rome: Eurilink.

Bierly, P., & Chakrabarti, A. (1996). Generic knowledge strategies in the U.S. pharmaceutical industry. *Strategic Management Journal, 17*(Winter Special Issue), 123-136.

Bingham, C. B., & Davis, J. P. (2012). Learning sequences: Their existence, effect, and evolution. *Academy of Management Journal*, *55*(3), 611–641. doi:10.5465/amj.2009.0331

Bird, B. (1988). Implementing entrepreneurial ideas: The case for intention. *Academy of Management Review*, *13*(3), 442–453.

Bird, B. (1995). Towards a theory of entrepreneurial competency. In *Advances in entrepreneurship, firm emergence and growth* (Vol. 2, pp. 51–72). Greenwich, UK: JAI Press.

Birdthistle, N. (2006). Training and learning strategies of family businesses: An Irish case. *Journal of European Industrial Training*, *30*(7), 550–568. doi:10.1108/03090590610704402

Birley, S. (1985). The role of networks in the entrepreneurial process. *Journal of Business Venturing*, *1*(1), 107–117. doi:10.1016/0883-9026(85)90010-2

Bisbe, J., & Otley, D. (2004). The effects of the interactive use of management control systems on product innovation. *Accounting, Organizations and Society*, *29*, 709–737. doi:10.1016/j.aos.2003.10.010

Blesa, A., & Ripollés, M. (2006). Redes personales del empresario y orientación emprendedora en las nuevas empresas. *Cuadernos de Economía y Dirección de la Empresa*, *26*, 73–94.

Blomstermo, A., Eriksson, K., Lindstrand, A., & Sharma, D. D. (2004). The perceived usefulness of network experiential knowledge in the internationalizing firm. *Journal of International Management*, *10*(3), 355–373. doi:10.1016/j.intman.2004.05.004

Bloodgood, J. M., Sapienza, H. J., & Almeida, J. G. (1996). The internationalization of new high-potential US ventures: Antecedents and outcomes. *Entrepreneurship Theory & Practice*, *20*(4), 61–76.

BMWi. (2007). *Der Mittelstand in der Bundesrepublik Deutschland: Eine volkswirtschaftliche Bestandsaufnahme (Dokumentation Nr. 561)*. Berlin: Author.

Böllhoff, M. W. (2006). Wachstum von Familienunternehmen – zwischen organischem Wachstum und aktiver Akquisition. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 119–132). Stuttgart, Germany: Schäfer-Poeschel.

Bollingtoft, A., & Ulhoi, J. P. (2005). The networked business incubator-leveraging entrepreneurial agency? *Journal of Business Venturing*, *20*(2), 265–290. doi:10.1016/j.jbusvent.2003.12.005

Bonin, H. (2006). A short history of entrepreneurship in France (from 1780 up to today). In Y. Cassis, & I. Pepelasis-Minoglou (Eds.), *Country studies in entrepreneurship* (pp. 65–98). New York, NY: Palgrave Macmillan.

Bontis, N., Crossan, M. M., & Hulland, J. (2002). Managing an organizational learning system by aligning stocks and flows. *Journal of Management Studies*, *39*(4), 437–469. doi:10.1111/1467-6486.t01-1-00299

Bounfour, A. (2003). *The management of intangibles. The organization's most valuable assets*. London: Routledge. doi:10.4324/9780203465035

Bourdieu, P. (1986). The forms of capital. In J. G. Richardson (Ed.), *Handbook of theory and research in the sociology of education*. New York: Greenwald Press.

Bowey, J. L., & Easton, G. (2007). Entrepreneurial social capital unplugged. *International Small Business Journal*, *25*(3), 272–306. doi:10.1177/0266242607076528

Box, T. M., White, M. A., & Barr, S. H. (1993). A contingency model of new manufacturing firm performance. *Entrepreneurship: Theory and Practice*, *18*(2), 31–45.

Boyatzis, R. E. (1982). *The competent manager: A model for effective performance*. New York: John Wiley & Sons.

Bracci, E., & Vagnoni, E. (2005). *Managing intellectual capital in small-medium family business succession: An integrated framework*. Working Paper presented at the 1st EIASM Workshop on Visualising, Measuring, and Managing Intangibles and Intellectual Capital, Ferrara, Italy.

Bracker, J. S., Keats, B. W., & Pearson, J. N. (1988). Planning and financial performance among small firms in a growth industry. *Strategic Management Journal*, *9*(6), 591–603. doi:10.1002/smj.4250090606

Bracker, J. S., & Pearson, J. N. (1985). The impact of consultants on small firm strategic planning. *Journal of Small Business Management*, *23*, 23–30.

Braennback, M., Carsrud, A., & Schulte, W. D. (2008). Exploring the role of Ba in family business context. *Vine*, *38*(1), 104–117. doi:10.1108/03055720810870923

Branciari, S. (1996). *I sistemi di controllo nella piccola impresa*. Torino, Italy: Giappichelli.

Bridge, S., & O'Neil, K. (2013). *Understanding enterprise, entrepreneurship and small business* (4th ed.). Basingstoke, UK: Palgrave MacMillan.

Bright, J., Davies, R. E., Downes, C. A., & Sweeting, R. (1992). The deployment of costing techniques and practice. *Management Accounting Research*, *3*(3), 201–213. doi:10.1016/S1044-5005(92)70011-0

Brockhaus, R. H. (1982). The psychology of entrepreneur. In C. A. Kent, D. L. Sexton, & K. H. Vesper (Eds.), *Encyclopedia of entrepreneurship* (pp. 39–71). Englewood Cliffs, NJ: Prentice Hall.

Brouthers, K., Andriessen, F., & Nicolaes, I. (1998). Driving blind: Strategic decision making in small companies. *Long Range Planning*, *31*(1), 130–138. doi:10.1016/S0024-6301(97)00099-X

Brown, J. S., & Duguid, P. (1998). Organizing knowledge. *California Management Review*, *40*(3), 90–111. doi:10.2307/41165945

Brown, T. E. (1996). *Resources orientation, entrepreneurial orientation and growth: How the perception of resources availability affects small firm growth*. Newark, NJ: Rutgers University.

Brown, T., Davidsson, P., & Wiklund, J. (2001). An operationalization of Stevenson's conceptualization of entrepreneurship as opportunity-based firm behavior. *Strategic Management Journal*, *22*(10), 953–968. doi:10.1002/smj.190

Bruch, H., Gerber, P., & Maier, V. (2005). Strategic change decisions: Doing the right things right. *Journal of Change Management*, *5*(1), 97–107. doi:10.1080/14697010500067390

Brüderl, J., & Preisendörfer, P. (1998). Network support and de success of newly founded businesses. *Small Business Economics*, *10*(3), 213–225. doi:10.1023/A:1007997102930

Brush, C. (1992). *Factors motivating small firms to internationalize: The effects of firm age* (Doctoral dissertation). Boston University, Boston, MA.

Brush, C. G., & Chaganti, R. (1998). Business without glamour? An analysis of resources on performance by size and age in small service and retail firms. *Journal of Business Venturing*, *14*, 233–257. doi:10.1016/S0883-9026(97)00103-1

Bryan, J. (2000). Small firms in Wales. In J. Bryan, & C. Jones (Eds.), *Wales in the 21st century* (pp. 55–68). Great Britain: Macmillan Press Limited. doi:10.1057/9780333981535

Bryman, A. (2012). *Social research methods* (4th ed.). Oxford, UK: Oxford University Press.

Burgelman, R. A. (1991). Intraorganizational ecology of strategy making and organizational adaptation: Theory and field research. *Organization Science*, *2*, 239–262. doi:10.1287/orsc.2.3.239

Burmeister-Lamp, K., Lévesque, M., & Schade, C. (2012). Are entrepreneurs influenced by risk attitude, regulatory focus or both? An experiment on entrepreneurs' time allocation. *Journal of Business Venturing*, *27*(4), 456–475. doi:10.1016/j.jbusvent.2011.12.001

Burt, R. S. (1992). The social structure of competition. In Nohria & Eccles (Eds.). Networks and organizations: Structure, form, and action (pp. 57-82). Boston: Harvard Business School Press.

Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing*, *12*, 9–30. doi:10.1016/S0883-9026(96)00003-1

Busenitz, L. W., Gomez, C., & Spencer, J. W. (2000). Country institutional profiles: Unlocking entrepreneurial phenomena. *Academy of Management Journal*, *43*(5), 994–1003. doi:10.2307/1556423

Butel, L., & Watkins, A. (2006). Clusters of entrepreneurs: The application of ant colony optimisation modelling. *Journal of Modelling in Management*, *1*(3), 255–269. doi:10.1108/17465660610715230

Butler, J. E., & Hasen, G. S. (1991). Network evolution, entrepreneurial success and regional development. *Entrepreneurship and Regional Development*, *3*(1), 1–16. doi:10.1080/08985629100000001

Butnaru, G., & Balcan, C. (2012). Characteristics of strategic management in innovation in the field of hotel services in Romania. *International Journal of Academic Research in Business & Social Sciences*, *2*(10), 428–442.

Bygrave, W. D. (1994). *The portable MBA in entrepreneurship*. New York: John Wiley & Sons.

Bygrave, W., & Hofer, C. (1991). Theorizing about entrepreneurship. *Entrepreneurship Theory and Practice*, *16*(2), 13–23.

Cabrera-Suarez, K., De Saa-Perez, P., & Garcia-Almeida, D. (2001). The succession process from a resource- and knowledge-based view of the family firm. *Family Business Review*, *14*(1), 37–46. doi:10.1111/j.1741-6248.2001.00037.x

Cadogan, J. W. (2012). International marketing, strategic orientations and business success: Reflections on the path ahead. *International Marketing Review*, *29*(4), 340–348. doi:10.1108/02651331211242656

Calof, J. L., & Beamish, P. W. (1995). Adapting to foreign markets: Explaining internationalization. *International Business Review*, *4*(2), 115–131. doi:10.1016/0969-5931(95)00001-G

Camerlynck, J., Ooghe, H., & De Langhe, T. (2005). Pre-acquisition profile of privately held companies involved in take-overs: An empirical study. *Small Business Economics*, *24*, 169–186. doi:10.1007/s11187-003-3807-2

Camison, C. (1997). *La Competitividad de la PYME Industrial Espanola: Estrate-gia y Competenceis Distintivas*. Madrid, Spain: Civitas.

Cannella, A. A., & Lubatkin, M. (1993). Succession as a sociopolitical process: Internal impediments to outsider selection. *Academy of Management Journal*, *36*(4), 763–793. doi:10.2307/256758

Cao, Q., Simsek, Z., & Zhang, H. (2010). Modelling the joint impact of the CEO and the TMT on organizational ambidexterity. *Journal of Management Studies*, *47*(7), 1272–1296.

Capelleras, J.-Ll., Greene, F., Kantis, H., & Rabetino, R. (2010). Venture creation speed and subsequent growth: Evidence from South America. *Journal of Small Business Management*, *48*(3), 302–324. doi:10.1111/j.1540-627X.2010.00296.x

Carenzo, P., & Turolla, A. (2010). The diffusion of management accounting systems in manufacturing companies: An empirical analysis of Italian firms. In T. Davila, M. Epstein, & J. F. Manzoni (Eds.), Performance measurement and management control: Innovative concepts and practices (Studies in managerial and financial accounting, Vol. 20), (pp. 457-499). Bingley, UK: Emerald Publishing.

Carland, J. C., & Carland, J. W. (2012). A model of shared entrepreneurial leadership. *Academy of Entrepreneurship Journal*, *18*(2), 71–81.

Caroll, P. B., & Mui, C. (2008). *Billion dollar lessons. What you can learn from the most inexcusable business failures of the last 25 years*. New York: Penguin Group.

Carr, A. (2002). Jung, archetypes and mirroring in organizational change management: Lessons from a longitudinal case study. *Journal of Organizational Change Management*, *15*(5), 477–489. doi:10.1108/09534810210440388

Carson, D., Cromie, S., McGowan, P., & Hill, J. (1995). *Marketing and entrepreneurship in SMEs: An innovative approach*. London: Prentice Hall.

Case, D. O. (2002). *Looking for information: A survey of research on information seeking, needs, and behavior*. New York: Academic Press.

Cashman, K. (2001). Succession leadership: Is your organization prepared? *Strategy and Leadership*, *29*(4), 32–33.

Casrud, A., & Brännback, M. (2011). Entrepreneurial motivations: What do we still need to know? *Journal of Small Business Management*, *49*(1), 9–26. doi:10.1111/j.1540-627X.2010.00312.x

Cassia, L., & Meoli, M. (2009). The entrepreneurial process along the corporate life cycle.[Small Business]. *Piccola Impresa*, *2*, 51–74.

Casson, M. (2000). An entrepreneurial theory of the firm. In N. J. Foss & Mahnke (Eds.), Competence, governance, and entrepreneurship: Advances in economic strategy research (pp. 116-145). Oxford, UK: Oxford University Press.

Catturi, G., & Mussari, R. (Eds.). (1996). *Il controllo di gestione seguito nelle imprese operanti nelle province di Bologna, Firenze, Perugia e Siena*. Padova, Italy: Cedam.

Cavusgil, S. T. (1980). On the internationalization process of firms. *European Research*, *8*(6), 273–281.

CDI. (2006). *Indicadores sociodemográficos de la población indígena 2000-2005*. México DC: Comisión Nacional para el Desarrollo de los Pueblos Indígenas.

CDI. (2008). *Programa de turismo alternativo en zonas indígenas. Evaluación de consistencia y resultados 2007.* México DC: Comisión Nacional para el Desarrollo de los Pueblos Indígenas.

Cegarra-Navarro, J.-G., & Sánchez-Polo, M. T. (2011). Influence of the open-mindedness culture on organizational memory: An empirical investigation of Spanish SMEs. *International Journal of Human Resource Management*, *22*(1), 1–18. doi:10.1080/09585192.2011.538963

Chaffee, E. E. (1985). Three models of strategy. *Academy of Management Review*, *10*(1), 89–98.

Chakravarthy, A. (1992). Strategy process research: Focusing on corporate self renewal. *Strategic Management Journal*, *15*, 5–14. doi:10.1002/smj.4250131003

Chakravarthy, B., & Lorange, P. (2008). Driving renewal: the entrepreneur-manager. *The Journal of Business Strategy*, *29*(2), 14–21. doi:10.1108/02756660810858116

Chandler, A. D. (1990). *Strategy and structure: Chapters in the history of the American industrial enterprise*. Cambridge, MA: Massachusetts Institute of Technology.

Chandler, G. N., & Hanks, S. H. (1993). Measuring the performance of emerging businesses: A validation study. *The Journal of Business*, *8*(5), 391–408.

Chandler, G. N., & Hanks, S. H. (1994). Market attractiveness, resource-based capabilities, venture strategies and venture performance. *Journal of Business Venturing*, *9*(4), 331–349. doi:10.1016/0883-9026(94)90011-6

Chandler, G. N., & Jansen, E. (1992). The founder's self-assessed competence and venture performance. *Journal of Business Venturing*, *7*(3), 223–236. doi:10.1016/0883-9026(92)90028-P

Chan, Y. E., Sabherwal, R., & Thatcher, J. B. (2006). Antecedents and outcomes of strategic IS alignment: An empirical investigation. *IEEE Transactions on Engineering Management*, *53*(1), 27–47. doi:10.1109/TEM.2005.861804

Chao, C. A., & Chandra, A. (2012). Impact of owner's knowledge of information technology (IT) on strategic alignment and IT adoption in US small firms. *Journal of Small Business and Enterprise Development*, *19*(1), 114–131. doi:10.1108/14626001211196433

Chapman, C. S. (Ed.). (2005). *Controlling strategy: Management, accounting, and performance measurement*. New York: Oxford University Press.

Chaput, M., Brummans, B. H. J. M., & Cooren, F. (2011). The role of organizational identification in the communicative constitution of an organization: A study of consubstantialization in a young political party. *Management Communication Quarterly*, *25*(2), 252–282. doi:10.1177/0893318910386719

Chell, E., & Baines, S. (2000). Networking, entrepreneurship and microbusiness behavior. *Entrepreneurship and Regional Development*, *12*(3), 195–215. doi:10.1080/089856200413464

Chen, E. L., & Katila, R. (2008). Rival interpretations of balancing exploration and exploitation: simultaneous or sequential? In S. Shane (Ed.), *Handbook of technology and innovation management* (pp. 197–214). Chichester, UK: John Wiley & Sons.

Chenhall, R. H. (2003). Management control systems design within its organizational context: Findings from contingency-based research and directions for the future. *Accounting, Organizations and Society*, *28*(2/3), 127–168. doi:10.1016/S0361-3682(01)00027-7

Chenhall, R. H. (2007). Theorizing contingencies in management control system research. In C. S. Chapman, A. G. Hopwood, & M. D. Shields (Eds.), *Handbook of management accounting research* (Vol. I). Amsterdam, The Netherlands: Elsevier.

Chenhall, R. H., & Langfield-Smith, K. (1998). Adoption and benefits of management accounting practices: An Australian study. *Management Accounting Research*, *9*(1), 1–19. doi:10.1006/mare.1997.0060

Chen, M. J., & Hambrick, D. C. (1995). Speed, stealth, and selective attack: How small firms differ from large firms in competitive behavior. *Academy of Management Journal*, *38*(2), 453–482. doi:10.2307/256688

Chen, W. H. (1999). Manufacturing strategies of network-based small firms: Observations on the textile industry in Taiwan. *Journal of Small Business Management*, *37*(2), 46–62.

Chetty, S. (1996). The case study method for research in small- and medium-sized firms. *International Small Business Journal*, *15*(1), 73–86. doi:10.1177/0266242696151005

Chew, D. A. S., Yan, S., & Cheah, C. Y. J. (2008). Core capability and competitive strategy for construction smes in China. *Chinese Management Studies*, *2*(3), 203–214. doi:10.1108/17506140810895898

Chikandiwa, S. T., Contogiannis, E., & Jembere, E. (2013). The adoption of social media marketing in South African banks. *European Business Review*, *25*(4), 365–381. doi:10.1108/EBR-02-2013-0013

Chirico, F., & Salvato, C. (2008). Knowledge integration and dynamic organizational adaption in family firms. *Family Business Review*, *21*(2), 169–181. doi:10.1111/j.1741-6248.2008.00117.x

Chittoor, R., & Das, R. (2007). Professionalization of management and succession performance - A vital linkage. *Family Business Review*, *20*(1), 65–79. doi:10.1111/j.1741-6248.2007.00084.x

Choi, S. (2007). Democratic leadership: The lessons of exemplary models for democratic governance. *International Journal of Leadership Studies*, *2*(3), 243–262.

Choo, C. W. (1995). *Information management for the intetlligent organization: The art of scanning the enviornment*. Medford, NJ: Information Today, Inc.

Choo, C. W. (1999). The art of scanning the environment. *Bulletin of the American Society for Information Science*, *25*(3), 21–24. doi:10.1002/bult.117

Chowdhury, S. D., & Lange, J. R. (1993). Crisis, decline and turnaround: A test of competing hypotheses for short-term performance improvement in small firms. *Journal of Small Business Management*, *31*(4), 8–17.

Christen, A., Halter, F., Kammerlander, N., Künzi, D., Merki, M., & Zellweger, T. (2013). *Erfolgsfaktoren für Schweizer KMU: Unternehmensnachfolge in der Praxis (Swiss Issues Branchen)*. Zürich, Switzerland: Credit Suisse.

Churchill, N. C. (1983). Entrepreneurs and their enterprises: A stage model. In J. A. Hornaday et al. (Eds.), *Frontiers of Entrepreneurship Research* (pp. 1–22). Wellesley, MA: Babson College, Centre for Entrepreneurial Studies.

Ciborra, C. Braa, K., Cordella, A., Dahlbom, B., Failla, A., Hanseth, O., … Simon, A. (2000). From control to drift: The dynamics of corporate information infrastructures. New York: Oxford University Press.

Cigref. (2002). Alignement stratégique du système d'information. *Report of Cigref (Club informatique des grandes entreprises françaises)*. Retrieved September, 08, 2011, from: http://www.cigref.fr/CIGREF02/FR/rapport.nsf/0/2ad571bd29244a83c1256c3e0042ea68/ $FILE/alignement2002-web.pdf/

Cincotta, H. (n. d.). Democracy in brief. *Bureau of International Information Programs U.S. Department of State*. Retrieved from http://usinfo.state.gov,http://photos.state.gov/libraries/korea/49271/dwoa_122709/Democracy-in-Brief.pdf

Clark, M. (2006). A study of the role of representative leadership in stimulating organizational democracy. *Leadership*, *2*(4), 427–450. doi:10.1177/1742715006068938

Coase, R. H. (1939). The nature of the firm. *Economica*, *4*, 386–405. doi:10.1111/j.1468-0335.1937.tb00002.x

Cogliser, C., & Brigham, K. (2004). The intersection of leadership and entrepreneurship: Mutual lessons to be learned. *The Leadership Quarterly*, *15*, 771–799. doi:10.1016/j.leaqua.2004.09.004

Cohen, B., & Winn, M. I. (2007). Market imperfections, opportunity and sustainable entrepreneurship. *Journal of Business Venturing*, *22*, 29–49. doi:10.1016/j.jbusvent.2004.12.001

Cohen, J. A. (2005). *Intangible assets. Valuation and economic benefit*. Hoboken, NJ: John Wiley & Sons.

Coleman, J. S. (1988). Social capital in the creation of human capital. *American Journal of Sociology*, *94*(Supplement), S95–S129. doi:10.1086/228943

Collier, P. M. (2005). Entrepreneurial control and the construction of a relevant accounting. *Management Accounting Research*, *16*, 321–339. doi:10.1016/j.mar.2005.06.007

Collins, D. (1997). The ethical superiority and inevitability of participatory management as an organizational system. *Organization Science*, *8*(5), 489–507. doi:10.1287/orsc.8.5.489

Collinson, E., & Shaw, E. (2001). Entrepreneurial marketing–A historical perspective on development and practice. *Management Decision*, *39*(9), 761–766. doi:10.1108/EUM0000000006221

Collis, D. J., & Rukstad, M. G. (2008). Can you say what your strategy is? *Harvard Business Review*, *86*(4), 82–90. PMID:18435009

Collis, J., & Jarvis, R. (2002). Financial information and the management of small private companies. *Journal of Small Business and Enterprise Development*, *9*(2), 100–110. doi:10.1108/14626000210427357

Colvin, G. (1999, March 29). When it comes to turbulence, CEOs could learn a lot from sailors. *Fortune*, 194–196.

Commission of the European Communities. (2006). *Transfer of businesses – Continuity through a new beginning*. Brussels, Belgium: Author.

Companys, Y. E. & McMullen, J. S. (2007). Strategic entrepreneurs at work: The nature, discovery, and exploitation of entrepreneurial opportunities. *Small Business Economics, 28*(4), 301-322. Doi: http://dx.doi.org/10.1007/S11187-006-9034-X

Cook, P., & Yamamoto, R. (2011). Inside the mind of the expert entrepreneur: The explorer's view of strategy. *Journal of Management and Strategy*, *2*(3), 77–85. doi:10.5430/jms.v2n3p77

Cooney, T. M. (2005). What is an entrepreneurial team? *International Small Business Journal*, *23*(3), 226–235. doi:10.1177/0266242605052131

Cooper, R. G. (1984). How new product strategies impact on performance. *Journal of Product Innovation Management*, *1*, 5–18. doi:10.1016/S0737-6782(84)80038-7

Cooren, F. (2004). The communicative achievement of collective minding: In-depth analysis of a board meeting excerpt. *Management Communication Quarterly*, *17*(4), 517–551. doi:10.1177/0893318903262242

Cooren, F., Kuhn, T., Cornelissen, J. P., & Clark, T. (2011). Communication, organizing, and organization: An overview and introduction to the special issue. *Organization Studies*, *32*(9), 1149–1170. doi:10.1177/0170840611410836

Cope, J., Jack, S., & Rose, M. B. (2007). Social capital and entrepreneurship: An introduction. *International Small Business Journal*, *25*(3), 213–219. doi:10.1177/0266242607076523

Cosenza, F. (2012). Strategia e innovazione delle pmi italiane: Quali condizioni possono influenzarne il successo competitivo? Il caso Mosaicoon s.p.a. In *AA.VV., Scritti in onore di Vittorio Coda*. Milano, Italy: Giuffrè.

Costa, J. (1995). An empirical-based review of the concept of environmental sacnning. *International Journal of Contemporary Hospitality Management*, *7*(7), 4–9. doi:10.1108/09596119510101877

Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation of small software firms. *International Business Review*, *6*(4), 361–386. doi:10.1016/S0969-5931(97)00010-3

Covin, J. G., & Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behaviour. *Entrepreneurship Theory and Practice*, Fall, 7-25.

Covin, J. G., Prescott, J. E., & Slevin, D. P. (1990). The effects of technological sophistication on strategic profiles, structure, and firm performance. *Journal of Management Studies*, *27*(5), 485–510. doi:10.1111/j.1467-6486.1990.tb00258.x

Covin, J. G., & Slevin, D. P. (1988). the influence of organization structure on the utility of an entrepreneurial top management style. *Journal of Management Studies*, *25*(3), 217–234. doi:10.1111/j.1467-6486.1988.tb00033.x

Covin, J. G., & Slevin, D. P. (1989). Empirical relationship among strategic posture environmental context variables, and new venture performance. In *Frontiers Entrepreneurship Research* (pp. 124–133). Wellesley, MA: Babson College.

Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, *10*(1), 75–87. doi:10.1002/smj.4250100107

Covin, J. G., Slevin, D. P., & Covin, T. J. (1990). Content and performance of growth-seeking strategies: A comparison of small firms in high- and low-technology industries. *Journal of Business Venturing*, *5*(6), 391–412. doi:10.1016/0883-9026(90)90013-J

Creswell, J. W. (2007). *Qualitative inquiry & reserach design: Choosing among five approaches* (2nd ed.). Thousand Oaks, CA: Sage Publications, Inc.

Crossan, M. M., & Berdrow, I. (2003). Organizational learning and strategic renewal. *Strategic Management Journal*, *24*(11), 1087–1105. doi:10.1002/smj.342

Crossan, M. M., & Hurst, D. K. (2006). Strategic renewal as improvisation: Reconciling the tension between exploration and exploitation. *Advances in Strategic Management*, *23*, 273–298. doi:10.1016/S0742-3322(06)23009-2

Crossan, M. M., Lane, H. W., & White, R. E. (1999). An organizational learning framework: From intuition to institution. *Academy of Management Review*, *24*(3), 522–537.

Cruickshank, P., & Rolland, D. (2006). Entrepreneurial success through networks and social capital: Exploratory considerations from GEM research in New Zealand. *Journal of Small Business and Entrepreneurship*, *19*(1), 63–80. doi:10.1080/08276331.2006.10593359

Cummings, S. (1994). The first strategists. In B. De Witt, & R. Mayer (Eds.), *Strategy. Process, content, context. An international perspective*. New York: West Publishing Company.

Cyert, R., & March, J. (1963). *The behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.

Czinkota, M. R., Ronkainen, I. A., & Zvobgo, G. (2011). *International marketing*. Andover, UK: South-Western Cengage Learning.

Daft, R. L., & Weick, K. E. (1984). Toward a model of orgainzations as interpretation systems. *Academy of Management Review*, *9*(2), 284–295.

Dalley, J., & Hamilton, B. (2000). Knowledge, context and learning in the small business. *International Small Business Journal*, *18*(3), 51–59. doi:10.1177/0266242600183003

Davenport, T. H. (1998). Putting the enterprise into the enterprise system. *Harvard Business Review*, *76*(4), 121–131. PMID:10181586

Davidsson, P., & Delmar, F. (1999). *Hunting for new employment: The role of high growth firms.* Paper presented at the RENT XII, Conference, London.

Davidsson, P., & Wiklund, J. (1999). *Suitable approaches for studying small firm growth. The role of entrepreneurship and small and medium enterprises*. Paper presented at the 44th ICSB World Conference, June, Italy.

Davidsson, P. (1989). *Continued entrepreneurship and small firm growth*. Stockholm, Sweden: Stockholm School of Economics.

Davidsson, P. (2008). *The entrepreneurship research challenge*. Cheltenham, UK: Edward Elgar. doi:10.4337/9781848442764

Davidsson, P., Delmar, F., & Wiklund, J. (2002). Entrepreneurship as growth, growth as entrepreneurship. In M. A. Hitt, R. D. Ireland, S. M. Camp, & D. L. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset*. Oxford, UK: Blackwell.

Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, *18*(3), 301–331. doi:10.1016/S0883-9026(02)00097-6

Davidsson, P., & Wiklund, J. (2001). Levels of analysis in entrepreneurship research: Current research practices and suggestions for the future. *Entrepreneurship Theory and Practice*, *25*(Summer), 81–99.

Davila, T. (2005). The promise of management control systems for innovation and strategic change. In C. Chapman (Ed.), *Controlling strategy*. Oxford, UK: Oxford University Press.

Davis, S., & Patrinos, H. A. (1996, January). *Investing in Latin America's indigenous peoples: The human and social capital dimensions.* Paper presented at Nordic Council of Ministers Seminar on Indigenous Peoples Production and Trade, Copenhagen.

Day, G. S., & Shoemaker, P. J. (2000). *Wharton on managing emerging technologies*. New York: John Wiley & Sons.

De Carolis, D. M., & Saparito, P. (2006). Social capital, cognition, and entrepreneurial opportunities: A theoretical framework. *Entrepreneurship Theory and Practice*, *30*(1), 41–56. doi:10.1111/j.1540-6520.2006.00109.x

De Jong, J., & Wennekers, S. (2008). *Intrapreneurship. Conceptualizing entrepreneurial employee behaviour*. Research Report H200802, Zoetermeer: EIM.

De Koning, A. (1999). *Conceptualizing opportunity recognition as a socio-cognitive process*. Stockholm, Sweden: Centre for Advanced Studies in Leadership.

De Massis, A., Chua, J. H., & Chrisman, J. J. (2008). Factors preventing intra-family succession. *Family Business Review*, *21*(2), 183–199. doi:10.1111/j.1741-6248.2008.00118.x

De Waal, A. (2008). *Maak van je bedrijf een toporganisatie! De vijf pijlers voor het creëren van een high performance organisatie*. Culemborg, The Netherlands: Van Duuren Management.

De Wit, B., & Meyer, R. (2005). *Strategy synthesis: Resolving strategy paradoxes to create competitive advantage*. London: Thomson Learning.

Dean, T. J., Brown, R. L., & Bamford, C. E. (1998). Differences in large and small firm responses to environmental context: Strategic implications. *Strategic Management Journal*, *19*(8), 709. doi:10.1002/(SICI)1097-0266(199808)19:8<709::AID-SMJ966>3.0.CO;2-9

Deeds, D. L., Decarolis, D., & Coombs, J. (2000). Dynamic capabilities and new product development in high technology ventures: An empirical analysis of new biotechnology firms. *Journal of Business Venturing*, *15*(3), 211–229. doi:10.1016/S0883-9026(98)00013-5

Deep, A., Guttridge, P., Dani, S., & Burns, N. (2008). Investigating factors affecting ERP selection in made-to-order SME sector. *Journal of Manufacturing Technology Management*, *19*(4), 430–446. doi:10.1108/17410380810869905

Degadt, J. (2010). *Strategic entrepreneurship in family business – Experience from Belgium*. Paper presented at the Rencontres de Saint-Gall.

Del Baldo, M. (2008). I nuovi sistemi informativi: opportunità e criticità per il controllo di gestione nelle piccole e medie imprese. In F. Cesaroni, & P. Demartini (Eds.), *ICT e informazione economico-finanziaria. Saggi sull'applicazione delle nuove tecnologie nelle grandi e nelle piccole e medie imprese*. Milano, Italy: Franco Angeli.

Delmar, F. (1996). *Entrepreneurial behavior & business performance*. Stockholm, Sweden: The Economic Research Institute, Stockholm School of Economics.

Delmar, F., Davidsson, P., & Gartner, W. (2003). Arriving at the high growth firm. *Journal of Business Venturing*, *18*(2), 189–216. doi:10.1016/S0883-9026(02)00080-0

Denison, D. R., & Mishra, A. K. (1995). Toward a theory of organizational culture and Effectiveness. *Organization Science*, *6*(2), 204–223. doi:10.1287/orsc.6.2.204

Denscombe, M. (2003). *The good research guide: For small-scale social research projects* (2nd ed.). London: Open University Press.

Dess, G. G., & Robinson, R. B. (1984). Measuring organizational performance in the absence of objective measures: The case of the privately-held firm and conglomerate business unit. *Strategic Management Journal*, *5*(3), 265–274. doi:10.1002/smj.4250050306

DeTienne, D. R., & Chandler, G. N. (2004). Opportunity Identification and Its Role in the Entrepreneurial Classroom: A Pedagogical Approach and Empirical Test. *Academy of Management Learning & Education*, *3*(3), 242–257. doi:10.5465/AMLE.2004.14242103

Deuten, J. J., & Rip, A. (2000). Narrative infrastructure in product creation processes. *Organization*, *7*(1), 69–93. doi:10.1177/135050840071005

Deutsche Patent- und Markenamt. (2012). Jahresbericht 2011. München, Germany.

Devece, C. A., Palacios-Marques, D., & Fernandez, R. (2011). Entrepreneurship research in service industries: A literature classification and trend analysis. *The International Entrepreneurship and Management Journal*, *7*(4), 479–493. doi:10.1007/s11365-011-0205-0

Díaz, F. (2001). Derechos humanos y derechos fundamentales de los pueblos indígenas. *La Jornada Semanal,* 11 de marzo de 2001.

Dodge, H. R., Fullerton, S., & Robbins, J. (1994). Stage of the organizational life cycle and competition as mediators of problem perception for small businesses. *Strategic Management Journal*, *15*, 121–134. doi:10.1002/smj.4250150204

Dollinger, M. (2003). *Entrepreneurship: Strategies and resources* (3rd ed.). Upper Saddle River, NJ: Prentice-Hall.

Donald, F. (2005). Managers' corporate entrepreneurial actions and job satisfaction. *The International Entrepreneurship and Management Journal*, *1*, 275–291. doi:10.1007/s11365-005-2589-1

Donaldson, L. (2001). *The contingency theory of organizations*. Thousand Oaks, CA: Sage. doi:10.4135/9781452229249

Donckerls, R., & Lmbrecht, J. (1995). Networks and small business growth: An explanatory model. *Small Business Economics*, *7*(4), 273–289. doi:10.1007/BF01108617

Douglas, C. (2011). *Liberating judgment: Fanatics, skeptics, and John Locke's politics of probability*. Princeton, NJ: Princeton University Press.

Douglas, E. J., & Shepherd, D. (2000). Entrepreneurship as a utility maximizing response. *Journal of Business Venturing*, *15*(3), 231–251. doi:10.1016/S0883-9026(98)00008-1

Døving, E., & Gooderham, P. N. (2008). Dynamic capabilities as antecedents of the scope of related diversification: The case of small firm accountancy practices. *Strategic Management Journal*, *29*(8), 841–857. doi:10.1002/smj.683

Doz, Y. L., & Kosonen, M. (2008). *Fast strategy: How strategic agility will help you stay ahead of the game*. Harlow, UK: Pearson/Longman.

Doz, Y. L., & Kosonen, M. (2010). Embedding strategic agility. *Long Range Planning*, *43*(2-3), 370–382. doi:10.1016/j.lrp.2009.07.006

Driessen, M., Lean, R., & Zwart, P. (2010). *Entrepreneur scan identifies potential fast-growers*. Paper presented at the IntEnt 2010 Conference. Arnhem – Nijmegen. The Netherlands.

Drucker, P. (1985). *Innovation and entrepreneurship*. New York: Harper & Row.

Drucker, P. F. (2006). What executives should remember. *Harvard Business Review*, *84*(2), 144–152. PMID:16485812

Drury, C., Braund, S., Osborne, P., & Tayles, M. (1993). *A survey of management accounting practices in UK manufacturing companies* (ACCA Research Occasional Paper). London: Chartered Association of Certified Accountants.

Du, Y. (2003). *A challenge to traditional stage models of internationalization – An empirical research on a Chinese company's successful internationalizing processes.* Paper presented at EAMSA 20th Annual Conference, 2003, Stockholm University School of Business.

Dumitrescu, L., & Fuciu, M. (2009). Balance scorecard: A new tool for strategic management. *Buletin Stiintific*, *14*(2), 37–42.

Duncan, R. B. (1972). Characteristics of perceived environments and perceived environmental uncertainty. *Administrative Science Quarterly*, *17*, 313–327. doi:10.2307/2392145

Durst, S., Baldegger, U., & Halter, F. (2010). The successors or the neglected perspective in company succession in family firms. *Frontiers of Entrepreneurship Research, 30*(13).

Durst, S., & Gueldenberg, S. (2010). What makes SMEs attractive to external successors? *Journal of Information and Knowledge Management Systems*, *40*(2), 108–135.

Dutta, D. K., & Crossan, M. M. (2005). The nature of entrepreneurial opportunities: Understanding the process using the 4I organizational learning framework. *Entrepreneurship Theory and Practice*, *29*(4), 425–449. doi:10.1111/j.1540-6520.2005.00092.x

Dutton, J. E., Ashford, S. J., O'Neill, R. M., & Lawrence, K. A. (2001). Moves that matter: Issue selling and organizational change. *Academy of Management Journal*, *44*(4), 716–736. doi:10.2307/3069412

Duymedjian, R., & Rüling, C. (2010). Towards a foundation of bricolage in organizational and management theory. *Organization Studies*, *31*(2), 133–151. doi:10.1177/0170840609347051

Dvir, D., Sadeh, A., & Malach-Pines, A. (2010). The fit between entrepreneurs' personalities and the profile of the ventures they manage and business success: An exploratory study. *The Journal of High Technology Management Research*, *21*, 43–51. doi:10.1016/j.hitech.2010.02.006

Dwyer, S., Richard, O. C., & Chadwick, K. (2003). Gender diversity in management and firm performance: the influence of growth orientation and organizational culture. *Journal of Business Research*, *56*(12), 1009–1019. doi:10.1016/S0148-2963(01)00329-0

Dyck, B., Mauws, M. K., Starke, F. A., & Mischke, G. A. (2002). Passing the baton: The importance of sequence, timing, technique and communication in executive succession. *Journal of Business Venturing*, *17*(2), 143–162. doi:10.1016/S0883-9026(00)00056-2

Dyer, J. H., Gregersen, H. B., & Christensen, C. (2008). Entrepreneur behaviors, opportunity recognition, and the origins of innovative ventures. *Strategic Entrepreneurship Journal*, *2*, 317–338. doi:10.1002/sej.59

Dyer, W. G. (1994). Potential contributions of organizational behavior to the study of family-owned businesses. *Family Business Review*, *7*(2), 109–131. doi:10.1111/j.1741-6248.1994.00109.x

Earley, P. C., & Gibson, C. B. (2007). Collective cognition in action: Accumulation, interaction, examination and accommodation in the development and operation of group efficacy beliefs in the workplace. *Academy of Management Review*, *32*(2), 438–458. doi:10.5465/AMR.2007.24351397

Eckhardt, J., & Shane, S. (2003). Opportunities and entrepreneurship. *Journal of Management*, *29*(3), 333–349. doi:10.1016/S0149-2063(02)00225-8

Eddleston, K. A. (2008). Commentary: The prequel of family firm culture and stewardship: The leader perspective of the founder. *Entrepreneurship Theory and Practice*, *32*(6), 1055–1061. doi:10.1111/j.1540-6520.2008.00272.x

Eddleston, K. A., & Kellermans, F. W. (2007). Destructive and productive family relationships: A steward-ship theory perspective. *Journal of Business Venturing*, *22*(4), 545–565. doi:10.1016/j.jbusvent.2006.06.004

Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, *14*(4), 532–550.

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10-11), 1105–1121. doi:10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E

Eisenhardt, K. M., & Schoonhoven, C. B. (1990). Organizational growth: Linking founding team, strategy, environment, and growth among US semiconductor ventures, 1978–1988. *Administrative Science Quarterly*, *35*(3), 504–529. doi:10.2307/2393315

Eisenhardt, K. M., & Zbaracki, M. J. (1992). Strategic decision making. *Strategic Management Journal*, *13*(S2), 17–37. doi:10.1002/smj.4250130904

Elenkov, D. S. (1997). Strategic uncertainty and environmental scanning: The case for institutional influences on scanning behavior. *Strategic Management Journal*, *18*(4), 287–302. doi:10.1002/(SICI)1097-0266(199704)18:4<287::AID-SMJ865>3.0.CO;2-B

Eliasson, C., & Davidsson, P. (2003). Entrepreneurial management, corporate venturing, and financial performance. *Frontiers of Entrepreneurship Research*, 461-470.

El-Namacki, M. (1990). Small business - The myth and the reality. *Long Range Planning*, *23*(4), 78–87. doi:10.1016/0024-6301(90)90155-W

Ensley, M. D., Pearce, C. L., & Hmieleski, K. M. (2006). The moderating effect of environmental dynamism on the relationship between entrepreneur leadership behavior and new venture performance. *Journal of Business Venturing*, *21*, 243–263. doi:10.1016/j.jbusvent.2005.04.006

Eshima, Y. (2003). Impact of public policy on innovative SMEs in Japan. *Journal of Small Business Management*, *41*(1), 85–93. doi:10.1111/1540-627X.00068

Etzioni, A. (1996). The responsive community: A communitarian perspective. *American Sociological Review*, *61*(1), 1–11. doi:10.2307/2096403

European Commission Enterprise and Industry. (2010). *Internationalisation of European SMEs*. Brussels: Entrepreneurship Unit Directorate-General for Enterprise and Industry.

European Commission. (2002). *Final report of the expert group on the transfer of small and medium-sized enterprises*. Brussels, Belgium: Author.

European Commission. (2005). *The new SME definition: User guide and model declaration*. Brussels, Belgium: Enterprise and Industry Publications.

European Commission. (2009). *Report: Internationalisation of European SMEs.* Retrieved from http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm

European Commission. (2009, November). *Overview of family-business relevant issues: Research, networks, policy measures and existing studies.* (Final report of the expert group).

European Commission. (2011), Small business, big world— A new partnership to help SMEs seize global opportunities (Communication from the commission to the European parliament, the council, the European economic and social committee and the committee of the regions). Brussels, Belgium.

European Union. (2005). *SME definition: User guide and model declaration.* Downloaded from http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf

Farneti, G., & Bartolini, M. (2009). *Sistemi di controllo manageriale e medie imprese*. Milano, Italy: Franco Angeli.

Fayolle, A. (1999). Entrepreneurial management: Fact or fiction? In G. Capaldo, & M. Raffa Napoles (Eds.), *Innovation and economic development: The role of entrepreneurship and SME* (pp. 167–186). Napels, Italy: Edizioni Scientifiche Italiane.

Fayolle, A., & Todorov, K. (2011). European entrepreneurship in the globalizing economy: An introduction. In A. Fayolle, & K. Todorov (Eds.), *European entrepreneurship in the globalizing economy* (pp. 1–7). Cheltenham, UK: Edward Elgar. doi:10.4337/9781849808224.00005

Felden, B., & Klaus, A. (2003). *Unternehmensnachfolge*. Stuttgart, Germany: Schäffer-Poeschel.

Felden, B., & Menke, M. (2006). Mitarbeiterführung in Familienunternehmen-zwischen Patriarchat und Mitarbeiterbeteiligung. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 51–68). Stuttgart, Germany: Schäfer-Poeschel.

Felden, B., & Pfannenschwarz, A. (2008). *Unternehmensnachfolge: Erfolgsfaktoren und Instrumente bei kleineren und mittleren Unternehmen*. Munich, Germany: Oldenbourg. doi:10.1524/9783486593020

Felício, J. A., Couto, E., & Caiado, J. (2012). Human capital and social capital in entrepreneurs and managers of small and medium enterprises. *Journal of Business Economics & Management*, *13*(3), 395–420. doi:10.3846/16111699.2011.620139

Feltham, T. S., Feltham, G., & Barnett, J. J. (2005). The dependence of family businesses on a single decision-maker. *Journal of Small Business Management*, *43*(1), 1–15. doi:10.1111/j.1540-627X.2004.00122.x

Fenton, C., & Langley, A. (2011). Strategy as practice and the narrative turn. *Organization Studies*, *32*(9), 1171–1196. doi:10.1177/0170840611410838

Ferguson, E. (2011). What Adlerians consider important for communication and decision-making in the workplace: Mutual respect and democratic leadership style. *Journal of Individual Psychology*, *67*(4), 432–437.

Fernald, L. W. Jr, Solomon, G. T., & Tarabishy, A. (2005). A new paradigm: Entrepreneurial leadership. *Southern Business Review*, *30*(2), 1–10.

Fernández, Z., & Nieto, M. J. (2005). Internationalization strategy of small and medium-sized family businesses: some influential factors. *Family Business Review*, *18*(1), 77–89. doi:10.1111/j.1741-6248.2005.00031.x

Ferreira, J. (2010). Corporate entrepreneurship and small firms growth. *International Journal of Entrepreneurship and Small Business*, *10*(3), 386–409. doi:10.1504/IJESB.2010.033574

Festo. (n. d.). *Website*. Retrieved from www.festo.com

Filion, L. J. (1994). *Entrepreneurship and management: Differing but complementary processes*. Paper presented at VIII Congreso Latino Americano Sobre Espiritu Empresarial. Cali, Columbia.

Finne, H., Kevin, M., & Nilssen, T. (1993). Evaluation of the BUNT programme (Summary report). SINTEF IFIM and the Department of Organization and Work Science, NTH, Trondheim, Norway.

Fisher, W. R. (1987). *Human communication as narration: Towards a philosophy of reason, value, and action*. Columbia, SC: University of South Carolina Press.

Fletcher, D. (2006). Entrepreneurial processes and the social construction of opportunity. *Entrepreneurship and Regional Development*, *18*(5), 421–440. doi:10.1080/08985620600861105

Flores, L. G., Zheng, W., Devaki, R., & Thomas, C. H. (2012). Organizational learning: Subprocess identification, construct validation, and an empirical test of cultural antecedents. *Journal of Management*, *38*(2), 640–667. doi:10.1177/0149206310384631

Fombrun, C. J., & Rindova, V. (2000). The road to transparency: Reputation. Management at Royal Dutch/Shell. In M. Schultz, M. J. Hatch, & M. H. Larsen (Eds.), *The expressive organization* (Vol. 7, pp. 7–96). Oxford: Oxford University Press.

Fong, K. cS., & Mazzarol, T.cW. (2006). *Strategic networking and growth of technology-oriented SMEs: Evidence from Singapore.* Paper presented at 20th Annual Australia & New Zealand Academy of Management (ANZAM) Conference 2006, Rockhampton, Australia. Retrieved August 22, 2013 from http://www.cemi.com.au/sites/all/publications/ANZAM%20FONGMAZZ06.pdf

Forbes, D. P. (2005). Are some entrepreneurs more overconfident than others? *Journal of Business Venturing*, *20*, 623–640. doi:10.1016/j.jbusvent.2004.05.001

Ford, D., & Gadde, L.-E. Håkansson, & H., Snehota, I. (2002). *Managing networks*. Paper presented at the 18th IMP-conference in Perth, Australia. Retrieved August 12, 2013, from http://impgroup.org/uploads/papers/4198.pdf

Ford, D. (Ed.). (2002). *Understanding business marketing and purchasing*. London: Thomson.

Forlani, D., & Mullins, J. (2000). Perceived risks and choices in entrepreneurs' new venture decisions. *Journal of Business Venturing*, *15*(4), 305–322. doi:10.1016/S0883-9026(98)00017-2

Fornaciari, C. J., Lamont, B. T., Mason, B., & Hoffman, J. J. (1993). Incremental and revolutionary strategic change: An empirical test of common premises. *The International Journal of Organizational Analysis*, *1*(3), 273–290. doi:10.1108/eb028792

Forni, P., Siles, M., & Barreiro, L. (2004). *Qué es el Capital Social: Cómo analizarlo en contextos de exclusión social y pobreza? (JSRI Research Report #35)*. MI: The Julian Samora Research Institute, Michigan State University.

Forrester, J. W. (1961). *Industrial dynamics*. Cambridge, MA: MIT Press.

Forsgren, M. (2002). The concept of learning in the Uppsala internationalization process model: A critical review. *International Business Review*, *11*, 257–277. doi:10.1016/S0969-5931(01)00060-9

Franco, M., & Haase, H. (2009). Entrepreneurship: An organizational learning approach. *Journal of Small Business and Enterprise Development*, *16*(4), 628–641. doi:10.1108/14626000911000965

Franco, M., Haase, H., Magrinho, A., & Ramos Silva, J. (2011). Scanning practices and information: An empirical study of firm size. *Journal of Enterprise Information Management*, *24*(3), 268–287. doi:10.1108/17410391111122853

Freel, M. S. (1999). Where are the skills gaps in innovative small firms? *International Journal of Entrepreneurial Behaviour & Research*, *5*(3), 144–154. doi:10.1108/13552559910371095

Freel, M. S. (2000). Barriers to product innovation in small manufacturing firms. *International Small Business Journal*, *18*(2), 60–80. doi:10.1177/0266242600182003

Freeman, C. (1991). Network of innovators: A synthesis of research issues. *Research Policy*, *20*(5), 499–514. doi:10.1016/0048-7333(91)90072-X

Freeman, C., & Soete, L. (1997). *The economics of industrial innovation*. Cambridge, MA: MIT Press.

French, S. (2009). Critiquing the language of strategic management. *Journal of Management Development*, *28*(1), 6–7. doi:10.1108/02621710910923836

Frey, U., & Halter, F. (2006). Kundenbindung von Familienunternehmen – zwischen Persönlichkeit und professionellem Marketing. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 165–176). Stuttgart, Germany: Schäfer-Poeschel.

Frezatti, F., Aguiar, A., Guerreiro, R., & Gouvea, M. (2011). Does management accounting play role in planning process? *Journal of Business Research*, *64*, 242–249. doi:10.1016/j.jbusres.2009.11.008

Friedman, S. (1986). Succession systems in large corporations: Characteristics and correlates of performance. *Human Resource Management*, *25*(2), 191–214. doi:10.1002/hrm.3930250204

Frost. (2003). The use of strategic tools by small and medium-sized enterprises: An Australasian study. *Strategic Change, 12*(1), 49-62.

Frost, F. A. (2003). The use of strategic tools by small and medium-sized enterprises: An Australasian study. *Strategic Change*, *12*(1), 49–62. doi:10.1002/jsc.607

Fueglistaller, U., Müller, C., Müller, S., & Volery, T. (2012). *Entrepreneurship. Modelle, Umsetzung Perspektiven*. Wiesbaden, Germany: Springer Gabler.

Furfie, B. (2010). *SAP to release Arabic ERP solution*. Retrieved October, 05, 2013, from http://www.itp.net/

Gallo, M. A. (1995). The role of family business and its distinctive characteristic behavior in industrial activity. *Family Business Review*, *8*(2), 83–97. doi:10.1111/j.1741-6248.1995.00083.x

Gankema, H. G., Snuif, H. R., & Zwart, P. S. (2000). The internationalization process of small and medium-sized enterprises: An evaluation of stage theory. *Journal of Small Business Management*, *38*(4), 15–27.

García, P. M., Sáez, F. J., & Barba-Sánchez, V. (1999). Análisis del resultado de las empresas de nueva creación: Influencia de la estrategia y el sector de actividad. *Revista Europea de Dirección y Economía de la Empresa*, *8*(3), 109–123.

Garel, G. (2003). Pour une histoire de la gestion de projet. *Gérer et Comprendre*, *74*, 77–89.

Garengo, P., Biazzo, S., & Bitici, U. (2005). Performance measurement systems in SMEs: A review for a research agenda. *International Journal of Management Reviews*, *7*(1), 25. doi:10.1111/j.1468-2370.2005.00105.x

Gartner, W. B. (1985). A conceptual framework for describing the phenomenon of new venture creation. *Academy of Management Review*, *10*(4), 696–706.

Gartner, W. B. (2004). Achieving critical mass in entrepreneurship scholarship. In J. A. Katz, & D. Sheperd (Eds.), *Advances in entrepreneurship, firm emergence, and growth* (pp. 199–216). Greenwich, CT: Elsevier.

Gastil, J. (1994). A definition and illustration of democratic leadership. *Human Relations*, *46*(8), 953–975. doi:10.1177/001872679404700805

Gatignon, H., & Xuereb, J. (1997). Strategic orientation of the firm and new product performance. *JMR, Journal of Marketing Research*, *34*(1), 77–90. doi:10.2307/3152066

Gemmell, R. M. (2011). *Entrepreneurial innovation as a learning system*. Cleveland, OH: Case Western Reserve University. Retrieved December 10, 2013 from http://digitalcase.case.edu:9000/fedora/get/ksl:weaedm396/weaedm396.pdf

Gergen, K. K. (1999). *An invitation to social construction*. London: Sage.

Gergen, K. K. (2009). *Relational being: Beyond self and community*. New York: Oxford University Press.

Ghobadian, A., & Gallear, D. (1997). TQM and organisationa size. *International Journal of Operations & Production Management*, *17*(2), 121–163. doi:10.1108/01443579710158023

Ghobadian, A., & Gallear, D. N. (1996). Total quality management in SMEs. *International Journal of Management Science*, *23*(5), 83–106.

Ghoshal, S. (1988). Environmental scanning in Korean firms: Organizational isomorphism in action. *Journal of International Business Studies*, *19*(1), 69–86. doi:10.1057/palgrave.jibs.8490375

Ghoshal, S. (2003). M&S: Enduring insights for managers. *The Academy of Management Executive*, *17*(4), 109–114. doi:10.5465/AME.2003.11851879

Gibb, A. (1987). Enterprise culture – Its meaning and implications for education and training. *Journal of European Industrial Training*, *11*(2), 2–38. doi:10.1108/eb043365

Gibson, C. B. (2001). Me and us: Differential relationships among goal setting training, efficacy, and effectiveness at the individual and team level. *Journal of Organizational Behavior*, *22*(7), 789–808. doi:10.1002/job.114

Gibson, C., & Birkinshaw, J. (2004). The antecedents, consequences and mediating role of organizational ambidexterity. *Academy of Management Journal*, *47*(2), 209–266. doi:10.2307/20159573

Gibson, C., Cooper, C., & Conger, J. (2009). Do you see what we see? The complex effects of perceptual distance between leaders and teams. *The Journal of Applied Psychology*, *94*(1), 62–76. doi:10.1037/a0013073 PMID:19186896

Gilad, B. (1989). The role of organized competitive intelligence in corporate strategy. *The Columbia Journal of World Business*, *24*(4), 29–35.

Giles, W. D. (1991). Making strategy work. *Long Range Planning*, *24*(5), 75–91. doi:10.1016/0024-6301(91)90254-L

Gilmore, A., & Carson, D. (1999). Entrepreneurial marketing by networking. *New England Journal of Entrepreneurship*, *2*(2), 31–38.

Gilmore, A., Carson, D., & Grant, K. (2001). SME marketing in practice. *Marketing Intelligence & Planning*, *19*(1), 6–11. doi:10.1108/02634500110363583

Gilmore, A., Carson, D., O'Donnell, A., & Cummins, D. (1999). Added value: A qualitative assessment of SME marketing. *Irish Marketing Review*, *12*(1), 27–35.

Gimenez, F. P. (1999). Miles and Snow's strategy model in the context of small firms. Paper presented at the 44th ICSB World Conference, Italy.

Gimeno, J., Folta, T., Cooper, A., & Woo, C. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, *42*, 750–783. doi:10.2307/2393656

Ginsberg, A., & Venkatraman, N. (1985). Contingency perspectives of organizational strategy: A critical review of the empirical research. *Academy of Management Review*, *10*(3), 421–434.

Giovannoni, E., Maraghini, M. P., & Riccaboni, A. (2011). Transmitting knowledge across generations: The role of management accounting practices. *Family Business Review*, *24*(2), 126–150. doi:10.1177/0894486511406722

Glaser, B., & Strauss, A. (1967). *The discovery of grounded theory - Strategies for qualitative research*. London: Weiderfeld and Nicolson.

Goldberg, S. D. (1996). Effective successors in family-owned business. *Family Business Review*, *9*(2), 185–197. doi:10.1111/j.1741-6248.1996.00185.x

Gorton, M. (1999). Use of financial management techniques in the U.K.-based small and medium sized enterprises: Empirical research findings. *Journal of Financial Management*, *12*, 56–64.

Govindarajan, V., & en Trimble, C. (2005). *Ten rules for strategic innovators: From idea to execution.* Boston: Harvard Business School Press.

Graen, G., & Uhl-Bien, M. (1995). Relationship-based approach to leadership: Development of leader-member exchange (LMX) theory of leadership over 25 years: Applying a multi-level-domain perspective. *The Leadership Quarterly*, *6*(2), 219–247. doi:10.1016/1048-9843(95)90036-5

Grandori, A., & Soda, G. (1995). Inter-firm networks: Antecedents, mechanisms and forms. *Organization Studies*, *16*(2), 183–214. doi:10.1177/017084069501600201

Granlund, M., & Malmi, T. (2002). Moderate impact of ERPS on management accounting: A lag or permanent outcome? *Management Accounting Research*, *13*(3), 299–321. doi:10.1006/mare.2002.0189

Granlund, M., & Taipaleenmäki, J. (2005). Management control and controllership in new economy firms: A life-cycle perspective. *Management Accounting Research*, *16*(1), 21–57. doi:10.1016/j.mar.2004.09.003

Granovetter, M. S. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, *91*, 481–510. doi:10.1086/228311

Grant, G. G. (2003). Strategic alignment and enterprise systems implementation: The case of Metalco. *Journal of Information Technology*, *18*(3), 159–175. doi:10.1080/0268396032000122132

Grant, R. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, *17*(Special Issue), 109–122.

Grant, R. M. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, *22*, 114–135. doi:10.2307/41166664

Grasselli, P., & Cavazzoni, G. (Eds.). (1994). *Servizi informativi per l'internazionalizzazione delle piccole e medie imprese* [Proceedings of the conference on Information services for the internationalizational of small and medium sized enterprises held in Perugia, Italy]. Perugia, Italy: Centro Stampa Università degli Studi di Perugia.

Greene, P., & Brown, T. E. (1997). Resources needs and the dynamic capitalism typology. *Journal of Business Venturing*, *12*, 161–173. doi:10.1016/S0883-9026(96)00060-2

Greenhalgh, R. W. (2000). Information and the transnational SME controller. *Management Accounting Research*, *11*, 413–426. doi:10.1006/mare.2000.0143

Green, K., Covin, J. G., & Slevin, D. P. (2008). Exploring the relationship between strategic reactiveness and entrepreneurial orientation: The role of structure–style fit. *Journal of Business Venturing*, *23*, 356–383. doi:10.1016/j.jbusvent.2007.01.002

Greenwald, B., & Kahn, J. (2005). All strategy is local. *Harvard Business Review*, *83*(9), 95–104. PMID:16171214

Greiner, L. (1972). Evolution and revolution as organizations grow. *Harvard Business Review*, (July-August): 37–46. PMID:10179654

Greve, A., & Salaff, J. W. (2003). Social networks and entrepreneurship. *Entrepreneurship Theory and Practice*, *28*(1), 1–22. doi:10.1111/1540-8520.00029

Grinstein, A. (2008). The effect of market orientation and its components on innovation consequences: A meta-analysis. *Journal of the Academy of Marketing Science*, *36*(2), 166–173. doi:10.1007/s11747-007-0053-1

Grønhaug, K., & Kvitastein, O. (1993). Distributional involvement in international strategic business units. *International Business Review*, *2*(1), 1–14. doi:10.1016/0969-5931(93)90002-E

Grossman, E. B., Yli-Renko, H., & Janakiraman, R. (2012). Resource search, interpersonal similarity, and network tie valuation in nascent entrepreneurs' emerging networks. *Journal of Management*, *38*(6), 1760–1787. doi:10.1177/0149206310383693

Groves, K. S. (2007). Integrating leadership development and succession planning best practices. *Journal of Management Development*, *26*(3), 239–260. doi:10.1108/02621710710732146

Gubik, A. (2005). New opportunities for SMEs founded by cooperation. *European Integration Studies*, *4*(1), 25–36.

Gulati, R., Dialdin, D. A., & Wang, L. (2002). Organizational networks. In J. A. C. Baum (Ed.), *Blackwell companion to organizations* (pp. 281–303). Oxford, UK: Blackwell Publishers.

Gulati, R., Nohria, N., & Zaheer, A. (2000). Strategic networks. *Strategic Management Journal*, *21*(3).

Gul, F. A., & Chia, Y. M. (1994). The effects of management accounting systems, perceived environmental uncertainty and decentralization on managerial performance: A test of three-way interaction. *Accounting, Organizations and Society*, *19*, 413–426. doi:10.1016/0361-3682(94)90005-1

Gutierrez, A., Orozco, J., & Serrano, A. (2009). Factors affecting IT and business alignment: A comparative study in SMEs and large organisations. *Journal of Enterprise Information Management*, *22*(1/2), 197–211. doi:10.1108/17410390910932830

Habbershon, T. G., & Williams, M. L. (1999). A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, *12*(1), 1–25. doi:10.1111/j.1741-6248.1999.00001.x

Hadjikhani, A. (1997). A note on the criticisms against the internationalization process model. *MIR: Management International Review*, 43-66.

Hagedoorn, J., Roijakkers, N., & Van Kranenburg, H. (2006). Inter-firm R&D networks: The importance of strategic network capabilities for high-tech partnership formation. *British Journal of Management*, *17*, 39–53. doi:10.1111/j.1467-8551.2005.00474.x

Haines, S. G., & McKinlay, J. (2007). *Reinventing strategic planning: The systems thinking approach*. San Diego, CA: Systems Thinking Press.

Hair, J. F., Black, B., Babin, B., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (6th ed.). New York: Prentice Hall.

Håkansson, H., & Snehota, I. (1995). *Developing relationships in business networks*. Boston: International Thomson Press.

Hall, A. (2003). Strategising: Contributions and challenges of a new perspective in strategy research. In *Proceedings of the 17th Scandinavian Academy of Management.*

Hambrick, D. C. (1983). High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, *26*, 687–707. doi:10.2307/255916

Hambrick, D. C. (2003). On the staying power of defenders, analysers, and prospectors. *The Academy of Management Executive*, *17*(4), 115–118. doi:10.5465/AME.2003.11851883

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, *9*(2), 193–206.

Hamel, G., & Prahalad, C. K. (2005). Strategic intent. *Harvard Business Review*, *83*(7/8), 148–161. PMID:10303477

Hampden-Turner, C. (1990). *Corporate culture: From vicious to virtuous circles*. London: Economist Books.

Hand, J., & Lev, B. (2003). *Intangible assets*. New York: Oxford University Press.

Handler, W. C. (1990). Succession in owner-managed and family firms: A mutual role adjustment between the entrepreneur and the next generation. *Entrepreneurship Theory and Practice*, *15*(1), 37–51.

Handler, W. C. (1994). Succession in family business: A review of the research. *Family Business Review*, *7*(2), 133–157. doi:10.1111/j.1741-6248.1994.00133.x

Hanks, S. H., Watson, C. J., Erik, J., & Chandler, G. N. (1993). Tightening the life-cycle construct: a taxonomic study of growth stage configurations in high-technology organizations. *Entrepreneurship Theory and Practice*, *18*(2), 34–59.

Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American Journal of Sociology*, *84*(4), 929–964. doi:10.1086/226424

Hannan, M., & Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review*, *49*(2), 149–164. doi:10.2307/2095567

Hansen, E. L. (1995). Entrepreneurial networks and new organization growth. *Entrepreneurship Theory and Practice*, *19*(4), 7–19.

Hansen, S. C., & Van der Stede, W. A. (2004). Multiple facets of budgeting: An exploratory analysis. *Management Accounting Research*, *15*, 415–439. doi:10.1016/j.mar.2004.08.001

Harris, D., & Helfat, C. E. (1997). Specificity of CEO human capital and compensation. *Strategic Management Journal*, *18*, 895–920. doi:10.1002/(SICI)1097-0266(199712)18:11<895::AID-SMJ931>3.0.CO;2-R

Harris, D., Martinez, J. I., & Ward, J. L. (1994). Is strategy different for the family-owned business? *Family Business Review*, *7*(2), 159–174. doi:10.1111/j.1741-6248.1994.00159.x

Harrison, S. J., & Freeman, E. (2004). Special topic: Democracy in and around organizations. *The Academy of Management Executive*, *18*, 49–53. doi:10.5465/AME.2004.14776168

Hart, S., & Banbury, C. (1994). How strategy-making processes can make a difference. *Strategic Management Journal*, *15*(4), 251–269. doi:10.1002/smj.4250150402

Harvey, M., & Evans, R. E. (1994). Family business and multiple levels of conflict. *Family Business Review*, *7*(4), 331–348. doi:10.1111/j.1741-6248.1994.00331.x

Hatak, I., & Roessl, D. (2010). Trust within interfirm cooperation: A conceptualization. *Our Economy - Review of Current Issues in Economics, 56*(5-6), 3-10.

Hatak, I., & Roessl, D. (2013). Relational competence-based knowledge transfer within intra-family succession: An experimental study. *Family Business Review*. doi:10.1177/0894486513480386

Hawari, A. A., & Heeks, R. (2010). Explaining ERP failure in a developing country: A Jordanian case study. *Journal of Enterprise Information Management*, *23*(2), 135–160. doi:10.1108/17410391011019741

Hax, A. C., & Majluf, N. S. (1991). *The strategy concept and process: A pragmatic approach*. New York: Prentice-Hall.

Hayek, F. A. (1945). The use of knowledge in society. *The American Economic Review*, *35*(4), 519–530.

Hayek, F. A. (1978). Competition as a discovery procedure. In F. A. Hayek (Ed.), *New studies in philosophy, politics, economics and the history of ideas* (pp. 179–191). Chicago: University of Chicago Press. doi:10.7208/chicago/9780226321288.001.0001

Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic Management Journal*, *24*(10), 997–1010. doi:10.1002/smj.332

Henderson, J. C., & Venkatraman, N. (1993). Strategic alignment: Leveraging information technology for transforming organizations. *IBM Systems Journal*, *32*(1), 4–16. doi:10.1147/sj.382.0472

Hennerkes, B.-H. (2006). Markterschließung durch Familienunternehmen – erfolgreich zwischen Markenpolitik und Markenführung. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 151–159). Stuttgart, Germany: Schäfer-Poeschel.

Hessels, J., & Parker, S. C. (2012). Constraints, internationalization and growth: A cross-country analysis of European SMEs. *Journal of World Business*.

Higgs, M. (2009). The good, the bad, and the ugly: Leadership and narcissism. *Journal of Change Management*, *9*(2), 165–178. doi:10.1080/14697010902879111

Hill, J., & Wright, L. T. (2001). A qualitative research agenda for small to medium-sized enterprises. *Marketing Intelligence & Planning*, *19*(6), 432–443. doi:10.1108/EUM0000000006111

Hills, G. E. (1987). Marketing and entrepreneurship research issues: Scholarly justification?. *Research at the Marketing/Entrepreneurship Interface,* 3-15.

Hills, G. E., & Lumpkin, G. T. (1997, June). *Opportunity recognition research: Implications for entrepreneurship education*. Paper presented at IntEnt 97, The 1997 International Entrepreneurship Conference, Monterey Bay, California.

Hills, G. E., & Hultman, C. M. (2006). Entrepreneurial marketing. In S. Lagrosen, & G. Svensson (Eds.), *Marketing – Broadening the horizons*. Denmark: Studentlitteratur.

Hills, G., Lumpkin, G. T., & Singh, R. P. (1997). Opportunity recognition: Perceptions and behaviors of entrepreneurs. *Frontiers of Entrepreneurship Research*, *17*, 203–218.

Hindle, K. (2004). Choosing qualitative methods for entrepreneurial cognitive research: a canonical development approach. *Entrepreneurship Theory and Practice*, *28*(6), 575–607. doi:10.1111/j.1540-6520.2004.00065.x

Hinterhuber, H. H., & Popp, W. (1992). *Are you strategist or just a manager? Harvard Business Review*. January-February.

Hirschman, A. O. (1958). *The strategy of economic development*. New Haven, CT: Yale University Press.

Hisrich, R. D., Peters, M. P., & Shepherd, D. A. (2005). *Entrepreneurship* (6th ed.). New York: McGraw-Hill Irwin.

Hisrich, R., & Peters, M. (1989). *Entrepreneurship: Starting, developing and managing a new enterprise*. Homewood, IL: Richard D. Irwin, Inc.

Hite, J. M. (2005). Evolutionary processes and paths of relationally embedded network ties in emerging entrepreneurial firms. *Entrepreneurship Theory and Practice*, *29*(1), 113–144. doi:10.1111/j.1540-6520.2005.00072.x

Hite, J. M., & Hesterly, W. S. (2001). The evolution of firm networks: From emergence to early growth of the firm. *Strategic Management Journal*, *22*(3), 275–286. doi:10.1002/smj.156

Hitt, M. A., Ahlstrom, D., Dacin, M. T., Levitas, E., & Svobodina, L. (2004). The institutional effects on strategic alliance partner selection in transition economies: China vs. Russia. *Organization Science*, *15*, 173–185. doi:10.1287/orsc.1030.0045

Hitt, M. A., Ireland, D. R., Sirmon, D. G., & Trahms, C. A. (2011). Strategic entrepreneurship: Creating value for individuals, organizations, and society. *The Academy of Management Perspectives*, *25*(2), 57–75. doi:10.5465/AMP.2011.61020802

Hitt, M. A., Ireland, R. D., Camp, S. M., & Sexton, D. L. (2002). Strategic entrepreneurship: Integrating entrepreneurship and strategic management perspective. In M. A. Hitt, R. D. Ireland, S. M. Camp, & D. L. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset*. Oxford, UK: Blackwell Publishers. doi:10.1111/b.9780631234104.2002.00013.x

Hmieleski, K. M. (2009). Entrepreneur improvisational behavior and new venture performance: A social cognitive perspective. *Frontiers of Entrepreneurship Research, 29*(5).

Hmieleski, K. M., & Corbett, A. C. (2006). Proclivity for improvisation as a predictor of entrepreneurial intentions. *Journal of Small Business Management*, *44*(1), 45–63. doi:10.1111/j.1540-627X.2006.00153.x

Ho, K. W. (2012). *Business survival in the face of natural disaster: The case of the High Street fashion precinct* (Unpublished Bachelor of Commerce Honours dissertation). University of Canterbury, Christchurch, UK.

Hoang, H., & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. *Journal of Business Venturing*, *18*(2), 165–187. doi:10.1016/S0883-9026(02)00081-2

Hofer, C. W., & Bygrave, W. D. (1992). Theorizing About entrepreneurship. *Entrepreneurship Theory and Practice*, *16*(2), 13–22.

Hofstede, G. (1984). *Cultures consequences: International differences in work-related values*. Beverly Hills, CA: Sage.

Hollesen, S. (2001). Global marketing: A market-responsive approach (2nd ed.). Europe: Prentice Hall.

Hormiga, E., Batista, R. M., & Sánchez, A. (2007). La influencia del capital relacional en el éxito de las empresas de nueva creación. In J. C. Ayala (Ed.), *Conocimiento, innovación y emprendedores: Camino al futuro* (pp. 1215–1231). Logroño, Spain: Servicio de Publicaciones de la Universidad de la Rioja.

Hornsby, J. S., Kuratko, D. F., Shepherd, D. A., & Bott, J. P. (2009). Managers' corporate entrepreneurial actions: Examining perception and position. *Journal of Business Venturing*, *24*, 236–247. doi:10.1016/j.jbusvent.2008.03.002

Hortoványi, L. (2012). *Entrepreneurial management* (Doctoral dissertation). Corvinus University of Budapest, Department of Strategic Management, Budapest, AULA Kiadó Kft. Retrieved December 10, 2013 from http://mek.oszk.hu/11400/11406/11406.pdf

Hosseini, S., Chashmi, S., & Baboli, S. (2011). Using fuzzy multi-criteria decision making for strategic management. *Australian Journal of Basic & Applied Sciences*, *5*(12), 2375–2379.

Hough, J. R., & White, M. A. (2004). Scanning actions and environmental dynamism: Gathering information for strategic decision making. *Management Decision*, *42*(6), 781–793. doi:10.1108/00251740410542348

Howorth, C., & Ali, Z. A. (2001). Family business succession in Portugal. *Family Business Review*, *14*(3), 231–244. doi:10.1111/j.1741-6248.2001.00231.x

Hsu, D. H., Roberts, E. B., & Eesley, C. E. (2007). Entrepreneurs from technology-based universities: Evidence from MIT. *Research Policy*, *36*(5), 768–788. doi:10.1016/j.respol.2007.03.001

Hu, Q., & Huang, C. D. (2005). Aligning IT with business strategies using the balanced scorecard system. In *Proceedings of the 38th Hawaii International Conference on System Sciences.*

Huber, G. P. (1991). Organizational learning: The contributing processes and the literatures. *Organization Science*, *2*(1), 88–115. doi:10.1287/orsc.2.1.88

Huber, G., & Lewis, K. (2010). Cross understanding: Implications for group cognition and performance. *Academy of Management Review*, *35*(1), 6–26. doi:10.5465/AMR.2010.45577787

Hudson, M., Smart, A., & Bourne, M. (2001). Theory and practice in SME performance measurement systems. *International Journal of Operations & Production Management*, *21*(8), 1096–1115. doi:10.1108/EUM0000000005587

Huikkola, T., Ylimäki, J., & Kohtamäki, M. (2013). Joint learning in R&D collaborations and the facilitating relational practices. *Industrial Marketing Management*, *42*(7), 1167–1180. doi:10.1016/j.indmarman.2013.07.002

Hurley, R. F., & Hult, G. T. M. (1998). Innovation, market orientation, and organizational learning: An integration and empirical examination. *Journal of Marketing*, *62*(3), 42–54. doi:10.2307/1251742

Hu, S., Blettner, D., & Bettis, R. A. (2011). Adaptive aspirations: Performance consequences of risk preferences at extremes and alternative reference groups. *Strategic Management Journal*, *32*(13), 1426–1436. doi:10.1002/smj.960

Hussey, D. E. (1994). *Strategic management: Theory and practice*. New York, NY: Pergamon.

Hussin, H., King, M., & Cragg, P. (2002). IT Alignment in small firms. *European Journal of Information Systems*, *11*(2), 108–127. doi:10.1057/palgrave/ejis/3000422

Hvolby, H. H., & Thorstenson, A. (2000). Performance measurement in small and medium sized enterprises. In *Proceedings of Third International Conference on Stimulating Manufacturing Excellence in SMEs*, Coventry University, Coventry, UK (pp. 324-332).

Hyötyläinen, R. (2000). *Development mechanisms of strategic enterprise networks. Learning and innovation in networks*. Espoo, Finland: VTT Publications.

Ikeba, S. (2008). The meaning of 'social capital' as it relates to the market process. *The Review of Austrian Economics*, *21*, 167–182. doi:10.1007/s11138-007-0037-x

Indrasafitri, D. (2012, January 31). Peter Vesterbacka: Even mighty eagles make mistakes. *The Jakarta Post*. Retrieved from http://www.thejakartapost.com.

Inkpen, A. C. (1996). Creating knowledge through collaboration. *California Management Review*, *39*(1), 123–140. doi:10.2307/41165879

International Telecommunication Union (ITU). (2012). *Measuring the information society*. Geneva Switzerland. Retrieved February 10, 2013, from: http://www.itu.int/

Ip, B., & Jacobs, G. (2006). Business succession planning: A review of the evidence. *Journal of Small Business and Enterprise Development*, *13*(3), 326–350. doi:10.1108/14626000610680235

Ireland, R. D., & Hitt, M. A. (1997). Performance strategies for high-growth entrepreneurial firms. In P. D. Reynolds (Ed.), *Frontiers of entrepreneurship research* (pp. 90–104). Wellesley, MA: Babson College.

Ireland, R. D., Hitt, M. A., & Sirmon, D. G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management*, *29*(6), 963–989.

Itami, H. (1987). *Mobilizing invisible assets*. Cambridge, MA: Harvard University Press.

Izquierdo, E., Deschoolmeester, D., & Salazar, D. (2005, July). *The importance of competencies for entrepreneurship: A view from entrepreneurs and scholars' perspective*. Paper presented at 2005 Internationalising Entrepreneurship Education and Training Conference, Surrey, United Kingdom.

Jain, S. C. (1984). Environmental scanning in U.S. corporations. *Long Range Planning*, *17*(2), 117–128. doi:10.1016/0024-6301(84)90143-2 PMID:10299516

Jansson, H., & Sandberg, S. (2008). Internationalization of small and medium sized enterprises in the Baltic Sea Region. *Journal of International Management*, *14*(1), 65–77. doi:10.1016/j.intman.2007.02.005

Jarillo, J. C. (1988). On strategic networks. *Strategic Management Journal*, 9.

Jarillo, J. C. (1995). *Strategic networks. Creating the borderless organization*. Oxford, UK: Butterworth-Heinemann Ltd., Linacre House.

Jarzabkowski, P. (2004). Strategy as practice: Recursiveness, adaptation, and practice-in-use. *Organization Studies*, *25*(4), 529–560. doi:10.1177/0170840604040675

Jarzabkowski, P. (2005). *Strategy as practice: An activity-based approach*. London: Sage.

Jarzabkowski, P., Balogun, J., & Seidl, D. (2007). Strategizing: The challenges of a practice perspective. *Human Relations*, *60*(1), 5–27. doi:10.1177/0018726707075703

Jarzabkowski, P., & Whittington, R. (2008). A strategy-as-practice approach to strategy research and education. *Journal of Management Inquiry*, *17*(4), 282–286. doi:10.1177/1056492608318150

Jauch, L. R., & Glueck, W. (1988). *Business policy and strategic management*. New York: McGraw-Hill.

Java Javalgi, R. R. G., & Todd, P. R. (2011). Entrepreneurial orientation, management commitment, and human capital: The internationalization of SMEs in India. *Journal of Business Research*, *64*(9), 1004–1010. doi:10.1016/j.jbusres.2010.11.024

Jaworski, B., Kohli, A. K., & Sahay, A. (2000). Market-driven versus driving markets. *Journal of the Academy of Marketing Science*, *28*(1), 45–54. doi:10.1177/0092070300281005

Jehn, K. A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *Administrative Science Quarterly*, *40*(2), 256–282. doi:10.2307/2393638

Jensen, S. M., & Luthans, F. (2006). Relationship between entrepreneurs' psychological capital and their authentic leadership. *Journal of Managerial Issues*, *18*(2), 254–273.

Jerez-Gómez, P., Céspedes-Lorente, J., & Valle-Cabrera, R. (2005). Organizational learning capability: A proposal of measurement. *Journal of Business Research*, *58*(6), 715–725. doi:10.1016/j.jbusres.2003.11.002

Jiménez, R. (2000). El comunitarismo en los pueblos indígenas de México. *Arbor: Ciencia, pensamiento y cultura, 652*, 747-758.

Johanisson, B. (1999). *The future of entrepreneurship research.* Paper presented at RENT XII Conference, London, UK.

Johannisson, B. (1996). The dynamics of entrepreneurial networks. *Frontiers of Entrepreneurship Research*, *1996*, 253–267.

Johannisson, B. (2003). Entrepreneurship as a collective phenomenon. In E. Genescá, D. Urbano, J. Capelleras, C. Guallarte, & J. Vergés (Eds.), *Creación de empresas. Entrepreneurship. Homenaje al profesor José María Veciana* (pp. 87–109). Barcelona, Spain: Servei de Publicacions de la Universitat Autónoma de Barcelona.

Johannisson, B., & Landström, H. (1997). Research in entrepreneurship and small business-state of the art in Sweden. In H. Landström, H. Frank, & J. M. Veciana (Eds.), *Entrepreneurship and small business research in Europe: An ECSB survey* (pp. 276–295). Aldershot, UK: Avebury.

Johannisson, B., & Monsted, M. (1997). Contextualizing entrepreneurial networking: The case of Scandinavia. *International Studies Management & Organization*, *27*(3), 109–136.

Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm – A model of knowledge development and increasing foreign market commitment.

Johanson, J., & Mattsson, L. G. (1988). Internationalization in industrial systems – A network approach. In N. Hood, & J. E. Vahlne (Eds.), *Strategies in global competition* (pp. 287–314). London: Routledge.

Johanson, J., & Vahlne, J. E. (2003). Business relationship learning and commitment in the internationalization process. *Journal of International Entrepreneurship*, *1*, 83–101. doi:10.1023/A:1023219207042

Johanson, J., & Vahlne, J. E. (2006). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review*, *46*(2), 165–178. doi:10.1007/s11575-006-0043-4

Johanson, J., & Vahlne, J. E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, *40*(9), 1411–1431. doi:10.1057/jibs.2009.24

Johansson, A. W. (2004). Narrating the entrepreneur. *International Small Business Journal*, *22*(3), 273–293. doi:10.1177/0266242604042379

Johnsen, R. E. (2007). The role of focal supplier in strategic networks for small and medium sized Italian and Thai silk suppliers firms. *Journal of Fashion Marketing Management*, *11*(1), 135–147. doi:10.1108/13612020710734454

Johnsen, R. E., & Johnsen, T. E. (1999). International market development through networks: The case of the Ayrshire knitwear sector. *International Journal of Entrepreneurship Behavior Research*, *5*(6), 297–312. doi:10.1108/13552559910306114

Johnson, G., & Scholes, K. (2002). *Exploring corporate strategy* (6th ed.). Harlow, UK: Pearson Education.

Johnson, J. D. (2009). An impressionistic mapping of information behavior with special attention to contexts, rationality, and ignorance. *Information Processing & Management*, *45*, 593–604. doi:10.1016/j.ipm.2009.04.005

Jones, R., & Parry, S. (2011). Business support for new technology-based firms: A study of entrepreneurs in North Wales. *International Journal of Entrepreneurial Behaviour & Research*, *17*(6), 645–662. doi:10.1108/13552551111174710

Jones, R., & Rowley, J. (2009). Presentation of a generic 'EMICO' framework for research exploration of entrepreneurial marketing in SME. *Journal of Research in Marketing and Entrepreneurship*, *11*(1), 5–21. doi:10.1108/14715200911014112

Jones, R., & Rowley, J. (2011). Entrepreneurial marketing in small businesses: A conceptual exploration. *International Small Business Journal*, *29*(1), 25–36. doi:10.1177/0266242610369743

Jones, R., Suoranta, M., & Rowley, J. (2013). Entrepreneurial marketing: A comparative study. *The Service Industries Journal*, *33*(7-8), 1–15.

Jorfi, S., Nor, K. M., & Najjar, L. (2011). Assessing the impact of IT connectivity and IT capability on IT-business strategic alignment: An empirical study. *Computer and Information Science*, *4*(3), 76–87. doi:10.5539/cis.v4n3p76

Joshi, M. P., Kathuria, R., & Porth, S. J. (2003). Alignment of strategic priorities and performance: an integration of operations and strategic management perspectives. *Journal of Operations Management, 21*(3), 353–369. doi: http://dx.doi.org/10.1016/S0272-6963(03)00003-2

Julien, P.-A. (1993). Small business as a research subject: Some reflections on knowledge of small businesses and its effects on economic theory. *Small Business Economics*, *5*(2), 157–166. doi:10.1007/BF01531912

Kagan, A., Lau, K., & Nusgart, K. (1990). Information system usage within small business firms. *Entrepreneurship: Theory and Practice*, *14*(3), 25–37.

Kaibori, S. (2003). Strategic network for business innovation of SMEs. *Japan Small Business Research Institute*. Retrieved July 18, 2013, from http://www.jsbri.or.jp/new-hp-e/publications/js/03-1.pdf

Kailer, N., & Weiss, G. (2005). Beratungspotenziale zur Sicherung und Organisation der Unter-nehmensnachfolge in Familienbetrieben: Analyse zur Situation oberösterreichischer Fami-lienunternehmen. *Der Wirtschaftstreuhänder*, *4*, 32–36.

Kald, M., Nilsson, F., & Rapp, B. (2000). On strategy and management control: The importance of classifying business. *British Journal of Management*, *11*, 97–212. doi:10.1111/1467-8551.00161

Kalinic, I., & Forza, C. (2012). Rapid internationalization of traditional SMEs: Between gradualist models and born globals. *International Business Review*, *21*, 694–707. doi:10.1016/j.ibusrev.2011.08.002

Kamhawi, E. M. (2007). Critical factors for implementation success of ERP systems: An empirical investigation from Bahrain. *International Journal of Enterprise Information Systems*, *3*(2), 34–49. doi:10.4018/jeis.2007040103

Kamhawi, E. M. (2008). Enterprise resource-planning systems adoption in Bahrain: Motives, benefits, and barriers. *Journal of Enterprise Information Management*, *21*(3), 310–334. doi:10.1108/17410390810866655

Kamm, J. B., & Shuman, J. C. (1990). Entrepreneurial teams in new venture creation. *Entrepreneurship Theory and Practice*, *14*, 7–17.

Kanter, R. (1981). Power, leadership, and participatory management. *Theory into Practice*, *20*(4), 219. doi:10.1080/00405848109542958

Kanter, R. M. (1989). *When giants learn to dance*. New York: Simon & Schuster.

Kantis, H. (2004). Un enfoque sistémico en la creación de empresas. In H. Kantis, P. Angelli, & K. Morí (Eds.), *Desarrollo emprendedor. América Latina y la experiencia internacional* (pp. 21–34). Washington, DC: BID-FUNDES Internacional.

Kantis, H. (2005). The emergence of dynamic ventures in Latin America, Southern Europe and East Asia: An international comparison. *International Journal of Entrepreneurship and Small Business*, *2*(1), 34–56. doi:10.1504/IJESB.2005.006069

Kantis, H., Ishida, M., & Komori, M. (2002). *Empresarialidad en economías emergentes: Creación y desarrollo de nuevas empresas en América Latina y del Este de Asia*. New York: Banco Interamericano de Desarrollo.

Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: Translating strategy into action*. Boston, MA: Harvard Business School Press.

Kaplan, R. S., & Norton, D. P. (2000). Having trouble with your strategy? Then map it. *Harvard Business Review*, *78*(5), 167–176. PMID:11143152

Kaplan, R. S., & Norton, D. P. (2005). The office of strategy management. *Harvard Business Review*, *83*(10), 72–80. PMID:16250626

Kärcher. (2011). *Website*. Retrieved from www.karcher.com

Kashanchi, R., & Toland, J. (2008). Investigating the social dimension of alignment: Focusing on communication and knowledge sharing. In *Proceedings of the19th Australasian Conference on Information Systems*, Christchurch, New-Zealand.

Katz, R. L. (1974). *Skills of an effective administrator*. Boston: Harvard Business School Press.

Kautonen, T., Tornikoski, E. T., & Kibler, E. (2011). Entrepreneurial intentions in the third age: The impact of perceived age norms. *Small Business Economics*, *37*(2), 219–234. doi:10.1007/s11187-009-9238-y

Kazanjian, R. (1988). Relation of dominant problems to stages of growth in technology-based new ventures. *Academy of Management Journal*, *31*(2), 257–279. doi:10.2307/256548

Kearns, G. S., & Lederer, A. L. (2003). A resource-based view of strategic IT alignment: How knowledge sharing creates competitive advantage. *Decision Sciences*, *34*(1), 1–29. doi:10.1111/1540-5915.02289

Kearns, G. S., & Sabherwal, R. (2007). Strategic alignment between business and information technology: A knowledge-based view of behaviors, outcome, and consequences. *Journal of Management Information Systems*, *23*(3), 129–162. doi:10.2753/MIS0742-1222230306

Keeble, D., Lawson, C., Moore, B., & Wilkinson, F. (1999). Collective learning processes, networking and 'institutional thickness' in the Cambridge region. *Regional Studies*, *33*(4), 319–332. doi:10.1080/713693557

Kellermans, F. W., & Eddleston, K. A. (2004). Feuding families: When conflict does a family firm good. *Entrepreneurship Theory and Practice*, *28*, 209–228. doi:10.1111/j.1540-6520.2004.00040.x

Kelly, D. J., Singer, S., & Herrington, M. (2012). *The global entrepreneurship monitor: 2011 global report*. London: Global Entrepreneurship Research Association.

Kelly, D., & Amburgey, T. (1991). Organizational inertia and momentum: A dynamic model of strategic change. *Academy of Management Journal*, *34*(3), 591–612. doi:10.2307/256407

Kerkhoff, E., Ballarini, K., & Keese, D. (2004). *Generationswechsel in mittelständischen Unternehmen*. Karlsruhe, Germany: Von Loeper Literaturverlag.

Kernelgor, B. H., Johnson, S. D., & Srinivasan, S. (2000). Forces driving organizational change: A business school perspective. *Journal of Education for Business*, *75*(3), 133–137. doi:10.1080/08832320009599003

Kesner, I. F., & Sebora, T. C. (1994). Executive succession: Past, present & future. *Journal of Management*, *20*(2), 327–372. doi:10.1016/0149-2063(94)90019-1

Ketchen, D. J. Jr, Ireland, R. D., & Snow, C. C. (2007). Strategic entrepreneurship, collaborative innovation, and wealth creation. *Strategic Entrepreneurship Journal*, *1*, 371–385. doi:10.1002/sej.20

Kets de Vries, M. F. R. (1993). the dynamics of family controlled firms: the good and the bad news. *Organizational Dynamics*, *21*(3), 59–71. doi:10.1016/0090-2616(93)90071-8

Kets de Vries, M. F. R. (1999). High-performance teams: Lessons from the Pygmies. *Organizational Dynamics*, (Winter): 66–77. doi:10.1016/S0090-2616(99)90022-0

Khandwalla, P. N. (1977). *The design of organizations*. New York: Harcourt Brace Jovanovich.

Kim, C. W., & Mauborgne, R. (1997). Value innovation: The strategic logic of high growth. *Harvard Business Review*, *15*(1), 103–112. PMID:10174449

Kim, C. W., & Mauborgne, R. (2005). *Blue ocean strategy: How to create uncontested market space and make the competition irrelevant*. Boston: Harvard Business School Publishing.

Kim, P. H., & Aldrich, H. E. (2005). Social capital and entrepreneurship. *Foundations and Trends in Entrepreneurship*, *1*(2), 1–64.

Kimpton Hotels and Restaurants. (n. d.). *Kimpton firsts and recent highlights*. Retrieved from http://www.kimptonhotels.com/about-us/kimpton-firsts.aspx

Kirkman, B. L., & Rosen, B. (1999). Beyond self-management: Antecedents and consequences of team empowerment. *Academy of Management Journal*, *42*, 58–74. doi:10.2307/256874

Kirk, R., Peredo, A., & Chrisman, J. (2010). Business networks and economic development in rural communities in the United States. *Entrepreneurship Theory and Practice*, *34*(1), 171–195. doi:10.1111/j.1540-6520.2009.00307.x

Kirsch, L. J. (2004). Deploying common systems globally. The dynamics of control. *Information Systems Research*, *15*(4), 374–395. doi:10.1287/isre.1040.0036

Kirzner, I. M. (1973). *Competition and entrepreneurship*. Chicago, IL: University of Chicago Press.

Kirzner, I. M. (1979). *Perception, opportunity and profit*. Chicago, IL: Chicago UP.

Kirzner, I. M. (1979). *Perception, opportunity, and profit: Studies in the theory of entrepreneurship*. Chicago: University of Chicago Press.

Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature*, *35*(1), 60–85.

Kisfalvi, V. (2002). The entrepreneur's character, life issues, and strategy making: a field study. *Journal of Business Venturing*, *17*, 489–518. doi:10.1016/S0883-9026(01)00075-1

Kleiner, A., & Roth, G. (1997). How to make experience your companies best teacher. *Harvard Business Review*, *75*(5), 172–177. PMID:10170330

Klein, H. E., & Linneman, R. E. (1984). Environmental assessment: An international study of corporate practice. *The Journal of Business Strategy*, *5*(1), 66–75. doi:10.1108/eb039048

Klingebiel, R. (2012). Options in the implementation plan of entrepreneurial initiatives: Examining firms' attainment of flexibility benefit. *Strategic Entrepreneurship Journal*, *6*(4), 307–334. doi:10.1002/sej.1142

Klyver, K., & Foley, D. (2012). Networking and culture in entrepreneurship. *Entrepreneurship & Regional Development*, *24*(7), 561–588. doi:10.1080/08985626.2012.710257

Klyver, K., & Hindle, K. (2007). The role of social networks at different stages of business formation. *Small Business Research*, *15*(1), 22–38.

Klyver, K., & Hindle, K. (2007). The role of social networks at different stages of business formation. *Small Enterprise Research*, *15*(1), 22–38. doi:10.5172/ser.15.1.22

KMU FORSCHUNG AUSTRIA. (2008). *Overview of family business relevant issues*. Vienna. Retrieved August, 30, 2013, from http://ec.europa.eu/enterprise/policies/sme/files/craft/family_business/doc/familybusiness_study_en.pdf

Koa, S., & Butler, J. E. (2007). Creativity: A key link to entrepreneurial behavior. *Business Horizons*, *50*, 365–372. doi:10.1016/j.bushor.2007.03.002

Kober, R. et al. (2007). The interrelationship between management control mechanisms and strategy. *Management Accounting Research*, *18*, 425–452. doi:10.1016/j.mar.2007.01.002

Kochadai, M. (2012). *Entrepreneurial competency: A study with reference to socially and economically backward communities in Chennai City* (Doctoral dissertation). Pondicherry University.

Koch, L. T., & Kautonen, T. (2005). Organizing new venture support in regional networks: Exploring evidence from exist-entrepreneurs from universities in Germany. *Journal of Enterprising Culture*, *13*(2), 127–144. doi:10.1142/S0218495805000094

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*(3), 383–397. doi:10.1287/orsc.3.3.383

Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 625–645. doi:10.1057/palgrave.jibs.8490248

Kohlert, H. (2010). Marketing in technisch-orientierten Unternehmen. In marke41, 5, 58–61

Kohlert, H., & Rempel, I. (2013). *Germany's entrepreneurial engineers* (unpublished empirical study). Esslingen University of Applied Sciences, Germany.

Kohlert, H. (2005). *Internationales Marketing für Ingenieure*. München, Germany: Oldenbourg.

Kohlert, H., Fadai, D., & Sachs, H.-U. (2013). *Entrepreneurship for engineers*. München, Germany: Oldenbourg. doi:10.1524/9783486769722

Kohli, A. K., & Jaworski, B. J. (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing*, *54*(2), 1–18. doi:10.2307/1251866

Kolb, D. A. (1976). Management and the learning process. *California Management Review*, *18*(3), 21–31. doi:10.2307/41164649

Kong, E., Jenkins, S., & Ardagh, D. (2009). A preliminary analysis of learning processes for innovation in member-serving nonprofit organizations: The role of governance structure and its elements – Shared knowledge, decision making and benefit sharing. *International Journal of Learning*, *16*(6), 1–16.

Kotey, B., & Slade, P. (2005). Formal human resource management practices in growing small firms. *Journal of Small Business Management*, *43*(1), 16–40. doi:10.1111/j.1540-627X.2004.00123.x

Kotter, J., & Rathgeber, H. (2005). *Our iceberg is melting*. New York: St. Martin's Press.

Kozan, M., Öksoy, D., & Özsoy, O. (2006). Growth plans of small business in Turkey: Individual and environmental influences. *Journal of Small Business Management*, *44*(1), 114–129. doi:10.1111/j.1540-627X.2006.00157.x

Kozlowski, S. W. J. (1998). Training and developing adaptive teams: Theory, principles, and research. In *Decision making under stress: Implications for training and simulation* (pp. 115–153). New York, NY: APA Books. doi:10.1037/10278-005

Krajcovicova, K., Caganova, D., & Cambal, M. (2012). Key managerial competencies and competency models in industrial enterprises. *Annals of DAAAM for 2012 & Proceedings of the 23rd International DAAAM Symposium, 23*(1).

Kransdorff, A. (2006). *Corporate DNA: Using organizational memory to improve poor decision-making*. Aldershot, UK: Gower Publishing Company.

Kransdorff, A., & Williams, R. (2000). Managing organizational memory (OM), the new competitive imperative. *Organization Development Journal*, *18*(1), 107–117.

Kraus, S., Harms, R., & Schwarz, E. J. (2006). Strategic planning in smaller enterprises – New empirical findings. *Management Research News*, *29*(6), 334–344. doi:10.1108/01409170610683851

Kraus, S., & Kauranen, I. (2009). Strategic management and entrepreneurship: Friends or foes? *International Business Science and Applied Management*, *4*(1), 37–50.

Kreiser, P. M., & Davis, J. (2010). Entrepreneurial orientation and firm performance: The unique impact of innovativeness, proactiveness, and risk-taking. *Journal of Small Business and Entrepreneurship*, *23*(1), 30–51. doi:10.1080/08276331.2010.10593472

Kruse, P. (2004). Navigation in der Unsicherheit. In Wirtschaftspsychologie aktuell, 1, 42–47.

Kuada, J. (2009). Gender, social networks, and entrepreneurship in Ghana. *Journal of African Business*, *10*, 85–103. doi:10.1080/15228910802701445

Kuckertz, A., Kohtamäki, M., & Körber, C. (2010). The fast eat the slow – The impact of strategy and innovation timing on the success of technology- oriented ventures. *International Journal of Technology Management*, *52*(1/2), 175–188. doi:10.1504/IJTM.2010.035861

Kuhn, B., Sassmannshausen, S. P., & Zollin, R. (2010). Entrepreneurial management as a strategic choice in firm behavior: Linking it with performance. In *Proceedings of the 18th Annual High Technology Small Firms Conference, Doctoral Workshop, University of Twente,* Enschede, The Netherlands

Küpper, H., Bronner, T., & Daschmann, K. (1994). *Strategisches Analyse und Planungssystem (SAPS)* [Strategic analysis and planning system (SAPS)]. München, Germany: TU München.

Kuwada, K. (1998). Strategic learning: The continuous side of discontinuous strategic change. *Organization Science*, *9*(6), 719–736. doi:10.1287/orsc.9.6.719

Kyobe, M. (2008). The influence of strategy-making types on IT alignment in SMEs. *Journal of Systems and Information Technology*, *10*(1), 22–38. doi:10.1108/13287260810876876

Kyrgidou, L. P., & Hughes, M. (2010). Strategic entrepreneurship: Origins, core elements and research directions. *European Business Review*, *22*(1), 43–63. doi:10.1108/09555341011009007

Lamberg, J.-A., Tikkanen, H., Nokelainen, T., & Suur-Inkeroinen, H. (2009). Competitive dynamics, strategic consistency, and organizational survival. *Strategic Management Journal*, *30*, 45–60. doi:10.1002/smj.726

Lambrecht, J., & Naudts, W. (2008). *Overview of family business relevant issues, Country Fiche Belgium* (project conducted on behalf of the European Commission in the framework of the study 'Overview of Family Business Relevant Issues').

Lambrecht, J., & To, W. T. (2009). *Falingsoorzaken bij zelfstandigen en KMO's. Een kwantitatieve en kwalitatieve analyse* (project conducted on behalf of Liberaal Verbond voor Zelfstandigen).

Lambrecht, J., & Baetens, K. (2005). *Teammanagement van het Familiebedrijf*. Tielt, Belgium: Lannoo Campus.

Lambrecht, J., & Broekaert, W. (2008). *Het Roer Omgooien. Strategische Verandering van het Familiebedrijf*. Roeselare, Belgium: Roularta Books.

Lambrecht, J., & Donckels, R. (2006). Towards a business family dynasty: A lifelong, continuing process. In P. Z. Panikkos, K. X. Smyrnios, & S. B. Klein (Eds.), *Handbook of research on family business* (pp. 388–401). Cheltenham, UK: Edward Elgar.

Lambrecht, J., & To, W. T. (2008). *Waardecreatie door familiebedrijven in Vlaanderen*. Brussels, Belgium: Instituut voor het Familiebedrijf, Studiecentrum voor Ondernemerschap.

Langfield-Smith, K. (1997). Management control systems and strategy. A critical review. *Accounting, Organizations and Society*, *22*(2), 207–232. doi:10.1016/S0361-3682(95)00040-2

Lankan, M. J., & Scandura, T. A. (2002). An investigation of personal learning in mentoring relationships: Content, antecedents, and consequences. *Academy of Management Journal*, *45*, 779–790. doi:10.2307/3069311

Lansberg, I. (1988). The succession conspiracy. *Family Business Review*, *1*, 119–143. doi:10.1111/j.1741-6248.1988.00119.x

Lant, T. K., & Mezias, S. J. (1990). Managing discontinuous change: A simulation study of organizational learning and entrepreneurship. *Strategic Management Journal*, *11*(Summer), 147–179.

Larson, A. (1991). Partner networks: Leveraging external ties to improve entrepreneurial performance. *Journal of Business Venturing*, *6*(3), 173–188. doi:10.1016/0883-9026(91)90008-2

Larson, A., & Starr, J. A. (1993). A network model of organization formation. *Entrepreneurship Theory & Practice*, *17*(2), 5–15.

Laursen, K., & Salter, A. (2006). Open for innovation: The role of openness in explaining innovation performance among UK manufacturing firms. *Strategic Management Journal*, *27*(2), 131–150. doi:10.1002/smj.507

Law, D. R. (2007). Appraising performance appraisals: A critical look at an external control management technique. *International Journal of Reality Therapy*, *26*(2), 18–25.

Le Breton-Miller, I. L., Miller, D., & Steier, L. P. (2004). Toward an integrative model of effective FOB succession. *Entrepreneurship Theory and Practice*, *28*, 305–328. doi:10.1111/j.1540-6520.2004.00047.x

Lee, G. G., & Bai, R. J. (2003). Organizational mechanisms for successful IS/IT strategic planning in the digital era. *Management Decision*, *41*(1), 32–42. doi:10.1108/00251740310445536

Lee, J. C., & Myers, M. D. (2004). Dominant actors, political agendas, and strategic shifts over time: A critical ethnography of an enterprise systems implementation. *The Journal of Strategic Information Systems*, *13*(4), 355–374. doi:10.1016/j.jsis.2004.11.005

Lee, L., Wong, P. K., Foo, M. D., & Leung, A. (2011). Entrepreneurial intentions: The influence of organizational and individual factors. *Journal of Business Venturing*, *26*, 124–136. doi:10.1016/j.jbusvent.2009.04.003

Lee, R. P. L., Ruan, D., & Lai, G. (2005). Social structure and support networks in Beijing and Hong Kong. *Social Networks*, *27*(3), 249–274. doi:10.1016/j.socnet.2005.04.001

Leiva, J. C. (2004, marzo 15-17). *Empresarialidad en economías emergentes: Creación de empresas en América Latina y Este de Asia: Informe Costa Rica.* Ponencia presentada en el I Congreso Motiva, Valencia, Spain.

Lengnick-Hall, C. A., & Wolff, J. A. (1999). Similarities and contradictions in the core logic of three strategy research streams. *Strategic Management Journal*, *20*, 1109–1132. doi:10.1002/(SICI)1097-0266(199912)20:12<1109::AID-SMJ65>3.0.CO;2-8

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, *13*, 111–125. doi:10.1002/smj.4250131009

Leonard, D., & Sensiper, S. (1998). The role of tacit knowledge in group innovation. *California Management Review*, *40*, 112–132. doi:10.2307/41165946

Leone, L. (2010). *A critical review of improvisation in organizations: Open issues and future research directions.* Paper presented at the Summer Conference 2010 on Opening up Innovation: Strategy, Organization and Technology at Imperial College London Business School. Retrieved July 2013 from http://www2.druid.dk/conferences/viewabstract.php?id=501578&cf=43

Leonidou, L. C., & Katsikeas, C. S. (1996). The export development process: An integrative review of empirical models. *Journal of International Business Studies*, 517–551. doi:10.1057/palgrave.jibs.8490846

Lesca, N., & Caron-Fasan, M. L. (2008). Strategic scanning project failure and abandonment factors: Lessons learned. *European Journal of Information Systems*, *17*(4), 371–386. doi:10.1057/ejis.2008.21

Lester, R., & Waters, J. (1989). *Environmental scanning and business strategy*. London: British Library, Research and Development Department.

Lev, B. (2001). *Intangibles: Management, measurement and reporting*. Washington, DC: Brookings Institution Press.

Levinthal, D., & March, J. (1993). The myopia of learning. *Strategic Management Journal*, *14*(4), 95–112. doi:10.1002/smj.4250141009

Lévi-Strauss, C. (1967). *The savage mind*. Chicago, IL: University of Chicago Press.

Levitt, B., & March, J. G. (1988). Organizational learning. *Annual Review of Sociology*, *14*(2), 319–340. doi:10.1146/annurev.so.14.080188.001535

Levy, M., Powell, P., & Yetton, P. (2003). IS alignment in small firms: New paths through the maze. In *Proceedings of European Conference on Information Systems (ECIS)*, Naples, Italy. Retrieved September 25, 2010, from http://is2.lse.ac.uk/asp/aspecis/20030124.pdf

Levy, M., & Powell, P. (1998). SME flexibility and the role of information systems. *Small Business Economics*, *11*, 183–196. doi:10.1023/A:1007912714741

Levy, S. (2011). *In the plex: How Google thinks, works, and shapes our lives*. New York: Simon & Schuster.

Li, L., Li, D., & Dalgic, T. (2004). Internationalization process of small and medium-sized enterprises: Toward a hybrid model of experiential learning and planning. *Management International Review*, 93-116.

Liedtka, J. (2000). Strategic planning as a contributor to strategic change: A generative model. *European Management Journal*, *18*(2), 195–206. doi:10.1016/S0263-2373(99)00091-2

Lievens, J., & Lambrecht, J. (2007). *Met uw Familiebedrijf naar de Champions League*. Roeselare, Belgium: Roularta Books.

Lim, J. S., Sharkey, T. W., & Kim, K. I. (1991). An empirical test of an export adoption model. *Management International Review*, *31*(1), 51–62.

Lin, C. Y.-Y., & Chen, M. Y.-C. (2007). Does innovation lead to performance? An empirical study of SMEs in Taiwan. In Management Research News, 2, 115–132.

Lindstrand, A., Melén, S., & Nordman, E. R. (2011). Turning social capital into business: A study of the internationalization of biotech SMEs. *International Business Review*, *20*(2), 194–212. doi:10.1016/j.ibusrev.2011.01.002

Lin, Liu, Y., & Cheng K. (2011). The internationalization and performance of a firm: Moderating effect of a firm's behavior. *Journal of International Management*, *17*, 83–95. doi:10.1016/j.intman.2010.12.004

Lin, N. (2001). *Social capital: A theory a social structure in action*. New York: Cambridge University Press. doi:10.1017/CBO9780511815447

Lin, W. T. (2012). Family ownership and internationalization processes: Internationalization pace, internationalization scope, and internationalization rhythm. *European Management Journal*, *30*(1), 47–56. doi:10.1016/j.emj.2011.10.003

Lin, Y. Y., & Zhang, J. (2005). Changing structures of SME networks: Lessons from the publishing industry in Taiwan. *Long Range Planning*, *38*, 145–162. doi:10.1016/j.lrp.2005.02.007

Li, Y.-H., Huang, J.-W., & Tsai, M.-T. (2009). Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial Marketing Management*, *38*, 440–449. doi:10.1016/j.indmarman.2008.02.004

Locke, E., & Baum, R. (2004). The relationship of entrepreneurial traits, skill and motivation to subsequent venture growth. *The Journal of Applied Psychology*, *89*(4), 587–598. doi:10.1037/0021-9010.89.4.587 PMID:15327346

Locke, J. (1960). *Two treatises on civil government*. Cambridge, UK: Cambridge University Press.

Lok, P., Rhodes, J., & Walters, D. (2011). *Networks alliances as strategy: A case study of an SME in an emerging economy* (Working Paper ITLS-WP-11-15). University of Sydney, Australia. Retrieved July 11, 2013 from: http://sydney.edu.au/business/__data/assets/pdf_file/0020/105464/ITLS-WP-11-15.pdf

Longenecker, J. G., & Schoen, J. E. (1978). Management succession in the family business. *Journal of Small Business Management*, *16*(3), 1–6.

López, G., & Palomino, B. (2008). Políticas públicas y ecoturismo en comunidades indígenas de México. *Teoría y Praxis*, *5*, 33–50.

Loufrani-Fedida, S., & Angué, K. (2006). Pour une approche transversale et globale des compétences dans les organisations par projets. In *Gestion des compétences: Nouvelles relations, Nouvelles dimensions* (pp. 123–148). Paris: Vuibert.

Luftman, J. (2000). Assessing business-IT alignment maturity. *Communications of the Association for Information Systems*, *4*(14), 1–51.

Lu, J. W., & Beamish, P. W. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, *4*(1), 27–48. doi:10.1007/s10843-006-8000-7

Lumpkin, G. T. (1996). *The entrepreneurial orientation of new entrants: Performance implications of alternative configurations of entrepreneurial orientation, environment, and structure*. TX: University of Texas at Arlington.

Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, *21*(1), 135–172.

Lumpkin, G. T., & Dess, G. G. (1997). Proactiviness versus competitive agressiviness: Teasing apart key dimension of an entrepreneurial orientation. In P. D. Reynolds, W. D. Bygrave, N. M. Carter, P. Davidsson, W. B. Gartner, C. M. Mason, & P. P. McDougall (Eds.), *Frontiers of Entrepreneurship Research*. Wellesley, MA: Babson College.

Lussier, R. N., & Kimball, D. C. (2009). *Applied sport management skills*. Champaign, IL: Human Kinetics.

Luz, O. (2005). Ciudadanía, género y conflicto en pueblos indígenas. *Convergencia*, *12*(37), 11–57.

Lybaert, N. (1998). The information use in a SME: Its importance and some elements of influence. *Small Business Economics*, *10*(2), 171–191. doi:10.1023/A:1007967721235

Lyon, D. W., Lumpkin, G. T., & Dess, G. G. (2000). Enhancing entrepreneurial orientation research: Operationalizing and measuring a key strategic decision making process. *Journal of Management*, *26*(5), 1055–1085. doi:10.1177/014920630002600503

Maciarello, J. A., & Kirby, C. J. (1994). *Management control systems*. Englewood Cliffs, NJ: Prentice Hall.

Macmillan, H., & Tampoe, M. (2000). *Strategic management process, content and implementation*. Oxford, UK: Oxford University Press.

Magi, L. (2010). Venture capital - I quattro che fecero l'impresa: Mosaicoon, ovvero da Palermo al mondo passando per la Rete. *Il Sole 24 Ore*.

Mahoney, J., & Pandian, R. (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal*, *13*, 363–380. doi:10.1002/smj.4250130505

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability view of rent creation. *Strategic Management Journal*, *22*(5), 387–401. doi:10.1002/smj.158

Malmi, T., & Brown, D. A. (2008). Management control system as a package. Opportunities, challenges and research directions. *Management Accounting Research*, *19*, 287–300. doi:10.1016/j.mar.2008.09.003

Mandl, I., & Obenaus, S. (2008). *Overview of family business relevant issues. Country Fiche Austria.* Austrian Institute for SME research on behalf of the European Commission.

Mankelow, G., & Merrilees, B. (2001). Towards a model of entrepreneurial marketing for rural women: A case study approach. *Journal of Development Entrepreneurship*, *6*(3), 221–235.

Manolova, T. S., Eunni, R. V., & Gyoshev, B. S. (2008). Institutional environments for entrepreneurship: Evidence from emerging economies in Eastern Europe. *Entrepreneurship: Theory & Practice*, *32*(1), 203–218.

Man, T. W. Y., Lau, T., & Chan, K. F. (2002). the competitiveness of small and medium enterprises: A conceptualisation with focus on entrepreneurial competencies. *Journal of Business Venturing*, *17*(2), 123–142. doi:10.1016/S0883-9026(00)00058-6

Mäntylä, J.-M. (2013, January). Haluan kuulua klaaniin (ja maksaa siitä). *Talouselämä*, *1*, 34–40.

Manu, F. A., & Sriram, V. (1996). Innovation, marketing strategy, environment, and performance. *Journal of Business Research*, *35*(1), 79–91. doi:10.1016/0148-2963(95)00056-9

Maranto-Vargas, D., & Gómez-Tagle Rangel, R. (2007). Development of internal resources as sources of differentiation of SME under increased global competition: A field study in Mexico. *Technological Forecasting and Social Change*, *74*(1), 90–99. doi:10.1016/j.techfore.2005.09.007

Marasca, S., & Silvi, R. (2004). *Sistemi di controllo e cost management tra teoria e prassi*. Torino, Italy: Giappichelli.

Marcati, A., Guidoa, G., & Peluso, A. M. (2008). The role of SME entrepreneurs' innovativeness and personality in the adoption of innovations. *Research Policy*, *37*, 1579–1590. doi:10.1016/j.respol.2008.06.004

Marchi, L. (2003). *I sistemi informativi aziendali*. Milano, Italy: Giuffrè.

Marchini, I. (1995). Il governo della piccola impresa- Vol. III: La gestione strategica. Genova, Italy: Aspi/Ins- Edit.

Marchini, I. (1998). Il governo della piccola impresa- Vol. III: La gestione delle funzioni. Genova, Italy: Aspi/Ins- Edit.

March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, *2*(1), 71–87. doi:10.1287/orsc.2.1.71

Markides, C. (2004). What is strategy and how do you know if you have one? *Business Strategy Review*, *15*(2), 5–12. doi:10.1111/j.0955-6419.2004.00306.x

Markowska, M. (2011). *Entrepreneurial competence development. Triggers, processes & consequences* (Doctoral dissertation). Jönköping International Business School, Jönköping University, JIBS Dissertation Series No. 071 2011.

Marsden, A., & Forbes, C. (2003). Strategic management for small and medium-sized enterprises. In O. Jones, & F. Tilley (Eds.), *Competitive advantage in SMEs: Organising for innovation and change*. West Sussex, UK: Wiley.

Martin, N., Gregor, S., & Hart, D. (2005). The social dimension of business and IS/IT alignment: Case studies of six public-sector organizations. *Australian Accounting Review*, *15*(3), 28–38.

Martins, I., Uribe, F., & Mesa, D. (2012). The contribution of the entrepreneurial orientation to smes profitability: A contingent analysis that considers the environment role. *Ecos de Economia*, *35*(July-December), 45–71.

Matthews, C. H., Moore, T. W., & Fialko, A. S. (1999). A theory of leadership succession in the family firm. *Family Business Review*, *12*(2), 153–170. doi:10.1111/j.1741-6248.1999.00159.x

Matusik, S. F., & Heeley, M. B. (2005). Absorptive capacity in the software industry: Identifying dimensions that affect knowledge and knowledge creation activities. *Journal of Management*, *31*(4), 549–572. doi:10.1177/0149206304272293

Mavondo, F. (2010). The marketing concept and market orientation: Evolving definition of marketing. In S. Nwankwo, & T. Gbadamosi (Eds.), *Entrepreneurship marketing: Principles and practice of SME marketing* (pp. 45–54). New York: Routledge.

Mayer-Hauga, K., Read, S., Brinckmann, J., Dew, N., & Grichnike, D. (2013). Entrepreneurial talent and venture performance: A meta-analytic investigation of SMEs. *Research Policy*, *42*, 1251–1273. doi:10.1016/j.respol.2013.03.001

Mayring, P. (2000). Qualitative content analysis. *Forum Qualitative Sozial Forschung*, *1*(2).

Mazzarol, T., & Reboud, S. (2006). *Strategic management in small firms: Developing a conceptual framework*. Paper presented at 20th Annual ANZAM Conference, Rockhampton, Australia. Retrieved July 9, 2013, from http://www.cemi.com.au/sites/all/publications/ANZAM%20MAZZREB06.pdf

Mazzola, P., Marchisio, G., & Astrachan, J. H. (2008). Strategic planning in family business: A powerful developmental tool for the next generation. *Family Business Review*, *21*(3), 239–258. doi:10.1177/08944865080210030106

McAdam, R. (2000). Quality models in a SME context. *International Journal of Quality & Reliability Management*, *17*(3), 305–323. doi:10.1108/02656710010306166

McCarthy, B. (2000). Researching the dynamics of risk-taking and social learning: An exploratory study of Irish entrepreneurs. *Irish Marketing Review*, *13*(1), 46–60.

McClelland, D. C. (1961). *The achieving society*. Princeton, NJ: Van Nostrand. doi:10.1037/14359-000

McClelland, D. C. (1987). Characteristics of successful entrepreneurs. *The Journal of Creative Behavior*, *21*(1), 18–21.

McCollom, M. (1988). Integration in the family firm: When the family system replaces controls and culture. *Family Business Review*, *1*(4), 399–417. doi:10.1111/j.1741-6248.1988.00399.x

McConaughy, D. L. (2000). Family CEO vs. non-family CEOs in the family controlled firm: An examination of the level and sensitivity of pay performance. *Family Business Review*, *13*(2), 121–131. doi:10.1111/j.1741-6248.2000.00121.x

McCune, J. (1994). In the shadow of Wal-Mart. *Management Review*, *83*(12), 10–17.

McDougall, P. P., & Oviatt, B. M. (2000). International entrepreneurship: The intersection of two research paths. *Academy of Management Journal*, *43*(5), 902–906. doi:10.2307/1556418

McDougall, P. P., Oviatt, B. M., & Shrader, R. C. (2003). A comparison of international and domestic new ventures. *Journal of International Entrepreneurship*, *1*, 59–82. doi:10.1023/A:1023246622972

McFadyen, M. A., & Cannela, A. A. (2004). Social capital and knowledge creation: When do marginal costs associated with social capital exceed marginal benefits? *Academy of Management Journal*, *47*(5), 735–746. doi:10.2307/20159615

McGee, J. E., & Sawyerr, O. O. (2003). Uncertainty and information search activities: A study of owner-managers of small high-technology manaufaction firms. *Journal of Small Business Management*, *41*(4), 385–401. doi:10.1111/1540-627X.00089

McGrath, R. G., & MacMillan, I. C. (2000). *The entrepreneurial mindset*. Boston: Harvard Business School Press.

McGrath, R. G., Tsai, M., Venkataraman, S., & MacMillan, I. C. (1996). Innovation, competitive advantage, and rent. *Management Science*, *42*(3), 389–403. doi:10.1287/mnsc.42.3.389

McMullen, J. S., & Shepherd, D. A. (2006). Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. *Academy of Management Review*, *31*(1), 132–152. doi:10.5465/AMR.2006.19379628

McWilliams, A., & Smart, D. L. (1993). Efficiency v. structure-conduct-performance: Implications for strategy research and practice. *Journal of Management*, *19*(1), 63–78. doi:10.1177/014920639301900105

Mehrabi, R., & Kolabi, A. M. (2012). Investigating effect of entrepreneur's personal attributes and cognitive heuristics on the quality of entrepreneurial strategic decision making. *Global Business and Management Research: An International Journal*, *4*(2), 178–192.

Mejri, K., & Umemoto, K. (2010). Small-and medium-sized enterprise internationalization: Towards the knowledge-based model. *Journal of International Entrepreneurship*, *8*(2), 156–167. doi:10.1007/s10843-010-0058-6

Melin, L. (1992). Internationalization as a strategy process. *Strategic Management Journal*, *13*(S2), 99–118. doi:10.1002/smj.4250130908

Melkonian, T., & Picq, T. (2010). Opening the black box of collective competence in extreme projects: Lessons from the French Special Forces. *Project Management Journal*, *41*(3), 79–90. doi:10.1002/pmj.20181

Mendelson, H., & Whang, S. (2000). Introduction to the special issue on the information technology industry. *Management Science*, *46*(4), i–iii. doi:10.1287/mnsc.46.4.i

Merchant, K .A., & Van der Stede. (2007). *Management control systems: Performance measurement, evaluation, and incentives* (2nd Ed.). Upper Saddle River, NJ: Prentice Hall.

Merz, G. R., Weber, P. B., & Laetz, V. B. (1994). Linking small business management with entrepreneurial growth. *Journal of Small Business Management*, *32*(3), 48–60.

Meyer, K. E., & Gelbuda, M. (2006). Process perspectives in international business research in CEE. *Management International Review*, *46*(2), 143–164. doi:10.1007/s11575-006-0042-5

Mezghani, K. (2011). Effects of business managers' skills on strategic ERP alignment. In *Proceedings of the 11th Tunisia-Japan Symposium on Society, Science and Technology*, Hammamet, Tunisia.

Mezghani, K., & Mezghani, L. (2007). Alignement des processus ERP et des processus organisationnels: Le cas du processus commercial d'une entreprise. *eJournal of Digital Entreprise*, No. 19.

Michael, S. C., & Palandjian, T. P. (2004). Organizational learning and new product introductions. *Journal of Product Innovation Management*, *21*(4), 268–276. doi:10.1111/j.0737-6782.2004.00078.x

Miesenbock, K. J. (1988). Small business and exporting: A literature review. *International Small Business Journal*, *6*(2), 42–61. doi:10.1177/026624268800600204

Miettinen, R., Samra-Fredericks, D., & Yanow, D. (2009). Re-turn to practice: An introductory essay. *Organization Studies*, *30*(12), 1309–1327. doi:10.1177/0170840609349860

Miles, E. M., & Snow, C. C. (1986). Organizations: New concepts for new forms. *California Management Review*, *28*(3), 62–73. doi:10.2307/41165202

Miles, M. P., & Arnold, D. R. (1991). The relationship between marketing orientation and entrepreneurial orientation. *Entrepreneurship Theory and Practice*, *15*(4), 49–65.

Miles, M., & Huberman, A. (1994). *An expanded sourcebook, qualitative data analysis*. Thousand Oaks, CA: Sage.

Miles, R. E., & Snow, C. C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.

Miles, R. E., Snow, C. C., Meyer, A. D., & Coleman, H. J. Jr. (1978). Organizational strategy, structure, and process. *Academy of Management Review*, *3*(3), 546–562. PMID:10238389

Miles, R., & Snow, C. (1978). *Organizational strategy, structure and process*. New York: McGraw-Hill.

Milewicz, J., & Herbig, P. (1994). Evaluating the brand extension decision using a model of reputation building. *Journal of Product and Brand Management*, *3*(1), 39–47. doi:10.1108/10610429410053077

Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, *29*(7), 770–791. doi:10.1287/mnsc.29.7.770

Miller, D. (1987). Strategy making and structure: Analysis and implications for performance. *Academy of Management Journal*, *30*(1), 7–32. doi:10.2307/255893

Miller, D. (1992). The Icarus paradox: How exceptional companies bring about their own downfall. *Business Horizons*, *35*(1), 24–35. doi:10.1016/0007-6813(92)90112-M

Miller, D. (1994). The Icarus paradox. In B. De Witt, & R. Mayer (Eds.), *Strategy. Process, content, context. An international perspective* (pp. 454–467). New York: West Publishing Company.

Miller, D. (2011). Miller (1983) revisited: A reflection on EO research and some suggestions for the future. *Entrepreneurship: Theory and Practice*, *35*, 873–894.

Miller, D., & Friesen, P. (1978). Archetypes of strategy formulation. *Management Science*, *24*, 921–933. doi:10.1287/mnsc.24.9.921

Miller, D., & Friesen, P. (1982). Innovation in conservative and entrepreneurial firms: two models of strategic momentum. *Strategic Management Journal*, *3*, 1–25. doi:10.1002/smj.4250030102

Miller, D., & Friesen, P. (1984). A longitudinal study of the corporate life cycle. *Management Science*, *30*(10), 1161–1183. doi:10.1287/mnsc.30.10.1161

Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change and failure in family business. *Journal of Business Venturing*, *18*(4), 513–531. doi:10.1016/S0883-9026(03)00058-2

Miller, M., & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Boston: Harvard Business School Press.

Miller, N. J., Besser, T., & Malshe, A. (2007). Strategic networking among small businesses in small US communities. *International Small Business Journal*, *25*(6), 631–665. doi:10.1177/0266242607082525

Mill, J. S. (1957). *Utilitarianism* (O. Piest, Ed.). Indianapolis, IN: Bobbs-Merrill. (Original work published 1863)

Mills, C. E. (2008). Telling tales: Confronting creative tensions in fashion sector start-up. In *Proceedings of the 31st Annual Conference of the Institute for Small Business and Entrepreneurship*. Belfast, Northern Ireland.

Mills, C. E. (2009). Coping with the cutting edge: Social capital, identity and the creative challenges of start-up in the fashion design sector. In *Proceedings of 32nd Annual Conference of the Institute for Small Business and Entrepreneurship.* Liverpool, England.

Mills, C. E. (2012). Navigating rocky times: Creative restart in Christchurch. In *Proceedings of 35th Institute for Small Business and Entrepreneurship Conference*. Dublin, Ireland.

Mills, C. E., & Pawson, K. (2006). Enterprising talk: A case of self construction. *International Journal of Entrepreneurial Behaviour and Research*, *12*(6), 328–344. doi:10.1108/13552550610710135

Mills, C. E., & Pawson, K. (2012). Integrating motivation, risk-taking and self-identity: A typology of ICT enterprise development narratives. *International Small Business Journal*, *30*(5), 584–606. doi:10.1177/0266242610390594

Miner, J. (1997). *The four routes to entrepreneurial success*. San Francisco, CA: Brett Kochler Publishers.

Miner, J. B. (1990). Entrepreneurs, high growth entrepreneurs and managers: Contrasting and overlapping motivational patterns. *Journal of Business Venturing*, *5*(4), 221–234. doi:10.1016/0883-9026(90)90018-O

Ministry of Economic Development (July, 2010). *SMEs in New Zealand: Structure and dynamics 2010.* Wellington, NZ: Ministry of Economic Development.

Mintel. (2002). Pizza and pasta restaurants, executive summary – UK – March.

Mintzberg. (1994). The fall and rise of strategic planning. *Harvard Business Review,* January-February, 107-114.

Mintzberg, H. (1973). Strategy-making in three modes. *California Management Review*, *2*, 44–53. doi:10.2307/41164491

Mintzberg, H. (1979). *The structure of organizations*. Englewood Cliffs, NJ: Prentice Hall.

Mintzberg, H. (1987). Crafting strategy. *Harvard Business Review*, *65*(4), 66–75.

Mintzberg, H. (1989). Strategy formation: Ten schools of thought. In J. Fredrickson (Ed.), *Perspectus on strategic management*. New York: Ballinger.

Mintzberg, H. (1994). The fall and rise of strategic planning. *Harvard Business Review*, (January-February): 107–114.

Mintzberg, H., & Lampel, J. (1999). Reflecting on the strategy process. *Sloan Management Review*, *40*(3), 21–30.

Mintzberg, H., & Quinn, J. B. (1988). *Reading in the strategy process* (3rd ed.). New Jersey: Prentice-Hall.

Mintzberg, H., Quinn, J. B., & Voyer, J. (1995). *The strategy process*. Englewood Cliffs, NJ: Prentice-Hall.

Mintzberg, H., & Waters, J. A. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, *6*, 257–272. doi:10.1002/smj.4250060306

Mitchell, F., & Reid, G. (2000). Problems, challenges and opportunities: the small business as a setting for management accounting research. *Management Accounting Research*, *11*, 385–390. doi:10.1006/mare.2000.0152

Mitchelmore, S., & Rowley, J. (2010). Entrepreneurial competencies: A literature review and development agenda. *International Journal of Entrepreneurial Behaviour & Research*, *16*(2), 92–111. doi:10.1108/13552551011026995

Mobashar Hossain, M., Bala, H., & Bhagwatwar, A. B. (2011). Untold stories of ERP systems implementation: Role of ownership and governance, scope management, and employee empowerment. In *Proceedings of the ACIS*. Retrieved December, 25, 2012, from: http://aisel.aisnet.org/acis2011/12

Mohan-Neill, S. I. (1995). The influence of firm's age and size on its environmental scanning activities. *Journal of Small Business Management*, *33*(4), 10–21.

Molina, E., Barba-Sánchez, V., & Martínez, M. P. (2008). Relevancia e implicaciones del Capital Social en la creación de empresas. *Boletín Económico del ICE*, *2933*, 31–43.

Möller, K., & Svahn, S. (2002). Role of knowledge in the value creation in business nets (A Competitive Paper submitted to the IMP). Dijon, France.

Möller, K., & Svahn, S. (2002). Managing strategic nets: A capability perspective. *Marketing Theory*, *3*, 209–234. doi:10.1177/14705931030032002

Mooney, A. (2007). Core competence, distinctive competence, and competitive advantage: What is the difference? *Journal of Education for Business*, *83*(2), 110–115. doi:10.3200/JOEB.83.2.110-115

Moores, K., & Mula, J. (2000). The salience of market, bureaucratic, and clan controls in the management of family firm transitions: Some tentative Australian evidence. *Family Business Review*, *13*, 91–106. doi:10.1111/j.1741-6248.2000.00091.x

Moores, K., & Yuen, S. (2001). Management accounting systems and organizational configuration: A life-cycle perspective. *Accounting, Organizations and Society*, *26*, 351–389. doi:10.1016/S0361-3682(00)00040-4

MOPE. (2001). *Estudo e Falências – Dados Comparativos de 2001 vs 2000*. Portugal: Departamento de Marketing e Comunicações do Grupo MOPE.

Moran, P. (2005). Structural and relational embeddedness: Social capital and managerial performance. *Strategic Management Journal*, *26*, 1129–1151. doi:10.1002/smj.486

Moreno, A., & Casillas, J. (2008). Entrepreneurial orientation and growth of SMEs: A causal model. *Entrepreneurship Theory and Practice*, *32*(3), 507–528. doi:10.1111/j.1540-6520.2008.00238.x

Morgan, G., & Burrell, G. (1999). *Sociological paradigms and organizational analysis*. Paper presented at RENT XII Conference, London, UK.

Morgan, G. (1989). *Creative organization theory: A resource handbook*. London: Sage.

Morgan, G. (1996). *Images in organizations* (2nd ed.). Thousand Oaks, CA: Sage Publications.

Morgan, R. E., & Constantine, S., & Katsikeas. (1997). Theories of international trade, foreign direct investment and firm internationalization: A critique. *Management Decision*, *35*(1), 68–78. doi:10.1108/00251749710160214

Morgan, R. E., & Strong, C. A. (1998). Market orientation and dimensions of strategic orientation. *European Journal of Marketing*, *32*(11/12), 1051–1073. doi:10.1108/03090569810243712

Moroz, P., & Hindle, K. (2012). Entrepreneurship as a process: Toward harmonizing multiple perspectives. *Entrepreneurship Theory and Practice,* 781–818

Morrish, S. C., Miles, M. P., & Deacon, J. H. (2010). Entrepreneurial marketing: acknowledging the entrepreneur and customer-centric interrelationship. *Journal of Strategic Marketing*, *14*(4), 303–316. doi:10.1080/09652541003768087

Morris, M. H., Kuratko, D. F., Schindehutte, M., & Spivack, A. J. (2012). Framing the entrepreneurial experience. *Entrepreneurship Theory and Practice*, *36*, 11–40. doi:10.1111/j.1540-6520.2011.00471.x

Morris, M. H., Schindehutte, M., & LaForge, R. W. (2002). Entrepreneurial marketing: A construct for integrating emerging entrepreneurship and marketing perspectives. *Journal of Marketing Theory and Practice*, *10*(4), 1–19.

Morris, M. H., Williams, R. D., Allen, J. A., & Avila, R. A. (1997). Correlates of success in family business transitions. *Journal of Business Venturing*, *12*, 385–401. doi:10.1016/S0883-9026(97)00010-4

Mosaicoon (2013). *Mosaicoon viral media company.* Paper presented at First International Entrepreneurship Research Exemplars Conference -Entrepreneurial Ecosystems and the Diffusion of Start-Ups, Academy of Management Conference.

Mosaicoon. (n. d.). *Website*. Retrieved from www.mosaicoon.com

Mouritsen, J., & Bukh, P. N. (2005). Analyse und Interpretation von “Intellectual Capital Reports.”. In K. Mertins, K. Alwert, & P. Heisig (Eds.), *Intellektuelles Kapital erfolgreich nutzen und entwickeln* (pp. 55–67). Berlin: Springer. doi:10.1007/3-540-27519-3_4

Mourlon, S., & Neyer, L. (2002). Tout ce que nous avons voulu savoir sur les ERP: Qu’attendre des progiciels de gestion intégrés? *Revue Française de Gestion Industrielle*, *21*(4), 119–155.

Mueller, B. A., Titus, V. K., Covin, J. G., & Slevin, D. P. (2012). Pioneering orientation and firm growth: Knowing when and to what degree pioneering makes sense. *Journal of Management*, *38*(5), 1517–1549. doi:10.1177/0149206310380249

Mugler, J. (2004, September). *The configuration approach to the strategic management of small and medium-sized enterprise*. Paper presented to the Budapest Polytechnic Jubilee Conference, Budapest, Hungary.

Mühlebach, C. (2004). *Familyness als Wettbewerbsvorteil. Ein integrierter Strategieansatz für Familienunternehmen*. Bern, Switzerland: Haupt.

Müller, S., & Gelbrich, K. (2004). *Interkulturelles Marketing*. München, Germany: Vahlen.

Mumford, M. D., Scott, G. M., Gaddis, B., & Strange, J. M. (2002). Leading creative people: Orchestrating expertise and relationships. *The Leadership Quarterly*, *13*, 705–750. doi:10.1016/S1048-9843(02)00158-3

Muras, A., Smith, T., & Meyers, D. (2008). Simple, effective performance management: A top-down and bottom-up approach. *Journal of Corporate Accounting & Finance*, *20*(1), 65–73. doi:10.1002/jcaf.20453

Murray, J. A. (1981). Marketing is home for the entrepreneurial process. *Industrial Marketing Management*, *10*(2), 93–99. doi:10.1016/0019-8501(81)90002-X

Müthel, M., & Högl, M. (2007). Initial distrust–On the role of perceived dishonesty in international innovation teams. *Zeitschrift für Betriebswirtschaft*, *4*(special issue), 103–124.

Myburgh, S. (2004). Competitive intelligence: Bridging organizational bourndaries. *Information Management Journal*, *38*(2), 46–55.

Nadkarni, s., & Barr, P. S. (2008). Enviornmental context, managerial cognition, and strategic action: An integrated view. *Strategic Management Journal, 29*(13), 1395-1427.

Nag, R., Hambrick, D. C., & Chen, M.-J. (2007). What is strategic management really? Inductive derivation of a consensus definition of the field. In Strategy Management Journal, 28(9), 935–955.

Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. *Academy of Management Review*, *23*(2), 242–266.

Nandhakumar, J., Rossi, M., & Talvinen, J. (2005). The dynamics of contextual forces of ERP implementation. *The Journal of Strategic Information Systems*, *14*(2), 221–242. doi:10.1016/j.jsis.2005.04.002

Napuk, K. (1996). *The strategy led business: Strategic planning for small and medium-sized companies*. London: McGraw-Hill Book Company.

Narver, J. C., & Slater, S. F. (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, *54*(4), 20–35. doi:10.2307/1251757

Navarrete, F. (2008). *Pueblos Indígenas del México Contemporáneo*. México: CDI.

Ndofor, H. A., & Priem, R. L. (2011). Immigrant entrepreneurs, the ethnic enclave strategy, and venture performance. *Journal of Management*, *37*(3), 790–818. doi:10.1177/0149206309345020

Neely, A., Adams, C., & Kennerley, M. (2002). *Performance prism: The scorecard for measuring and managing stakeholder relationships*. Harlow, UK: Pearson.

Neergaard, H., & Ulhoi, J. P. (2007). *Handbook of qualitative research methods in entrepreneurship*. Cheltenham, UK: Edward Elgar Publishing. doi:10.4337/9781847204387

Nelson, R. R. (1991). Why do firms differ, and how does it matter? *Strategic Management Journal*, *12*, 61–74. doi:10.1002/smj.4250121006

Ngamkroeckjoti, C., & Johri, L. M. (2008). Coping with hypercompetition in HTE financial sercies industry in Thailand: Enviornmental scanning practices of leaders and followers. *International Journal of Bank Marketing*, *21*(6/7), 359–368. doi:10.1108/02652320310498500

Ngamkroeckjoti, C., Speece, M., & Dimmitt, N. J. (2005). Environmental scanning in Thai food SMEs: The impact of technology strategy and technology turbulence. *British Food Journal*, *107*(5), 285–305. doi:10.1108/00070700510596884

Ng, D. (2004). The social dynamics of diverse and closed networks. *Human Systems Management*, *23*(2), 111–122.

Nicolaou, N., Shane, S., Cherkas, L., & Spector, T. D. (2009). Opportunity recognition and the tendency to be an entrepreneur: A bivariate genetics perspective. *Organizational Behavior and Human Decision Processes*, *110*, 108–117. doi:10.1016/j.obhdp.2009.08.005

Nicolini, D., & Meznar, M. (1995). The social construction of organizational learning: Conceptual and practical issues in the field. *Human Relations*, *48*(7), 727–746. doi:10.1177/001872679504800701

Nieto, M., & González, N. (2008, September). *Capital Social: un análisis de su influencia en la existencia, descubrimiento y explotación de oportunidades empresariales.* Paper presented at XVII Congreso Nacional de ACEDE, León, Spain.

Nightingale, D. V. (1982). *Workplace democracy: An inquiry into employee participation in Canadian work organizations*. Toronto, Canada: University of Toronto Press.

Noble, C. H., Sinha, R. K., & Kumar, A. (2002). Market orientation and alternative strategic orientations: A longitudinal assessment of performance implications. *Journal of Marketing*, *66*(4), 25–39. doi:10.1509/jmkg.66.4.25.18513

Nonaka, I. (1991). The knowledge creating company. *Harvard Business Review*, *69*, 96–104.

Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, *5*(1), 14–37. doi:10.1287/orsc.5.1.14

Nonaka, I., & Takeuchi, H. (1995). *The knowledge creating company. How Japanese companies create the dynamics of innovation*. Oxford, UK: Oxford University Press.

Nonaka, I., & Toyama, R. (2003). The knowledge-creating theory revisited: Knowledge creation as a synthesizing process. *Knowledge Management Research & Practice*, *1*(1), 2–10. doi:10.1057/palgrave.kmrp.8500001

Nonaka, I., Toyama, R., & Nagata, A. (2000). A firm as a knowledge-creating entity: A new perspective on the theory of the firm. *Industrial and Corporate Change*, *9*(1), 1–20. doi:10.1093/icc/9.1.1

Nordqvist, M., & Melin, L. (2010). Entrepreneurial families and family firms. *Entrepreneurship and Regional Development*, *22*(3/4), 211–239. doi:10.1080/08985621003726119

Nunes, P., & Breene, T. (2011). Reinvent your business before it's too late. Watch out for those S curves. *Harvard Business Review*, *89*(1/2), 80–87.

Nykänen, P. (2013, January 17). Huima haaste. *Optio*, *1*, 26–31.

O'Connor, E. (2002). Storied business: Typology, intertextuality, and traffic in entrepreneurial narrative. *Journal of Business Communication*, *39*(1), 36–54. doi:10.1177/002194360203900103

Observatoire des PME Européennes. (2003). *Les PME en Europe en 2003*. Commission Européenne.

OECD. (2004). Networks, partnerships, clusters and intellectual property rights: Opportunities and challenges for innovative SMEs in a global economy. In *Proceedings of 2nd OECD Conference of Ministers Responsible for SMEs Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation.* Retrieved July 19, 2013, from http://www.oecd.org/cfe/smes/31919244.pdf

OECD. (2012). *Financing SMEs and entrepreneurs 2012: An OECD scoreboard*. OECD Publishing.

Ofek, E., & Wathieu, L. (2010). Are you ignoring trends that could shake up your business? *Harvard Business Review*, *88*(7/8), 124–131.

Ohmae, K. (1988). Getting back to strategy. *Harvard Business Review*, *66*(6), 149–156.

Ohmae, K. (1994). *The mind of strategist: The art of Japanese business*. New York: McGrow Hill.

Ojasalo, J. (2008). Management of innovation networks: A case study of different approaches. *European Journal of Innovation Management*, *11*(1), 51–86. doi:10.1108/14601060810845222

Olbrich, M. (2005). *Unternehmensnachfolge durch Unternehmensverkauf*. Wiesbaden, Germany: Deutscher Universitätsverlag. doi:10.1007/978-3-322-99282-6

Oliver, R. W. (2001). What is strategy anyway? *The Journal of Business Strategy*, (November–December): 7–10. doi:10.1108/eb040202

Onyemah, V., Pesquera, M. R., & Ali, A. (2013). Der Weg zum Kunden. *Harvard Business Manager*, *7*, 32–39.

O'Regan, N., & Ghobadian, A. (2005). Innovation in SMEs: The impact of strategic orientation and environmental perceptions. *International Journal of Productivity and Performance Management*, *54*(2), 81–97. doi:10.1108/17410400510576595

O'Regan, N., & Ghobadian, A. (2006). Perceptions of generic strategies of small and medium sized engineering and electronics manufacturers in the UK: the applicability of the M&S typology. *Journal of Manufacturing Technology Management*, *17*(5), 603–620. doi:10.1108/17410380610668540

Orlikowski, W. (1996). Improvising organizational transformation overtime: A situated change perspective. *Information Systems Research*, *7*(1), 63–92. doi:10.1287/isre.7.1.63

Orpen, C. (1994). Stratetic planning, scanning activities and the financial performance of small firms. *Journal of Strategic Change*, *3*(1), 45–55. doi:10.1002/jsc.4240030106

Osarenkhoe, A. (2009). An integrated framework for understanding the driving forces behind non-sequential process of internationalisation among firms. *Business Process Management Journal*, *15*(2), 286–316. doi:10.1108/14637150910949498

Österle, H., Fleisch, E., & Alt, R. (2001). *Business networking: Shaping collaboration between enterprises*. Berlin: Springer-Verlag. doi:10.1007/978-3-642-56502-1

Osterloh, M., & Frey, B. S. (2000). Motivation, knowledge transfer, and organizational forms. *Organization Science*, *11*(5), 538–550. doi:10.1287/orsc.11.5.538.15204

Osterwalder, A., & Pigneur, Y. (2010). *Business model generation*. Hoboken, NJ: John Wiley & Sons.

Ostgaard, T. A., & Birley, S. (1994). Personal networks and firm competitive strategy: A strategic or coincidental match? *Journal of Business Venturing*, *9*(4), 281–305. doi:10.1016/0883-9026(94)90009-4

Oswald, J., & Macpherson, A. (2006). Inter-organizational learning and strategic renewal in SMEs. Extending the 4I framework. *Long Range Planning*, *39*, 155–175. doi:10.1016/j.lrp.2005.02.012

Otley, D. (1999). Performance management: A framework for management control systems research. *Management Accounting Research*, *10*(4), 363–382. doi:10.1006/mare.1999.0115

Otley, D. T. (1980). The contingency theory of management accounting: Achievements and prognosis. *Accounting, Organizations and Society*, *5*, 413–428. doi:10.1016/0361-3682(80)90040-9

Otley, D. T. (1994). Management control in contemporary organizations: Towards a wider framework. *Management Accounting Research*, *5*(3/4), 289–299. doi:10.1006/mare.1994.1018

Ouchi, W. G. (1977). The relationship between organizational structure and organizational control. *Administrative Science Quarterly*, *22*, 95–113. doi:10.2307/2391748

Oviatt, B. M., & McDougall, P. (1995). Global start-ups: Entrepreneurs on a worldwide stage. *The Academy of Management Executive*, *9*(2), 30–44.

Palmer, R. J. (1992). Strategic goals and objectives and the design of strategic management accounting systems. *Advances in Management Accounting*, *1*, 179–204.

Pandza, K., & Thorpe, R. (2009). Creative search and strategic sense-making: Missing dimensions in the concept of dynamic capabilities. *British Journal of Management*, *20*, 118–131. doi:10.1111/j.1467-8551.2008.00616.x

Panorama Consulting. (2013). *2013 ERP report*. Retrieved October, 05, 2013, from http://Panorama-Consulting.com/resource-center/2013-erp-report/

Parker, C. M., & Castleman, T. (2009). Small firm eBusiness adoption: A critical analysis of theory. *Journal of Enterprise Information Management*, *22*(1/2), 167–182. doi:10.1108/17410390910932812

Parker, S. C. (2004). *The economics of self-employment and entrepreneurship*. Cambridge, UK: Cambridge University Press. doi:10.1017/CBO9780511493430

Parnell, J. A. (1994). Strategic consistency versus flexibility: Does strategic change really enhance performance? *American Business Review*, *12*(2), 22–29.

Patel, P. C., & Thatcher, S. M. B. (2013). Sticking it out: individual attributes and persistence in self-employment. *Journal of Management*. doi: doi:10.1177/0149206312446643

Pearce, J. A. II, Chapman, B. L., & David, F. R. (1982). Environmental scanning for small and growing firms. *Journal of Small Business Management*, *20*(3), 27–34.

Pearson, A. P., & Marler, L. E. (2010). A leadership perspective of reciprocal stewardship in family firms. *Entrepreneurship Theory and Practice*, *34*(6), 1117–1124. doi:10.1111/j.1540-6520.2010.00416.x

Pelham, A. M. (2000). Market orientation and other potential influences on performance in small and medium-sized manufacturing firms. *Journal of Small Business Management*, *38*(1), 48–67.

Penchev, P., & Salopaju, A. (2011). *Entrepreneurial competencies needed by managers in their work* (Master Thesis). Jönköping International Business School, Sweden. Retrieved December 10, 2013 from http://www.diva-portal.org/smash/get/diva2:419847/FULLTEXT01.pdf

Peng, M. W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275–296.

Penrose, E. (1959). *The theory of growth of the firm*. London: Basil Blackwell.

Perafán, C. (2000). *Adecuación de servicios financieros a las economías tradicionales indígenas*. Washington, DC: BID, Unidad de Pueblos Indígenas de y Desarrollo Comunitario, Departamento de Desarrollo Sostenible.

Perera, S., & Baker, P. (2007). Performance management practices in small and medium size manufacturing enterprises in Australia. *Small Enterprise Research*, *15*(2), 10–30. doi:10.5172/ser.15.2.10

Perre, L., & Ram, M. (2004). Case-study method in small business and entrepreneurial research: Mapping Boundaries and perspectives. *International Small Business Journal*, *22*(1), 83–101. doi:10.1177/0266242604039482

Peters, T., & Austin, N. (1985). *A passion for excellence – The leadership difference*. England: William Collins.

Petrakis, P. (2005). Risk perception, risk propensity, and entrepreneurial behaviour: The Greek case. *Journal of American Academy of Business*, *7*(1), 233–242.

Pfannenschwarz, A. (2006). *Nachfolge und Nicht-Nachfolge in Familienunternehmen*. Heidelberg, Germany: Carl Auer Verlag.

Pichler, J. H. (2007). SME-specific profiles, strategic potentials and attitudes toward internationalization in the enlarged EU. In *Yearbook of UNWE*. Sofia, Bulgaria: UNWE University Press. Retrieved July 1, 2013, from http://yearbook.unwe.bg/2007/3.pdf

Pinfold, J. F. (2001). The expectations of new business founders: The New Zealand case. *Journal of Small Business Management*, *39*(3), 279–285. doi:10.1111/0447-2778.00025

Pitcher, P., Chreim, S., & Kisfalvi, V. (2000). CEO succession research: Methodological bridges over troubled waters. *Strategic Management Journal*, *21*(6), 625–648. doi:10.1002/(SICI)1097-0266(200006)21:6<625::AID-SMJ107>3.0.CO;2-A

Pivoda, M., Hoy, F., Todorov, K., & Vojtko, V. (2011). Entrepreneurial tricks and ethics surveyed in different countries. *International Journal of E-Entrepreneurship and Innovation*, *2*(3), 64–66. doi:10.4018/jeei.2011070105

Polanyi, M. (1958). *Personal knowledge: Towards a post-critical philosophy*. Chicago: University of Chicago Press.

Politis, D., & Gabrielsson, J. (2004). *Exploring the role of experience in the process of entrepreneurial learning*. Paper presented at RENT XVII – Research in Entrepreneurship and Small Business, Copenhagen, Denmark.

Popp, W. (1993). Fostering of strategic leadership competence – Framework of an integrated approach. In H. Klandt, J. Mugler, & Müller-Böling, (Eds.), Internationalizing entrepreneurship education and training (pp. 64-65). Köln-Dortmund, Germany: Förderkreis Gründungs-Forschung.

Porter, M. (1980). Generic strategies as determinants of strategic group membership and organizational performance. *Academy of Management Journal*, *27*(3), 467–488.

Porter, M. (2004). *The competitive advantage of nations*. Sofia, Bulgaria: Klassika I Stil Publishing.

Porter, M. E. (1980). *Competitive strategy*. New York: The Free Press.

Porter, M. E. (1985). *Competitive advantage*. New York: Free Press.

Porter, M. E. (1987). From competitive advantage to corporate strategy. *Harvard Business Review*, *65*(3), 43–59. PMID:17183795

Porter, M. E. (1996). What is strategy? *Harvard Business Review*, *74*(6), 74–91.

Poutziouris, P. (2003). The strategic orientation of owner-managers of small ventures: Evidence from the UK small business economy. *International Journal of Entrepreneurial Behaviour & Research*, *9*(5), 185–214. doi:10.1108/13552550310488929

Powell, T. C. (1992). Research notes and communication. Strategic planning as competitive advantage. *Strategic Management Journal*, *13*, 551–558. doi:10.1002/smj.4250130707

Powley, H. E., Fry, E. R., Barrett, J. F., & Bright, S. D. (2004). Dialogic democracy meets command and control: Transformation through the appreciative inquiry summit. *The Academy of Management Executive*, *18*, 67–80. doi:10.5465/AME.2004.14776170

Prahalad, C. K., & Bettis, R. (1986). The dominant logic: A new link between diversity and performance. *Strategic Management Journal*, *7*(6), 485–501. doi:10.1002/smj.4250070602

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, (May-June): 79–91.

Preble, J. F. (1992). Towards a comprehensive system of strategic control. *Journal of Management Studies*, *29*, 391–409. doi:10.1111/j.1467-6486.1992.tb00671.x

Profile. (2011). *Global success: Anger management*. Helsinki, Finland: Aalto University Executive Education Ltd.

Putnam, L. L., & Cooren, F. (2004). Alternative perspectives on the role of text and agency in constituting organizations. *Organization*, *11*(3), 323–333. doi:10.1177/1350508404041995

Putnam, L. L., & Nicotera, A. M. (Eds.). (2008). *Building theories of organizing: The constitutive role of communication*. New York: Routledge.

Putnam, R. D. (1993). *Making democracy work*. New York: Princeton University Press.

Qiu, T. (2008). Scanning for competitive intelligence: A managerial perspective. *European Journal of Marketing*, *42*(7/8), 814–835. doi:10.1108/03090560810877178

Quinn, J. (1980). *Strategies for change: Logical incrementalism*. Homewood, IL: Richard D. Irwin.

Quinn, J., Minzberg, H., & James, R. M. (1988). *The strategy process (Concept, context and cases)* (International Eds.). Upper Saddle River, NJ: Prentice Hall.

Quinn, R., & Cameron, K. (1983). Organizational life cycles and shifting criteria of effectiveness: Some preliminary evidence. *Management Science*, *29*, 33–41. doi:10.1287/mnsc.29.1.33

Rabaa'i, A. A. (2009). The impact of organisational culture on ERP systems implementation: Lessons from Jordan. In *Proceedings of the Pacific Asia Conference on Information Systems*. Retrieved October, 10, 2010, from http://eprints.qut.edu.au/29838/1/THE_IMPACT_OF_ORGANISATIONAL_CULTURE_ON_ERP_SYSTEMS_IMPLEMENTATION.pdf

Rabaa'i, A. A., & Gammack, J. (2008). A hiccup or a rift? ERP implementation success in Jordan. In *Proceedings of the Cultural Attitudes towards Technology and Communication (CATaC '08)*, Nîmes, France. Retrieved January, 08, 2010, from: http://eprints.qut.edu.au/29932/1/29932.pdf

Radu Lefebvre, M. (2011). Le rôle modérateur du leader dans l'émergence et la mise en oeuvre de compétences collectives: impacts sur la performance des équipes. In M. Radu Lefebvre, D. Cristol, & C. Laizé (Eds.), *Leadership et management. Etre leader, ça s'apprend!* (pp. 37–44). Bruxelles, Belgium: De Boeck.

Radu Lefebvre, M., & Redien-Collot, R. (2013). How to do things with words: The discursive dimension of experiential learning in entrepreneurial mentoring dyads. *Journal of Small Business Management*, *51*(3), 370–393. doi:10.1111/jsbm.12022

Rae, D. (2005). Entrepreneurial learning: A narrative-based conceptual model. *Journal of Small Business and Enterprise Development*, *12*(3), 323–335. doi:10.1108/14626000510612259

Raffa, M., & Iandoli, L. (2005). Developing entrepreneurial competences as a leverage for local development. In M. Raffa & L. Iandoli (Eds.), *Entrepreneurship, Competitiveness and Local Development: Proceedings of the XIX Rent Conference*. Napoli, Italy: Edizioni Scientifiche Italiane.

Ramírez, B. (2008). Reseña de pueblos indígenas, territorio y género en el México rural contemporáneo. *Ra Ximhai*, *4*(3), 809–813.

Randall, D. M., Fedor, D. B., & Longenecker, C. O. (1990). The behavioral expression of organizational commitment. *Journal of Vocational Behavior*, *36*(2), 210–224. doi:10.1016/0001-8791(90)90028-Z

Randeniya, R. R., Baggaley, N. N., & Rahim, M. A. (1995). Total quality management: The need to uncouple empowerment. *Total Quality Management*, *6*(3), 215–220. doi:10.1080/09544129550035387

Rao, T. R., & Naidu, G. M. (1992). Are the stages of internationalisation empirically supportable? *Journal of Global Marketing*, 6.

Raposo, M., & do Paço, A. (2011). Entrepreneurship education: Relationship between education and entrepreneurial activity. *Psicothema*, *23*(3), 453–457. PMID:21774900

Rappaport, A. (1998). *Creating shareholder value*. New York: The Free Press.

Rauch, A., Wiklund, J., Lumpkin, G. T., & Frese, M. (2009). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, *33*(3), 761–787. doi:10.1111/j.1540-6520.2009.00308.x

Ravasi, D., & Verona, G. (2001). Organising the process of knowledge integration: The benefits of structural ambiguity. *Scandinavian Journal of Management*, *17*(1), 41–66. doi:10.1016/S0956-5221(00)00032-4

Raymond, L., & St-Pierre, J. (2003). Entrepreneurial antecedents and performance outcomes of organisational development in manufacturing SMEs. *Institut de recherche sur les PME Université du Québec à Trois-Rivières*.

Real, J. C., Roldán, J. L., & Leal, A. (in press). From entrepreneurial orientation and learning orientation to business performance: Analysing the mediating role of organizational learning and the moderating effects of organizational size. *British Journal of Management*.

Rebernik, M., & Sirek, K. (2007). Fostering innovation by unlearning tacit knowledge. *Kybernetes*, *36*(3/4), 406–419. doi:10.1108/03684920710747039

Redien-Collot, R. (2006). L'entrepreneur post-moderne et ses strategies d'accomplissement. *Management and Sciences Sociales*, *3*, 115–131.

Reeves, M., & Deimler, M. (2011). Adaptability: The new competitive advantage. *Harvard Business Review*, *89*(7/8), 134–141. PMID:21714390

Reeves, M., Love, C., & Tillmanns, P. (2012). Your strategy needs a strategy. *Harvard Business Review*, *90*(9), 76–83. PMID:22741420

Reich, B. H., & Benbasat, I. (2000). Factors that influence the social dimension of alignment between business and Information Technology Objectives. *Management Information Systems Quarterly*, *24*(1), 81–113. doi:10.2307/3250980

Reid, G. C., & Smith, J. B. (2000). The impact of contingencies on managerial accounting systems development. *Management Accounting Research*, *11*, 427–450. doi:10.1006/mare.2000.0140

Reid, S. D. (1981). The decision-maker and export entry and expansion. *Journal of International Business Studies*, *12*(Fall), 101–112. doi:10.1057/palgrave.jibs.8490581

Reinemann, H. (2011). *Mittelstandsmanagement*. Stuttgart, Germany: Schäfer-Poeschel.

Reix, R. (2005). *Systèmes d'informations et management des organizations* (5th ed.). Paris: Vuibert.

Renko, M., Shrader, R. C., & Simon, M. (2012). Perception of entrepreneurial opportunity: A general framework. *Management Decision*, *50*(7), 1233–1251. doi:10.1108/00251741211246987

Rennie, M. W. (1993). Born global. *The McKinsey Quarterly*, *4*, 45–52.

Rezaian, A. (2008). *Fundamentals of organization and management* (11th ed.). Tehran, Iran: Samt.

Rialp, A., Rialp, J., & Knight, G. A. (2005). The phenomenon of early internationalizing firms: What do we know after a decade (1993–2003) of scientific inquiry? *International Business Review*, *14*(2), 147–166. doi:10.1016/j.ibusrev.2004.04.006

Richards, D. (2004). *The art of winning commitment: 10 ways leaders can engage minds, hearts, and spirits*. New York: American Management Association International.

Riggio, R., & Lee, J. (2007). Emotional and interpersonal competencies and leader development. *Human Resource Management Review*, *17*(4), 418–426. doi:10.1016/j.hrmr.2007.08.008

Rindova, V., Barry, D., & Ketchen, D. (2009). Introduction to a special topic forum on entrepreneuring as emancipation. *Academy of Management Review*, *34*(3), 477–491. doi:10.5465/AMR.2009.40632647

Ringen, S. (2004). A distributional theory of economic democracy. *Democratization*, *11*, 18–40. doi:10.1080/13510340412331294192

Ritter, T., Wilkinson, I. F., & Johnston, W. J. (2004). Managing in complex business networks. *Industrial Marketing Management*, 33.

Roberts, E. B., & Berry, C. A. (1985). Entering new businesses. Selecting strategies for success. *Sloan Management Review*, *1*, 3–16.

Roberts, P. (2001). Innovation and firm-level persistent profitability: A Schumpeterian framework. *Managerial and Decision Economics*, *22*(4-5), 239–250. doi:10.1002/mde.1018

Robinson, J. P., Shaver, P. R., & Wrightsman, L. S. (1991). *Measures of personality and social psychological attitudes*. San Diego: Academic Press.

Robinson, R. B., & Pearce, J. A. (1984). The relationship between stage of development and small firm planning and performance. *Journal of Small Business Management*, *22*(2), 42–52.

Roessl, D. (2005). Family businesses and inter-firm cooperation. *Family Business Review*, *18*(3), 203–214. doi:10.1111/j.1741-6248.2005.00042.x

Rogers, E. M. (2003). *Diffusion of innovations* (5th ed.). New York: Free Press.

Rogoff, E. G., & Lee, M. (1996). Does firm origin matter? An empirical examination of types of small business owners and entrepreneurs. Academy of Entrepreneurship Journal, 1(2).

Romano, C. A., & Ratnatunga, J. (1994). Growth stages of small manufacturing firms: The relationship with planning and control. *The British Accounting Review*, *26*, 173–195. doi:10.1006/bare.1994.1012

Rosenbusch, N., Brinckmann, J., & Bausch, A. (2011). Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs. *Journal of Business Venturing*, *26*(4), 441–457. doi:10.1016/j.jbusvent.2009.12.002

Rosenzweig, P. (2007). *The halo effect…and the eight other business delusions that deceive managers*. New York: Free Press.

Rouleau, L., & Seguin, F. (1995). Strategy and organization theories: Common forms of discourse. *Journal of Management Studies*, *32*, 101–117. doi:10.1111/j.1467-6486.1995.tb00647.x

Rugman, A. M., & Verbeke, A. (1987). Does competitive strategy work for small business? *Journal of Small Business and Entrepreneurship*, *5*(3), 45–50. doi:10.1080/08276331.1988.10600300

Rumelt, R., Schendel, D., & Teece, D. (1991). Strategic management and economics. *Strategic Management Journal*, *12*(Special Issue), 5–29. doi:10.1002/smj.4250121003

Ruocco, P., & Proctor, T. (1994). Strategic planning in practice: A creative approach. *Marketing Intelligence & Planning*, *12*(9), 24–29. doi:10.1108/02634509410069056

Ruuska, I., & Teigland, R. (2009). Ensuring project success through collective competence and creative conflict in public-private partnerships: A case study of Bygga Villa, a Swedish triple helix e-government initiative. *International Journal of Project Management*, *27*, 323–334. doi:10.1016/j.ijproman.2008.02.007

Ruzzier, M., Hisrich, R. D., & Antoncic, B. (2006). SME internationalization research: Past, present, and future. *Journal of Small Business and Enterprise Development*, *13*(4), 476–497. doi:10.1108/14626000610705705

Saarenketo, S., Puumalainen, K., Kuivalainen, O., & Kyläheiko, K. (2004). Dynamic knowledge-related learning processes in internationalizing high-tech SMEs. *International Journal of Production Economics*, *89*(3), 363–378. doi:10.1016/S0925-5273(03)00185-3

Sadler-Smith, E., Spicer, D., & Chaston, I. (2001). Learning orientation and growth in smaller firms. *Long Range Planning*, *34*(2), 139–158. doi:10.1016/S0024-6301(01)00020-6

Salam, S., Cox, J. F., & Sims, H. P. Jr. (1997). In the eye of the beholder: How leadership relates to 360-degree performance ratings. *Group & Organization Management*, *2*, 185–209. doi:10.1177/1059601197222004

Salavou, H., Baltas, G., & Lioukas, S. (2004). Organisational innovation in SMEs: The importance of strategic orientation and competitive structure. *European Journal of Marketing*, *38*(9/10), 1091–1112. doi:10.1108/03090560410548889

Salmi, A. (2000). Entry into turbulent business networks. A case of a western company on the Estonian market. *European Journal of Marketing*, *34*(11/12), 1374–1390. doi:10.1108/03090560010348632

Salmon, R., & de Linares, Y. (1999). *Competitive intelligence: Scanning the global environment*. London: Economica.

Sambasivan, M., Abdul, M., & Yusop, Y. (2009). Impact of personal qualities and management skills of entrepreneurs on venture performance in Malaysia: Opportunity recognition skills as a mediating factor. *Technovation*, *29*, 798–805. doi:10.1016/j.technovation.2009.04.002

Sambrook, S. (2005). Exploring succession planning in small, growing firms. *Journal of Small Business and Enterprise Development*, *12*(4), 579–594. doi:10.1108/14626000510628243

Sanchez, R., & Heene, A. (1997). Reinventing strategic management: New theory and practice for competence-based competition. *European Management Journal*, *15*(3), 303–317. doi:10.1016/S0263-2373(97)00010-8

Sandino, T. (2007). Introducing the first management control systems: Evidence from the retail sector. *Accounting Review*, *82*(1), 265–293. doi:10.2308/accr.2007.82.1.265

Santini, F., & Pierri, F. (2013). *Management control systems as a package and their performance in small and medium sized Italian manufacturing firms.* Paper presented at the 7th EIASM Conference on Management control and Performance measurement, Barcelona, Spain.

Santini, F. (2013). Strategic management accounting and financial performance in the small and medium sized Italian manufacturing enterprises. *Management Control*, *1*, 1–31.

Sanz, L. (2003). Análisis de Redes Sociales o como representar las estructuras sociales subyacentes. *Apuntes de Ciencia y Tecnología*, *7*, 21–29.

Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review*, *31*(4), 914–933. doi:10.5465/AMR.2006.22527465

Sarasvathy, S. D. (2008). *Effectuation: Elements of entrepreneurial expertise*. Cheltenham, UK & Northampton, MA: Edward Elgar. doi:10.4337/9781848440197

Saunders, M., Lewis, P., & Thornhill, A. (2007). *Research methods for business students* (4th ed.). Harlow, UK: Pearson Education Limited.

Saura, I. G., Contrí, G. B., Taulet, A. C., & Velázquez, B. M. (2005). Relationships among customer orientation, service orientation and job satisfaction in financial services. *International Journal of Service Industry Management*, *16*(5), 497–525. doi:10.1108/09564230510625787

Schäfer-Kunz, J. (2006). Controlling in Familienunternehmen – zwischen Intuition und Navigation. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 85–95). Stuttgart, Germany: Schäfer-Poeschel.

Schäfer, W. (2006). Die Gesellschafterstruktur von Familienunternehmen – zwischen Familienclan und Beteiligungsgesellschaft. In C. Böllhoff, W. Krüger, & M. Berni (Eds.), *Spitzenleistungen in Familienunternehmen* (pp. 15–24). Stuttgart, Germany: Schäfer-Poeschel.

Schendel, D., & Hofer, C. (1979). *Strategic management*. Boston: Little, Brown.

Schilke, O. (in press). On the contingent value of dynamic capabilities for competitive advantage: The nonlinear moderating effect of environmental dynamism. *Strategic Management Journal*.

Schiller, B. R., & Crewson, P. E. (1997). Entrepreneurial origins: A longitudinal inquiry. *Economic Inquiry*, *35*, 523–531. doi:10.1111/j.1465-7295.1997.tb02029.x

Schlömer, N., & Kay, R. (2008). *Familienexterne Nachfolge – Das Zusammenfinden von Übergebern und Übernehmern*. Institut für Mittelstandsforschung (IfM), IfM-Materialien Nr. 182, August 2008.

Schmitter, C., & Karl, T. L. (1993). What democracy is… and is not. In L. Diamond, & M. F. Plattner (Eds.), *The global resurgence of democracy* (pp. 33–52). London: Johns Hopkins University Press.

Schneider, R. C. (2010). Developing the moral integrity of college sport through commercialism. *Physical Culture and Sport. Studies and Research*, *49*, 30–38. doi: doi:10.2478/v10141-010-0011-3

Schneider, R. C. (2011). Major college basketball in the United States: Morality, amateurism, and hypocrisies. *Physical Culture and Sport. Studies and Research*, *52*, 22–32. doi: doi:10.2478/v10141-011-0011-y

Schulze, W. S., Lubatkin, M., & Dino, R. (2003). Toward a theory of agency and altruism in family firms. *Journal of Business Venturing*, *18*, 473–490. doi:10.1016/S0883-9026(03)00054-5

Schumpeter. (1934). *The theory of economic development*. Cambridge, MA: Harvard University Press.

Schweizer, R., Vahlne, J., & Johanson, J. (2010). Internationalization as an entrepreneurial process. *Journal of International Entrepreneurship*, *8*, 343–370. doi:10.1007/s10843-010-0064-8

Schwenk, C. & Shrader, C. (1993). Effects of formal strategic planning on financial performance in small firms: Meta-analysis. *Entrepreneurship Theory and Practice,* Spring, 53-64.

Scott, P., Gibbons, P., & Coughlan, J. (2010). Developing subsidiary contribution to the MNC—Subsidiary entrepreneurship and strategy creativity. *Journal of International Management*, *16*, 328–339. doi:10.1016/j.intman.2010.09.004

Senik, Z. C., Scott-Ladd, B., Entrekin, B., & Adham, K. A. (2011). Networking and internationalization of SMEs in emerging economies. *Journal of International Entrepreneurship*, *9*, 259–281. doi:10.1007/s10843-011-0078-x

Serarols, T., & Urbano, D. (2007). El empresario y los factores de éxito: Estudio de casos de empresas tradicionales y digitales. *Revista de Contabilidad y Dirección*, *5*, 139–168.

Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science*, *11*(4), 448–469. doi:10.1287/orsc.11.4.448.14602

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, *25*(1), 217–226.

Shanker, M. C., & Astrachan, J. H. (1996). Myths and realities: Family businesses' contribution to the U.S. economy: A framework for assessing family business statistics. *Family Business Review*, *9*(2), 107–123. doi:10.1111/j.1741-6248.1996.00107.x

Shapero, A., & Sokol, L. (1982). The social dimensions of entrepreneurship. In C. A. Kent, D. L. Sexton, & K. H. Vesper (Eds.), *Encyclopedia of entrepreneurship* (pp. 72–90). Englewood Cliffs, NJ: Prentice-Hall.

Sharma, P. (2001). Stakeholder management concepts in family firms. In *Proceedings of 12th Annual Conference of International Association of Business and Society* (pp. 254-259). Sedona, AZ.

Sharma, P., Chrisman, J. J., & Chua, J. H. (1996). *A review and annotated bibliography of family business studies*. Boston: Kluwer Academic Publishers. doi:10.1007/978-1-4419-8768-6

Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. *Family Business Review*, *10*(1), 1–35. doi:10.1111/j.1741-6248.1997.00001.x

Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). Predictors of satisfaction with the succession process in family firms. *Journal of Business Venturing*, *18*, 667–687. doi:10.1016/S0883-9026(03)00015-6

Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). Succession planning as planned behavior: Some empirical results. *Family Business Review*, *16*(1), 1–15. doi:10.1111/j.1741-6248.2003.00001.x

Sharma, P., & Manikutty, S. (2005). Strategic divestments in family firms: Role of family structure and community culture. *Entrepreneurship Theory and Practice*, *29*(3), 293–312. doi:10.1111/j.1540-6520.2005.00084.x

Shaver, K. G. & Scott, L. R. (1991). Person process choice: The psychology of new venture creation. *Entrepreneurship Theory and Practice*. Winter. 23-45.

Shaw, E. (2006). Small firm networking an insight into contents and motivating factors. *International Small Business Journal*, *24*(1), 5–29. doi:10.1177/0266242606059777

Shepherd, D. A., & Zacharakis, A. (2000). Structuring family business succession: An analysis of the future leader's decision making. *Entrepreneurship Theory and Practice*, Summer, 25- 39.

Shinnar, R. S., Giacomin, O., & Janssen, F. (2012). Entrepreneurship perceptions and intentions: The role of gender and culture. *Entrepreneurship Theory and Practice*, *36*(3), 465–493. doi:10.1111/j.1540-6520.2012.00509.x

Simmonds, K., & Smith, H. (1968). The first export order: A marketing innovation. *British Journal of Marketing*, *2*, 93–100.

Simon, R. (2013). *The entrepreneurial gap: How managers adjust span of accountability and span of control to implement business strategy* (Working Paper 13-100). Harvard Business School.

Simon, H. (1996). *Hidden champions: Lessons from 500 of the world's best unknown companies*. Boston: Harvard Business School Press.

Simon, H. (2009). *Hidden champions of the twenty-first century: The success strategies of unknown world market leaders*. New York: Springer. doi:10.1007/978-0-387-98147-5

Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, *69*, 99–118. doi:10.2307/1884852

Simons, R. (1994). How new top manager use control systems as levers of strategic renewal. *Strategic Management Journal*, *15*(3), 169–189. doi:10.1002/smj.4250150301

Simons, R. (1995). *Levers of control: How managers use innovative control systems to drive strategic renewal*. Boston: Harvard Business School Press.

Simons, R. (2000). *Performance measurement & control systems for implementing strategy*. Upper Saddle River, NJ: Prentice Hall.

Simpson, M., & Docherty, A. J. (2004). E-commerce adoption support and advice for U.K. S.M.E.'s. *Journal of Small Business and Enterprise Development*, *11*(3), 315–328. doi:10.1108/14626000410551573

Sinkula, J., Baker, W. E., & Noordewier, T. (1997). A framework for market-based organizational learning: Linking values, knowledge, and behavior. *Journal of the Academy of Marketing Science*, *25*(4), 305–318. doi:10.1177/0092070397254003

Sirén, C. (2012). Unmasking the capability of strategic learning: A validation study. *The Learning Organization*, *19*(6), 497–517. doi:10.1108/09696471211266983

Sirén, C., Kohtamäki, M., & Kuckertz, A. (2012). Exploration, exploitation, performance and the mediating role of strategic learning: Escaping the exploitation trap. *Strategic Entrepreneurship Journal*, *6*(1), 18–41. doi:10.1002/sej.1126

Sirikrai, S. B., & Tang, J. C. S. (2006). Industrial competitiveness analysis: Using the analytic hierarchy process. *The Journal of High Technology Management Research*, *17*, 71–83. doi:10.1016/j.hitech.2006.05.005

Sirmon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management and wealth creation in family firms. *Entrepreneurship Theory and Practice*, *27*(4), 339–358. doi:10.1111/1540-8520.t01-1-00013

Skærbæk, P., & Tryggestad, K. (2010). The role of accounting devices in performing corporate strategy. *Accounting, Organizations and Society*, *35*(1), 108–124. doi:10.1016/j.aos.2009.01.003

Skoufias, E., Lunde, T., & Patrinos, H. A. (2009). *Social networks among indigenous peoples in Mexico*. Worldbank. doi:10.1596/1813-9450-4949

Slater, S. F., & Narver, J. C. (1993). Product-market strategy and performance: An analysis of the M&S strategy types. *European Journal of Marketing*, *27*(10), 33–51. doi:10.1108/03090569310045870

Slater, S. F., & Narver, J. C. (1994). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing*, *58*(1), 46–55. doi:10.2307/1252250

Slater, S. F., & Narver, J. C. (1995). Market orientation and the learning organization. *Journal of Marketing*, *59*(3), 63–74. doi:10.2307/1252120

Slater, S. F., & Narver, J. C. (1998). Research notes and communications customer-led and market-oriented: Let's not confuse the two. *Strategic Management Journal*, *19*(10), 1001–1006. doi:10.1002/(SICI)1097-0266(199810)19:10<1001::AID-SMJ996>3.0.CO;2-4

Slater, S. F., & Narver, J. C. (2000). The positive effect of a market orientation on business profitability: A balanced replication. *Journal of Business Research*, *48*(1), 69–73. doi:10.1016/S0148-2963(98)00077-0

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

Smallbone, D., & Wyer, P. (2000). Growth and development in the small firm. In S. Carter, & J. D. Evans (Eds.), *Enterprise and small business: Principles, practice and policy* (pp. 409–433). Boston: Addison Wesley.

Smeltzer, L. R., Fann, G. I., & Nikolaisen, V. N. (1988). Environmental scanning practices in small business. *Journal of Small Business Management*, *26*(3), 55–62.

Smith, D. A., & Lohrke, F. T. (2008). Entrepreneurial network development: Trusting in the process. *Journal of Business Research*, *61*(4), 315–322. doi:10.1016/j.jbusres.2007.06.018

Smith, K. G., & Di Gregorio, D. (2002). Bisociation, discovery and the role of entrepreneurial action. In M. A. Hitt, R. Ireland, M. Camp, & D. Sexton (Eds.), *Strategic entrepreneurship: Creating a new mindset* (pp. 129–150). Oxford, UK: Blackwell Publishers.

Søderberg, A.-M. (2006). Narrative interviewing and narrative analysis in a study of cross-border merger. *Management International Review*, *46*(4), 397–416. doi:10.1007/s11575-006-0098-2

Soriano, D., & Martinez, M. (2007). Transmitting the entrepreneurial spirit to the work team in SMEs: The importance of leadership. *Management Decision*, *45*(7), 1102–1122. doi:10.1108/00251740710773934

Speckbacher, G., & Wentges, P. (2007). *The impact of firm size and family ownership on management control systems in small and medium-sized enterprises* (Working Paper). Wirtschaftuniversitat Wien, Austria.

Spender, J. C., & Grant, R. M. (1996). Knowledge and the firm: Overview. *Strategic Management Journal, 17*(Winter Special Issue), 5-10.

Spicer, C., & Jones, A. (2005). The sublime object of entrepreneurship. *Organization*, *12*(2), 223–246. doi:10.1177/1350508405051189

Srivastava, A., Bartol, K. M., & Locke, E. A. (2006). Empowering leadership in management teams: Effects on knowledge sharing, efficacy, and performance. *Academy of Management Journal*, *49*(6), 1239–1251. doi:10.5465/AMJ.2006.23478718

Stanworth, J., & Gray, C. (Eds.). (1991). *Bolton 20 years on: The small firm in the 1990s*. London: Paul Chapman.

Stanworth, M. K. J., & Curran, J. (1976). Growth and the small firm – An alternative view. *Journal of Management Studies*, *13*(2), 95–110. doi:10.1111/j.1467-6486.1976.tb00527.x

Steier, L. (2001). Next-generation entrepreneurs and succession: An exploratory study of modes and means of managing social capital. *Family Business Review*, *14*(3), 259–276. doi:10.1111/j.1741-6248.2001.00259.x

Steiner, G. (1979). *Strategic planning: What every manager must know*. New York: Harper & Row.

StepStone. (2006, 27 July). *Eén op drie Belgische werknemers heeft geen idee van bedrijfsstrategie.* Retrieved on 26 March 2013 from http://www.stepstone.nl/content/be/bnl/foremployers/een_op_drie_belgische_werknemers_geen_idee_bedrijfsstrategie.htm.

Sterman, J. vD. (2000). Business dynamics systems thinking and modeling for a complex world. London: McGraw-Hill.

Stevenson, H. H. (1999). A perspective on entrepreneurship. In Sahlman, Stevenson, Roberts, & Bhidé (Eds.). The Entrepreneurial Venture (pp. 7–22). Boston: Harvard Business School Press.

Stevenson, H. (1984). A perspective of entrepreneurship. In H. Stevenson, M. J. Roberts, & E. H. Grousebeck (Eds.), *New business venture and the entrepreneur*. Boston, MA: Harvard Business School.

Stevenson, H. H., & Jarillo, J. C. (1990). A paradigm of entrepreneurship: Entrepreneurial management. *Strategic Management Journal*, *11*, 17–27.

Stewart, S. J. (2008). *Stories of entrepreneurial activity in the construction industry. What narratives tell us about motivations and explanations for business start-ups* (Unpublished Bachelor of Commerce Honours dissertation). University of Canterbury, Christchurch, UK.

Steyaert, C., & Katz, J. (2004). Reclaiming the space of entrepreneurship in society: Geographical, discursive and social dimensions. *Entrepreneurship & Regional Development*, *16*(3), 179–196. doi:10.1080/0898562042000197135

Stinchcombe, A. (1965). Social structure and organizations. In J. G. March (Ed.), *Handbook of organizations* (pp. 153–193). Chicago: Rand McNally.

Stopford, J., & Baden-Fuller, C. (1994). Creating corporate entrepreneurship. *Strategic Management Journal*, *15*, 521–536. doi:10.1002/smj.4250150703

Storey, D. J. (1994). *Understanding the small business sector*. London: Routledge.

Strang, K. D. (2007). Examining effective technology project leadership traits and behaviors. *Computers in Human Behavior*, *23*(1), 424–462. doi:10.1016/j.chb.2004.10.041

Strauss, K. (2013, May 6). Is this the fastest-growing game company ever? *Forbes*. Retrieved from http://www.forbes.com/

Stuart, R., & Abetti, P. A. (1987). Start-up ventures: Towards the prediction of initial success. *Journal of Business Venturing*, *2*, 215–230. doi:10.1016/0883-9026(87)90010-3

Sundqvist, S., Kyläheiko, K., Kuivalainen, O., & Cadogan, J. W. (2012). Kirznerian and schumpeterian entrepreneurial-oriented behaviour in turbulent export markets. *International Marketing Review*, *29*(2), 203–219. doi:10.1108/02651331211216989

Swayerr, O. O., Ebrahimi, B. P., & Thibodeaux, M. S. (2000). Executive environmental scanning, information source utilisation, and firm performance: The case of Nigeria. *Journal of Applied Management Studies*, *9*(1), 95–115. doi:10.1080/713674356

Szerb, L. (2003). The changing role of entrepreneurship in network organization. In I. Lengyel (Ed.), Knowledge transfer, small and medium-sized enterprises, and regional development in Hungary (pp. 81-95). University of Szeged, Hungary: JATE Press.

Szerb, L. (2003). The changing role of entrepreneur and entrepreneurship in network organizations. In I. Lengyel (Ed.), *Knowledge transfer, small and medium-sized entreprieses and regional development in Hungary* (pp. 81–95). Szeged, Hungary: Jate Press.

Szulanski, G. (1996). Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal, 17*(Winter Special Issue), 27-43.

Tagiuri, R., & Davis, J. A. (1996). Bivalent attributes of the family firm. *Family Business Review*, *9*(2), 199–208. doi:10.1111/j.1741-6248.1996.00199.x

Tajeddini, K., Trueman, M., & Larsen, G. (2006). Examining the effect of market orientation on innovativeness. *Journal of Marketing Management*, *22*(5-6), 529–551. doi:10.1362/026725706777978640

Tan, W.-L., & Tan, S. T. (2012). *Entrepreneurs, managers and the competency approach: Do entrepreneurial competencies differentiate entrepreneurs from managers?* Paper presented at CCSBE 2012.

Tang Zhi Tang, Z., Kreiser, P., Marino, L., Dickson, P., & Weavere, K. (2008). A hierarchical perspective of the dimensions of entrepreneurial orientation. *The International Entrepreneurship and Management Journal*, *5*, 181–201. doi:10.1007/s11365-008-0097-9

Tarraf, P., & Molz, R. (2006). Competitive intelligence at small enterprises. *SAM Advanced Management Journal*, *71*(1), 24–34.

Taylor, J. S., De Lourdes Machado, M., & Peterson, M. W. (2008). Leadership and strategic management: Keys to institutional priorities and planning. *European Journal of Education*, *43*(3), 369–386. doi:10.1111/j.1465-3435.2008.00363.x

Taylor, R. S. (1986). *Value-added processes in information systems*. Norwood, NJ: Ablex Publishing Corp.

Taylor, T., Doherty, A., & McGraw, P. (2008). *Managing people in sport organizations: A strategic human resource management perspective*. Burlington, MA: Butterworth-Heinemann.

Tearcy, M., & Wiersema, F. (1995). *The discipline of market leaders: Choose your customers, narrow your focus, dominate your market*. New York: Perseus Books.

Teece, D., Pisano, G., & Shuen, A. (1990). *Firm capabilities, resources, and the concept of strategy* (CCC Working Paper No. 90-8). University of Berkeley, Berkeley, CA.

Teltumbde, A. (2000). A framework for evaluating ERP projects. *International Journal of Production Research*, *38*(17), 4507–4520. doi:10.1080/00207540050205262

Thomas, J. B., Sussman, S. W., & Henderson, J. C. (2001). Understanding strategic learning: Linking organizational learning, knowledge management and sensemaking. *Organization Science*, *12*(3), 331–345. doi:10.1287/orsc.12.3.331.10105

Thom, N., & Zaugg, R. (2005). *Generationenwechsel als Herausforderung für die Entwicklung von Familienunternehmen: Massnahmen des Personal- und Organisationsmanagements. Mittelständische Unternehmen. Probleme der Unternehmensnachfolge*. Linz, Austria: Trauner.

Thompson, J. L. (1999). A strategic perspective of entrepreneurship. *International Journal Of Entrepreneurial Behavior & Research*, *5*(6), 279–296. doi:10.1108/13552559910306105

Thornberry, N. E. (2003). Corporate entrepreneurship: Teaching managers to be entrepreneurs. *Journal of Management Development*, *22*(4), 329–344. doi:10.1108/02621710310467613

Thornton, P. H. (1999). The sociology of entrepreneurship. *Annual Review of Sociology*, *25*(1), 19–46. doi:10.1146/annurev.soc.25.1.19

Tichy, N. M. (2004). *The cycle of leadership: How great leaders teach their companies to win*. New York: Harper Business.

Tikkanen, J., & Halinen, A. (2003, September). *Network approach to strategic management – Exploration to the emerging perspective*. Paper presented at the 19th Annual IMP Conference, Lugano, Switzerland.

Timmons, J. A. (1994). *New venture creation. Entrepreneurship for 21st century* (4th ed.). Burr Ridge, IL: Irwin.

Tippins, M. J., & Sohi, R. S. (2003). It competency and firm performance: Is organizational learning a missing link? *Strategic Management Journal*, *24*(8), 745–761. doi:10.1002/smj.337

Titus, V. K., Covin, J. G., & Slevin, D. P. (2011). Aligning strategic processes in pursuit of firm growth. *Journal of Business Research*, *64*(5), 446–453. doi:10.1016/j.jbusres.2010.03.003

Todd, P. R., & Javalgi, R. R. G. (2007). Internationalization of SMEs in India: Fostering entrepreneurship by leveraging information technology. *International Journal of Emerging Markets*, *2*(2), 166–180. doi:10.1108/17468800710739234

Todorov, K. (1994). In search of golden fleece: Or something more about transforming entrepreneurial know-how in the period of transition. In *Recent research on entrepreneurship*. Hampshire, UK: Avebury Ashgate Publishing Ltd.

Todorov, K. (2001). *Strategic management in small and medium-sized enterprises: Theory and practice, issue I.* Sofia, Bulgaria: Siela Publishing.

Todorov, K. (Ed.). (2005). *Foundations of small business*. Sofia, Bulgaria: Next Publishing.

Toft, G. S. (1989). Synoptic approaches of strategic management. In J. Rabin., G. Miller, & H. W. Bartley, (Eds.). Handbook of strategic management (pp. 1-30). New York: M. Dekker.

Toppinen, A., Toivonen, R., & Mutanen, A. (2007). Sources of competitive advantage in woodworking firms of Northwest Russia. *International Journal of Emerging Markets*, *2*(4), 383–394. doi:10.1108/17468800710824527

Tripsas, M., & Gavetti, G. (2000). Capabilities, cognition, and inertia: Evidence from digital imaging. *Strategic Management Journal*, *21*(10), 1147–1161. doi:10.1002/1097-0266(200010/11)21:10/11<1147::AID-SMJ128>3.0.CO;2-R

Trompenaars, F. (1993). *Riding the waves of culture. Understanding cultural diversity* (2nd ed.). London: Nicholas Brealey Publishing.

Tsai, W. M., MacMillan, I. C., & Low, M. B. (1991). Effects of strategy and environment on corporate venture success in industrial markets. *Journal of Business Venturing*, *6*(1), 9–28. doi:10.1016/0883-9026(91)90003-V

Tseng, C.-C. (2013). Connecting self-directed learning with entrepreneurial learning to entrepreneurial performance. *International Journal of Entrepreneurial Behaviour & Research*, *19*(4), 425–446. doi:10.1108/IJEBR-08-2011-0086

Turnbull, P. W., & Valla, J.-P. (1986). *Strategies for International Industrial Marketing*. London: Croom Helm.

Turner, R. (1997). Management accounting and SMEs: A question of style?[Magazine for Chartered Management Accountant]. *Management Accounting*, *75*(7), 24–25.

Tushman, M. L., & O'Reilly, C. A. III. (1996). Ambidextrous organizations: Managing evolutionary and revolutionary change. *California Management Review*, *38*(4), 8–30. doi:10.2307/41165852

Ucbasaran, D., Westhead, P., & Wright, M. (2009). The extent and nature of opportunity identification by experienced entrepreneurs. *Journal of Business Venturing*, *24*, 99–115. doi:10.1016/j.jbusvent.2008.01.008

Ucbasaran, D., Wright, M., & Westhead, P. (2003). A longitudinal study of habitual entrepreneurs: Starters and acquirers. *Entrepreneurship & Regional Development*, *15*, 207–228. doi:10.1080/08985620210145009

Unterranier, C., Palgi, M., Weber, W. G., Iwanowa, A., & Oesterreich, R. (2011). Structurally anchored organizational democracy: Does it reach the employee? *Journal of Personnel Psychology*, *10*(3), 118–132. doi:10.1027/1866-5888/a000038

Uygun, R., & Kasimoglu, M. (2013). (in press). The emergence of entrepreneurial intentions in indigenous entrepreneurs: The role of personal background on the antecedents of intentions. *International Journal of Business and Management*, *8*(5). doi:10.5539/ijbm.v8n5p24

Vahlne, J., & Ivarsson, I., & Johanson. (2011). The tortuous road to globalization for Volvo's heavy truck business: MExtending the scope of the Uppsala model. *International Business Review*, *20*, 1–14. doi:10.1016/j.ibusrev.2010.05.003

Van de Ven, A. H., Hudson, R., & Schroeder, D. M. (1984). Designing new business startups: Entrepreneurial organizational, and ecological considerations. *Journal of Management*, *1*(10), 87–107. doi:10.1177/014920638401000108

Van Der Borght, A. (2006, September 16). Ruitenkoning viert feest. Brits modehuis Burberry bestaat 150 jaar. *Bestedingen*, *66*, 16–18.

Van der Gaag, M., & Snijders, T. A. B. (2005). The resource generator: Social capital quantification with concrete items. *Social Networks*, *27*(1), 1–29. doi:10.1016/j.socnet.2004.10.001

Van der Merwe, S., Venter, E., & Ellis, S. M. (2009). An exploratory study of some of the determinants of management succession planning in family businesses. *Management Dynamics*, *18*(4), 2–17.

Van Engen, R. B. (2008). Metaphor: A multifaceted literary device used by Morgan and Weick to describe organizations. *Emerging Leadership Journeys*, *1*(1), 39–51.

Van Gils, A., Voordeckers, W., & Van Den Heuvel, J. (2004). Environmental uncertainty and strategic behavior in Belgian family firms. *European Management Journal*, *22*(5), 588–595. doi:10.1016/j.emj.2004.09.015

Van Rensburg, D. J. (2013). Is strategic entrepreneurship a pleonasm? *Journal of Management and Strategy*, *4*(1), 17–27. doi:10.5430/jms.v4n1p15

Van Teeffelen, L. (2012). *Avenues to improve success in SME business transfers: Reflections on theories, research and policies*. Utrecht, The Netherlands: HU Business School.

Van Teeffelen, L., Uhlaner, L., & Driessen, M. (2011). The importance of specific human capital, planning and familiarity in Dutch small firm ownership transfers: A seller's perspective. *Int. J. Entrepreneurship and Small Business*, *14*(1), 127–148. doi:10.1504/IJESB.2011.042166

van Winden, W., & Woets, P. (2003, November). *Local strategic networks and policies in european ict clusters: The cases of Amsterdam, Bari, Dublin and Oulu*. Paper presented at the 15th Annual Conference of the European Association for Evolutionary Political Economy, Maastricht, The Netherlands.

Vancil, R. F. (1987). *Passing the baton: Managing the process of CEO succession*. Boston: Harvard Business School Press.

Vasilska, M. (2010). *Building strategic subcontracting relations of the industrial small and medium-sized enterprises* (Unpublished doctoral dissertation). Sofia, Bulgaria: UNWE.

Venkataraman, S. (1997). The distinctive domain of entrepreneurship research: An editor's perspective. In J. Katz, & R. Brockhaus (Eds.), *Advances in entrepreneurship, firm emergence, and growth* (Vol. 3, pp. 119–138). Greenwich, CT: JAI Press.

Venkatraman, N. (1989). Strategic orientation of business enterprises: The construct dimensionality, and measurement. *Management Science*, *35*, 942–962. doi:10.1287/mnsc.35.8.942

Venkatraman, N., & Ramanujam, V. (1987). Planning system success: A conceptualization and an operational model. *Management Science*, *33*(6), 687–705. doi:10.1287/mnsc.33.6.687

Venturecapitaly. (2013). *Mosaicoon: Growth & funding of the leading Italian media viral company*. Paper presented at Venturecapitaly: Venture Capital and Startups made in Italy.

Vermeulen, F., & Barkema, H. (2002). Pace, rhythm, and scope: Process dependence in building a profitable multinational corporation. *Strategic Management Journal*, *23*(7), 637–653. doi:10.1002/smj.243

Verreynne, M. L. (2004). *Strategy-making process and firm performance in small firms* (Research Paper Series of the Faculty of Business, Paper no. 20). Auckland University of Technology, New Zealand.

Voeller, M., Fairburn, L., & Thompson, W. (2002). *Exit right: A guided tour of succession planning for families in business together*. Toronto, Canada: Summit Run.

Volberda, H. (1996). Toward the flexible form: How to remain vital in hypercompetitive environments. *Organization Science*, *7*(4), 359–374. doi:10.1287/orsc.7.4.359

Wales, W., Parida, V., & Patel, P. C. (2013). Too much of a good thing?: Absorptive capacity, firm performance, and the moderating role of entrepreneurial orientation. *Strategic Management Journal*, *34*(5), 622–633. doi:10.1002/smj.2026

Walsh, J. P., & Ungson, G. R. (1991). Organizational memory. *Academy of Management Review*, *16*(1), 57–91.

Wang, C. L. (2008). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship. Theory into Practice*, *32*(4), 635–657.

Wang, C. L., & Altinary, L. (2012). Social embeddedness, entrepreneurial orientation and firm growth in ethnic minority small businesses in the UK. *International Small Business Journal*, *30*(1), 3–23. doi:10.1177/0266242610366060

Ward, J. L. (1988). The special role of strategic planning for family businesses. *Family Business Review*, *1*(2), 105–117. doi:10.1111/j.1741-6248.1988.00105.x

Ward, J. L. (1997). Growing the family business: special challenges and best practices. *Family Business Review*, *10*(4), 323–338. doi:10.1111/j.1741-6248.1997.00323.x

Ward, K. (1993). *Strategic management accounting*. Oxford, UK: Butterworth-Heinemann.

Warman, A. (2003). *Los indios mexicanos en el umbral del milenio*. México: FCE.

Watson, T. J. (2009). Entrepreneurial action, identity work, and the use of multiple discursive resources. *International Small Business Journal*, *27*(3), 251–274. doi:10.1177/0266242609102274

Weber, M. (1930). *The Protestant ethic and the spirit of capitalism*. New York: Scribner.

Weick, K. (1993). Organizational redesign as improvisation. In G. Huber, & W. Glick (Eds.), *Mastering organizational change* (pp. 346–379). New York: Oxford Press.

Weick, K. (2005). Organizing and failures of imagination. *International Public Management Journal*, *8*(3), 425–438. doi:10.1080/10967490500439883

Weick, K. E. (1995). *Sensemaking in organizations*. Thousand Oaks, CA: Sage.

Welch, L. S., & Luostarinen, R. (1993). Internationalization: Evolution of a concept. In P. J. Buckley, & P. N. Ghauri (Eds.), *The internationalization of the firm: A reader* (pp. 155–171). Stamford, CT: Cengage Learning.

Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, *59*(4), 18–32.

Wennekers, S., van Wennekers, A., Thurik, R., & Reynolds, P. (2005). Nascent entrepreneurship and the level of economic development. *Small Business Economics*, *24*(3), 293–309. doi:10.1007/s11187-005-1994-8

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, *5*(2), 171–180. doi:10.1002/smj.4250050207

Westhead, P., & Cowling, M. (1998). Family business research: The need for a methodological rethink. *Entrepreneurship Theory and Practice*, *23*(1), 31–57.

Westley, F., & Mintzberg, H. (1989). Visionary leadership and strategic management. *Strategic Management Journal*, *10*, 17–32. doi:10.1002/smj.4250100704

Whittington, R. (1996). Strategy as practice. *Long Range Planning*, *29*(3), 731–735. doi:10.1016/0024-6301(96)00068-4

Whittington, R. (2001). *What is strategy and does it matter?* (2nd ed.). London: Routledge.

Whittington, R. (2006). Completing the practice turn in strategy research. *Organization Studies*, *27*(5), 613–634. doi:10.1177/0170840606064101

Whittington, R. (2007). Strategy practice and strategy process: Family differences and the sociological eye. *Organization Studies*, *28*(10), 1575–1586. doi:10.1177/0170840607081557

Wickham, P. A. (2006). *Strategic entrepreneurship* (4th ed.). Harlow, UK: Prentice Hall.

Wiklund, J. (1998). Entrepreneurial orientation as predictor of performance and entrepreneurial in small firms: Longitudinal evidence. In P. D. Reynolds, W. D. Bygrave, N. M. Carter, P. Davidsson, W. B. Gartner, C. M. Mason, & P. P. McDougall (Eds.), *Frontiers of entrepreneurship research*. Wellesley, MA: Babson College.

Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation and the performance of small and medium sized enterprises. *Strategic Management Journal*, *24*(13), 1307–1314. doi:10.1002/smj.360

Wilhelm, P. (2001). *The relationship of Holland's vocational typology and personality theory, gender and Miner's four types of entrepreneurs: Implications for education.* Retrieved July 21 2013 from http://www.sbaer.uca.edu/research/asbe/2001/17.pdf

Williamson, O. E. (1975). *Markets and hierarchies*. New York: The Free Press.

Wilson, F., Marlino, D., & Kickul, J. (2004). Our entrepreneurial future: Examining the diverse attitudes and motivations of teens across gender and ethnic identity. *Journal of Developmental Entrepreneurship*, *9*(3), 177–197.

Winch, G., & Gill, A. (2003). A deep niche (A strategic ploy to maximize effectiveness in product design and R&D). *Manufacturing Engineering*, *82*(5), 28–31. doi:10.1049/me:20030506

Witt, P. (2004). Entrepreneurs networks and the success of start-ups. *Entrepreneurship and Regional Development*, *16*(5), 391–412. doi:10.1080/0898562042000188423

Woldie, A., Leighton, P., & Adesua, A. (2008). Factors influencing small and medium enterprises (SMEs), an exploratory study of owner/manager and firm characteristics. *Banks and Bank Systems*, *3*, 5–13.

Wong, S., & Sitkin, S. B. (2000). Shaping collective cognition and behavior through collective learning. *Academy of Management Best Paper Proceedings*, MOC-BI.

Wong, H. Y., & Hung, J. Y. (2012). Environmental scanning literature - Past, present and future research propositions. *International Journal of Business Environment*, *5*(1), 30–50. doi:10.1504/IJBE.2012.044926

Wong, H. Y., & Merrilees, B. (2005). A brand orientation typology for SMEs: A case research approach. *Journal of Product and Brand Management*, *14*(3), 155–162. doi:10.1108/10610420510601021

Wong, K. Y., & Aspinwall, E. (2005). An empirical study of the important factors for knowledge-management adoption in the SME sector. *Journal of Knowledge Management*, *3*, 64–82. doi:10.1108/13673270510602773

Wyer, R. S. Jr, & Srull, T. K. (1986). Human cognition in its social context. *Psychological Review*, *93*, 322–359. doi:10.1037/0033-295X.93.3.322 PMID:3749400

Yan, S. (2010). Competitive strategy and business environment: The case of small enterprises in China. *Asian Social Science*, *6*(11), 64–71.

Yasai-Ardekani, M., & Nystrom, P. C. (1996). Designs for environmental scanning systems: Tests of a contingency theory. *Management Science*, *42*(2), 187–204. doi:10.1287/mnsc.42.2.187

Yaseen, S. G. (2009). Critical factors affecting enterprise resource planning implementation: An explanatory case study. *International Journal of Computer Science and Network Security*, *9*(4), 359–363.

Yayla, A. A. (2008). *Antecedents of IT-business strategic alignment and the moderating roles of goal commitment and environmental uncertainty* (Doctoral dissertation). Retrieved from ProQuest Dissertations and Theses.

Yazdani, N. (2010). Organizational democracy and organization structure link: Role of strategic leadership & environmental uncertainty. *IBA Business Review*, *5*(2), 51–74.

Yin, R. (1984). *Case study research. Design and methods*. London: Sage.

Yin, R. K. (2003). *Case study research: Design and methods*. Thousand Oaks, CA: Sage Publications.

Yukl, G. A. (1998). *Leadership in organizations* (4th ed.). New York: Prentice-Hall.

Yukl, G. A. (1999). An evaluative essay on current conceptions of effective leadership. *European Journal of Work and Organizational Psychology*, *8*(1), 33–48. doi:10.1080/135943299398429

Zaccaro, S. J., Rittman, A. L., & Marks, M. A. (2001). Team leadership. *The Leadership Quarterly*, *12*, 451–483. doi:10.1016/S1048-9843(01)00093-5

Zahra, S. (1991). Predictors and financial outcomes of corporate entrepreneurship: An exploratory study. *Journal of Business Venturing*, *6*, 259–285. doi:10.1016/0883-9026(91)90019-A

Zahra, S. (1993). A conceptual model of entrepreneurship as firm behaviour: A critique and extension. *Entrepreneurship Theory and Practice*, *16*(Summer), 5–21.

Zahra, S. A., Sapienza, H. J., & Davidsson, P. (2006). Entrepreneurship and dynamic capabilities: A review, model and research agenda. *Journal of Management Studies*, *43*(4), 917–955. doi:10.1111/j.1467-6486.2006.00616.x

Zahra, S., & Pearce, J. (1994). Corporate entrepreneurship in smaller firms: The role of environment, strategy, and organisation. *Entrepreneurship, Innovation, and Change*, *3*(1), 31–44.

Zain, M., & Ng, S. I. (2006). The impacts of network relationships on SMEs' internationalization process. *Thunderbird International Business Review*, *48*(2), 183–205. doi:10.1002/tie.20092

Zajac, E. J. (1990). CEO selection, succession, compensation and firm performance: A theoretical integration and empirical analysis. *Strategic Management Journal*, *11*(3), 217–230. doi:10.1002/smj.4250110304

Zellweger, T., & Astrachan, J. H. (2008). On the emotional value of owning a firm. *Family Business Review*, *21*(3), 347–363. doi:10.1177/08944865080210040106

Zeng, S., Xie, X. M., Tam, C. M., & Wan, T. W. (2009). Relationships between business factors and performance in internationalization: An empirical study in China. *Management Decision*, *47*(2), 308–329. doi:10.1108/00251740910938939

Zhang, X., Majid, S., & Foo, S. (2010). Environmental scanning: An application of information literacy skills at the workplace. *Journal of Information Science*, *36*(6), 719–732. doi:10.1177/0165551510385644

Zhao, H., Seibert, S. E., & Lumpkin, G. T. (2010). The relationship of personality to entrepreneurial intentions and performance: A meta-analytic review. *Journal of Management*, *36*(2), 381–404. doi:10.1177/0149206309335187

Zhou, K. Z., Gao, G. Y., Yang, Z., & Zhou, N. (2005). Developing strategic orientation in China: Antecedents and consequences of market and innovation orientations. *Journal of Business Research*, *58*(8), 1049–1058. doi:10.1016/j.jbusres.2004.02.003

Zhou, K. Z., & Li, C. B. (2007). How does strategic orientation matter in Chinese firms? *Asia Pacific Journal of Management*, *24*(4), 447–466. doi:10.1007/s10490-007-9048-1

Zimmerer, T. W., Scarborough, N. M., & Wilson, D. (2008). *Essentials of entrepreneurship and small business management* (5th ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

Zimmerman, J. L. (1997). *Accounting for decision making and control*. Chicago: McGraw-Hill.

Zolla, C., & Zolla, E. (2004). Los pueblos indígenas de México, 100 preguntas. México.

About the Contributors

Kiril Todorov (D.Sc.) is a Professor of Industrial Management and Entrepreneurship at the University of National and World Economy (UNWE), Sofia, Bulgaria, Director of the Institute for Entrepreneurship Development, and Head of Department of Entrepreneurship at the UNWE, Chairman of the Board of the Bulgarian Association for Management Development and Entrepreneurship (BAMDE), and Vice President for Bulgaria of the European Council for Small Business (ECSB). He has specialized in Denmark, Germany, Russia, United Kingdom, Japan and other countries. He is the author of dozens of publications at home and abroad and is the leader of many national and international research and educational projects in the field of management and entrepreneurship. He has been a visiting professor at foreign universities and has extensive experience as a consultant in management and entrepreneurship development. K. Todorov has also been a keynote speaker at many international events – in Switzerland, Denmark, Ireland, Brazil, Slovenia, Turkey, and Kazakhstan.

David Smallbone is Associate Director of the Small Business Research Centre at Kingston University, which he joined in 2004 from Middlesex University. He is also a visiting professor at Hubei School of Economics, Wuhan, China and at the Centre for Entrepreneurship, Innovation and Regional Development in Ventspils, Latvia. David's research on entrepreneurship and SME development dates back to the 1980s, much of it with an applied policy focus. As a leading expert on entrepreneurship in former socialist economies, David was awarded an honorary doctorate by the University of Lodz in Poland for his work in this area. David has numerous publications on entrepreneurship in transition economies, among other topics. He is a Past President of the ICSB (2010-11) having previously served as President of the ECSB (2005-07). He is an Associate Editor of the Journal of Small Business Management, as well as being on the editorial boards of a number of leading entrepreneurship journals.

***

Wassim J. Aloulou is an assistant professor at the Department of Business Administration of the College of Economics and Administrative Sciences in Al Imam Mohammad Ibn Saud Islamic University (Saudi Arabia) and of the ISAAS in Sfax University (Tunisia). He has received his B.Sc. degree in Higher Commercial Studies from IHEC Carthage (1995), his M.Sc. degree in HR management from ISG Tunis (1998), and his Ph.D. degree in Management Sciences (Specialty: Entrepreneurship) from Pierre Mendès France University (UPMF) of Grenoble 2, in France (2008). Currently, He is a member of the French Academy of Entrepreneurship and Innovation, of the Tunisian Association for Entrepreneurship and Spin-off and the Saudi Association of Entrepreneurship. He is also a Certified Entrepreneurship

Trainer of the ILFEN (International License For ENtrepreneurship) in Saudi Arabia. His research interests include entrepreneurship and SMEs, ICT and knowledge -based startups, entrepreneurial intention and orientation of individuals and firms.

Selena Aureli, PhD, is Assistant professor at the Department of Business Studies, Bologna University, Italy, where she teaches Financial Accounting and Management Accounting. Research interests and latest publications refer to performance measurement and management control systems, information systems usage in small organizations and the role of management accountants in Italian small and medium-sized enterprises. Previously enrolled by the University of Urbino, she gained experience in studying SMEs internationalization and financial reporting while also teaching Planning and control to graduate and undergraduate students.

Faouzi Ayadi is an Assistant Professor of Business Management at College of Economics & Administrative Sciences in Al Imam Mohammad Ibn Saud Islamic University (Saudi Arabia). He received his M.Sc. degree from Bordeaux 4 University (France) and his Ph.D. degree in Business Management (specialty: Management Information Systems) from Toulouse 1 University (France). In addition to his experience as an Assistant Professor in Tunisia and Saudi Arabia, Dr. Faouzi AYADI is a regular contributor to scientific conferences and reviews in both French and English languages. His research interests include Inter-Organizational Information Systems Adoption, Customer Relationship Management (CRM), Information Systems and Knowledge Management, Cloud Computing Adoption, New Technology and Knowledge-Based SME's. He is also a consultant and trainer in MIS and Entrepreneurship.

Neeta Baporikar, Professor (Strategic Management and Entrepreneurship) is currently on sabbatical. Prior to this she was on an academic assignment as Head Scientific Research Department with Sultanate of Oman Ministry of Higher Education (MOHE), Salalah. With more than a decade of experience in industry, consultancy and training, she made a lateral switch to research and academics in 1995. Dr. Baporikar holds D.Sc. (Management Studies) USA, PhD in Management, University of Pune INDIA with MBA (Distinction) and Law (Hons.) degrees. Apart from this, she is also an Accredited Management Teacher, Qualified Trainer, Doctoral Guide and Board Member of Academics and Advisory Committee in accredited B-Schools. Reviewer for international journals, she has to her credit several refereed research papers and authored books in the area of Entrepreneurship, Strategy and Management Education.

Virginia Barba-Sánchez is an Associate Professor of Business Organization at the Department of Business Administration of the University of Castilla-La Mancha (Spain), where she received her PhD with a European mention and doctorate award. Furthermore, she has participated in organizing committees of several scientific conferences and as invited speaker in others, both nationally and internationally. In addition, she has carried out several research visits in foreign research centers. She has received awards from the European Academy of Management and Business Economics for her paper about Entrepreneurial Behavior and from the University of Castilla-La Mancha for her contribution of Educational Innovation. Among other responsibilities she's currently the head of the research group ENSITMA (*Environmental Strategy Interdisciplinary Team & Management*), and has authored a large number of referred articles and conference papers in the field of Business Strategy with regard to the environmental management, ITs applications in management, SMEs, and entrepreneurship.

Carmine Bianchi is Professor of Business & Public Management at the Faculty of Political Sciences, University of Palermo (Italy), where is also the scientific coordinator of CED4 System Dynamics Group. He is the director of the PhD program in "Model Based Public Planning, Policy Design, and Management", and of the Master course in: ''Managing Business Growth through System Dynamics & Accounting Models. A Strategic Control Perspective''. Professor Bianchi is member of the Steering Committee of the European Master in System Dynamics, an Erasmus Mundus funded program, patronized by the European Commission. He has published on several academic and professional journals, where he also serves as a member of the Scientific Committee. Professor Bianchi has research and consulting experience with public and private sector organizations in designing policies and outlining consistent programs to link strategy and implementation. Consulting and education projects that Prof. Bianchi has conducted cover: strategic planning and control, performance management and reporting, as well as System Dynamics modeling for performance improvement and crisis prevention (Dynamic Performance Management).

Wouter Broekaert is senior researcher at the Hogeschool-Universiteit Brussel. His main research areas center around family firms on the one hand and innovation on the other. In the field of family firms he has researched competitive strategy, public and private funding and performance as well as poverty and financial distress among the self-employed. His research on innovation focuses on organizational innovation and dynamic capabilities.

Valentina Della Corte is Associate Professor of Business Management at Federico II University of Naples. She was a visiting scholar at Ohio State University. She teaches Tourism Business Management, Strategic Management and Marketing Policies, Management of Cultural Heritage and Revenue Management at Federico II University of Naples. She made teaching and seminars as visiting Professor at Skema Business School, Ravensburg – University of Cooperative Education and Ohio State University. She is also the author of numerous publications in national and international academic journals such as International Journal of Quality and Service Sciences, International Journal of Leisure and Tourism Marketing, Corporate Ownership & Control, European Journal of Innovation Management. In addition, she is the author of books published by Egea, CEDAM and Giappichelli as well as of chapters in books edited by Elgar, Mc Graw Hill and IGI Global. She is a member of some editorial boards, a reviewer for international journals, and a member of the Strategic Management Society.

Federico Cosenz is Assistant Professor of Business and Public Management at the University of Palermo, Italy. His main research interests are focused on: Planning & Control Systems, Performance Management and Measurement Systems applied to Enterprises and Public Organizations, SMEs growth management, System Dynamics modeling, and Public Policy. Federico Cosenz holds an International PhD in "Model Based Public Planning, Policy Design, and Management" performed at the Universities of Palermo, Bergen (Norway), and Nijmegen (The Netherlands). He also holds a Master of Science in Business Management at the University of Palermo. Federico Cosenz has previously worked in consulting firms (tax and legal, audit, management control) and banks.

Jan Degadt, PhD in Economics, is full-time professor at the KU Leuven (Campus Brussels). He is chairman of the Steering Committee of the Research Centre for Entrepreneurship. His research and publications are in the field of entrepreneurship and SMEs, with a focus on policy. Jan Degadt is a member of the Belgian Central Economic Council. In the past he has been an advisor to national and regional government ministers in Belgium and contributed to the design and implementation of a regional economic policy in the Brussels Capital Region.

Susanne Durst is Assistant Professor of International Management at the Institute for Entrepreneurship of University of Liechtenstein (Principality of Liechtenstein) and researcher at the School of Technology and Society at University of Skövde (Sweden). Before joining academia, she worked in different positions with private enterprises of different industries. Her research interests include small business management, SME succession/transfers, knowledge management, intellectual capital (risk) management and corporate governance. Her work has been awarded with different awards, including the Transeo Academic Award in 2012. She received a PhD from University of Paris XI (France) and holds a Master in Finance from University of Skövde.

Cristina I. Fernandes (PhD in Management) She is researcher of NECE- Research Centre in Business Sciences University of Beira Interior (UBI). Her research interests are Knowledge Intensive Business Services and Regional Competitiveness. She is assistant editor of International Journal of Management Science and Information Technology (IJMSIT), and has published several papers in international journals.

João M. Ferreira (PhD in Management) is Associate Professor at the University of Beira Interior (UBI) – Portugal. He is scientific coordinator of NECE – Research Centre in Business Sciences. His research interests include strategy, competitiveness and entrepreneurship. He is editor of several international journals and he has published in a range of international journals and books.

Isabella Hatak is Assistant Professor at the Institute for Small Business Management and Entrepreneurship at the WU Vienna University of Economics and Business and at the Institute for Innovation Management at the Johannes Kepler University Linz. Moreover, she is a Visiting Fellow to the IIMP at Anglia Ruskin University Cambridge (UK). Isabella holds a Ph.D. from the WU and an MSc in Coaching and Organizational development. During her master studies in International Business at the Charles University in Prague (CZ) and the HES School of Business in Amsterdam (NL), Isabella has gained international work experience. Isabella has published several contributions to peer-reviewed journals (e.g. Journal of Business Ethics, Family Business Review, zfbf). She has received awards such as the ICSB Best Paper Award, COMS Best Paper Award, and the Dr. Maria-Schaumayer-Prize for her research. Furthermore, she is a reviewer of Journal of Small Business Management, International Small Business Journal, etc.

Jia-Yi Hung is an assistant professor in the Department of Health Administration, Tzu Chi College of Technology, Hualien, Taiwan. She received her PhD from Griffith University, Australia. Dr. Hung has published in Journal of Management and Organization, Academy of Taiwan Business Management Review, and International Journal of Business Environment. Her research interests include strategic management, organisational behaviour, and human resource management.

Yordanka Ivanova is a PhD student at the University of National and World Economy (UNWE), Sofia, Bulgaria on the topic of internationalization of family SMEs. Her previous experience involves working in the Bulgarian Association for Management Development and Entrepreneurship (BAMDE) where she participated in the preparation of international conferences and training of firms and in different projects, among which is the Project 'Formation of Competitive Behavior of SMEs in International Business Environment through Development of Human Potential and Partnership' where she was involved as a coordinator. She is co-author of some publications, papers and presentations in international conferences mainly in the field of family business. Her areas of research interest include internationalization, globalization challenges and prospects, family business management and communications, etc.

Rosalind Jones in Lecturer in Marketing at Birmingham Business School, the University of Birmingham. She is a 'Chartered Marketer' and member of the Chartered Institute of Marketing (MCIM). She is also SME CIM Ambassador for North Wales and Member of the 'Senior Levitt Group' of Marketers. Roz is also Co-Chair of the Academy of Marketing Special Interest Group in Entrepreneurial and Small Business Marketing and on the steering committee of the Global Research Symposium at the Entrepreneurship and Marketing Interface (MEI), based in the United States. She has published numerous papers and chapters in international peer reviewed small business and marketing journals and books such as *International Small Business Journal*, *Journal of Research in Marketing and Entrepreneurship* and *Journal of Marketing Management*. She has recently co-edited a book '*Entrepreneurial Marketing: Global perspectives*'.

Simon Katzenschlager completed his BSc in International Management at the University of Liechtenstein, and he has 10 years of industry experience in the field of consumer electronics. Towards the end of his studies, he collaborated on a hands-on research project in the field of SME company succession and served as the liaison between the company and the university. While working for an SME in the consumer electronics industry, he has been responsible for establishing various international consumer electronic brands in the Austrian and Swiss markets, and he has assisted the owners in developing the company's strategy as well as analyzing, evaluating and improving the company's operations.

Iliya Kereziev is a Chief Assistant Professor at the Chair of Entrepreneurship, University of National and World Economy (UNWE), Sofia, Bulgaria, and has research interests in strategic entrepreneurship, managing growing SMEs and family business development. In 2010 he has defended doctoral dissertation on a subject "Managing growing technology-based SMEs". As a member of the research team of the Institute for Entrepreneurship Development at UNWE, he has participated in several national and international research and training projects in the area of entrepreneurship and small business development.

Helmut Kohlert is Professor of Business Management at the University of Applied Sciences Esslingen, Germany. Dr. Kohlert holds the diploma degree in economics from the University of Hohenheim, Germany, and the doctor's degree from the University of Innsbruck, Austria. He has been honored with a Dr. h.c. from Kiev National University of Technology and Design, Ukraine. He serves as a consultant and trainer to numerous companies and organizations in the fields of industrial marketing, international marketing, and entrepreneurship. Dr. Kohlert was the head of the Esslingen MBA program for engineers for many years, also in international Joint Ventures with other universities and companies. He also develops training programs for engineering managers. Dr. Kohlert is author of numerous books such as "Marketing für Ingenieure", "Entrepreneurship for Engineers", articles and studies such as "Germany's Entrepreneurial Engineers" (empirical study).

Marko Kohtamäki is a Professor and co-director of the Networked Value Systems (NeVS) research program at the University of Vaasa and a Visiting Professor at Luleå University of Technology. Kohtamäki takes special interest in industrial service innovations, strategy work, and business networks of technology companies. Kohtamäki has published in various distinguished international journals and consulted for a number of companies.

Kostadin Kolarov, PhD, is associate professor, researcher and consultant at the UNWE, with prominent interest in the current problems of management and entrepreneurship; specialized in the UK, Spain and the Netherlands. He has significant experience in developing business plans and company's projects as well as in training of entrepreneurs and managers. He participated in different international events in the field like congresses, conferences and seminars and also served as an expert in many international research and educational projects. Kostadin Kolarov is author of papers and co-author of chapters in books published by renowned publishers as Edward Elgar.

Johan Lambrecht, PhD in Economics, is full-time professor at the KU Leuven (Campus Brussels) and managing director of the Research Centre for Entrepreneurship at the KU Leuven. He has more than 300 publications in the domain of entrepreneurship, SMEs and family business.

Miruna Radu Lefebvre is the Head of the Chair Family Entrepreneurship and Society and Associate Professor of Entrepreneurship at Audencia, Nantes, France. Main topics of interest and publications: the social representations of entrepreneurs and entrepreneurship in the French press, the impact of role models on self-efficacy and entrepreneurial intentions, entrepreneurial coaching and mentoring.

En Li is a Lecturer in Marketing at the School of Business and Law of Central Queensland University. He earned his PhD in marketing from University of Sydney, and both his master's and bachelor's degrees in management science from Shanghai Jiao Tong University. His research interest involves topics related to embodied cognition, affect and emotion, attention and perception, ethnicity, persuasion, and addiction. His current projects centre around the influence of motor and bodily processes (e.g., eye movements, hand movements, hand gestures) on judgments and decision making (e.g., brand evaluations, food preferences, generosity, and stock market decisions).

Karim Mezghani is an assistant professor of Business Administration at Al Imam Mohammad Ibn Saud Islamic University, Saudi Arabia (College of Economics & Administrative Sciences). He received his M.Sc. degree and his Ph.D. degree from Sfax University, Tunisia (specialty: Management Information Systems). In addition to his experience as an assistant professor in Tunisia and Saudi Arabia, Dr. Mezghani is a regular contributor to scientific conferences and Journals in both French and English languages. His researches focus on Enterprise Resources Planning (ERP) implementation and strategic alignment, from business managers' perspective. He works also on cloud computing adoption and consultant-client relationship.

Colleen Mills, PhD, is an Associate Professor of Management in the Management, Marketing and Entrepreneurship Department of the College of Business and Law, University of Canterbury, New Zealand. A keen researcher, her research typically focuses on sensemaking and communication during times of change and development. She is particularly interested in small business startup. Her recent studies have examined enterprise startup and development in the IT and fashion industries from a sensemaking perspective using business founders' enterprise development narratives. Her award winning research has been published in the *International Small Business Journal (ISBJ),* the *International Journal of Entrepreneurial Behaviour and Research (IJEBR),* and *Education + Training (E+T)* and as a chapter in Henry and de Bruin's book (Edward Elgar, 2011) *Entrepreneurship and the Creative Economy: Process, Practice and Policy*. She was awarded the Outstanding Paper of the Year Award for a 2011 IJEBR paper entitled *Enterprise orientations: A framework for making sense of fashion sector start-up.*

Ericka Molina Ramírez has a M.Sc. from Unidad Interdisciplinaria de Ingeniería y Ciencias Sociales y Administrativas (UPIICSA) del Instituto Politécnico Nacional (IPN) [Engineering, Social Sciences and Business Unit of the National Polytechnic Institute, Mexico]; she was scholarship holder for the Asociación Nacional de Universidades e Instituciones de Educación Superior de México [National Associations of Universities and Institutions of Higher Education]. She is finishing her Doctorate Degree in Management Sciences from the University of Castilla-La Mancha, Spain. In order to obtain her degree, she is writing her doctoral thesis about entrepreneurship and indigenous groups. She teaches at the Escuela Superior de Comercio y Administración (ESCA) [School of Commerce and Business] of the IPN. She was the Research Coordinator of the Accounting Department and President of the Academy for the Financial Area of the ESCA-IPN. As a researcher, Ericka's main research focus is on entrepreneurship, equity, SMEs, and their financing.

Mário L. Raposo (PhD in Management) is Full Professor at the University of Beira Interior – Portugal. He is researcher member of NECE - Research Centre in Business Sciences. His research interests include marketing, entrepreneurship, education, innovation and competitiveness. He has author or co-author of various books and papers published in several international journals.

Renaud Redien-Collot is Director of International Affairs at Novancia Business School, Paris. He is a member of the Board of Administration of *Académie de l'Entrepreneuriat*. His research interests include innovation, entrepreneurship education and the renewal of SMEs' business models in the EU. He is a reviewer for *Feminist Economics* and *Journal of Small Business Management*.

Dietmar Roessl is Head of the Institute for Small Business Management and Entrepreneurship, Deputy Head of the Department of Global Business and Trade and Head of the Research Institute for Co-operation and Co-operatives at the WU Vienna University of Economics and Business. He holds a post-doctoral degree in the area of Business Administration & Management ("venia legendi"). After his studies he gained practical experiences as a licensed business consultant. He was a visiting professor at the University Pilsen/Cheb, Czech Republic, and at the Free University of Bolzano, Italy. He is a reviewer for several scientific journals, such as Voluntas, Journal of Small Business Management, Journal of Small Business and Entrepreneurship and for the European Science Foundation. Furthermore he is associate editor of the Journal of Co-operative Organization and Management and reviewer for several international scientific conferences.

Robert C. Schneider is a professor of sport management and the sport management program director at The College at Brockport, State University of New York (SUNY). He is the sole author of two textbooks: *Ethics of Sport: Theory, Practice, & Application* (2009), and *Basketball for All Levels* (2008); and is the co-editor of a third sport related textbook: *Entrepreneurship and Small Businesses: A Balkan's Perspective* (2013). In 2014 he will publish an organizational management and sport leadership textbook. Dr. Schneider has authored or coauthored over 70 peer-reviewed national or international academic journal articles, book chapters, or proceedings, and has delivered over 120 presentations worldwide, spanning across 13 different countries. In 2010 Dr. Schneider's academic accomplishments were recognized as "elite" in the State University of New York's higher education system when he was awarded its highest scholarly achievement award: *The Chancellor's Award for Excellence in Scholarship/Creative Activity*.

Charlotta Sirén is a Researcher at the University of Vaasa, Finland, where she teaches courses on business creation and strategy. She is also a visiting scholar at the Luleå University of Technology, Sweden. Her current research focuses on strategic learning in dynamic industries, especially in high technology settings. Her previous articles have been published, for example, in the Strategic Entrepreneurship Journal. Parallel to her academic role, Sirén has been involved in private consulting work related to knowledge transfer and learning. She is a co-founder of a consultancy company Improve Research, Ltd.

Susan Sisay is Lecturer in Business and Marketing at Glyndwr University, North Wales. She is currently studying for her PhD on the topic of International New Ventures (INVs) in the context of UK businesses in underdeveloped regions. Prior to undertaking her PhD Susan was a legal practitioner, representing corporate and commercial clients in Sierra Leone. She was also involved in several justice and legal reform initiatives, coordinating and managing several projects overseas.

Jason Sit is a Senior Lecturer in Retail Marketing at Bournemouth University (UK). His primary research area focuses on marketing and managing customer experience in retail contexts. In 2004, Jason received the Emerald Literati Outstanding Paper Award from the International Journal of Retail and Distribution Management, for a paper focusing on the typology of shopping mall entertainment and its application in patron segmentation.

Parves Sultan is a senior lecturer at the School of Business and Law, Central Queensland University, and has over 14 years of experience in academic course and program development within Marketing discipline including teaching and course coordination for flexible, distance/online and face-to-face students. He completed his PhD in 2010. He also has an MBA and M.Sc., as well. He has published over 46 research articles in international journals, reviewed conference proceedings and as book chapter(s). He has a current h-index score of 6.0 with 86+ citations. One of his papers earned the Emerald's Award for Excellence 2013 and the Highly Commended Award 2012 from ANZRSAI. Dr Parves earned a number of research grants, led projects with successful outcomes, and managed various stakeholders, academic programs and disciplines. He is currently supervising three research higher degree students. His research interests are: (a) Marketing, (b) Health, and (c) Development. He is an expert in both qualitative and quantitative research methods.

Maria Vasilska is an assistant professor at the Chair of Entrepreneurship, University of National and World Economy (UNWE), Sofia, Bulgaria. Previously she has worked as a research fellow at the Institute for Entrepreneurship Development at UNWE. She teaches subjects as Foundations of Entrepreneurship, Marketing of SMEs, Negotiations, Corporate Entrepreneurship. Her research interests include: small business and entrepreneurship, SMEs networks, strategic subcontracting, corporate entrepreneurship, industrial business and she has publications in this fields. Dr. Vasilska has been involved in more than ten research and applied projects. She is a member of the organising committee of an international conference focused on the challenges and opportunities before the European entrepreneurship.

Graham W. Winch is Professor Emeritus in Business Analysis at the University of Plymouth Business School in the UK, and Affiliate Professor at ESC – Rennes Business School in France. He holds a BSc in Chemistry and PhD in Business Administration. Besides full-time industrial and consulting posts in Germany, UK, and the United States, Prof. Winch was also a lecturer for ten years at the Durham University Business School and has been a visiting scholar at business schools in the US, Italy and Australia. His research centres on systems thinking and visualisation processes, which he has used to study both small and large firm issues.

Ho Yin Wong is a senior lecturer at Deakin Graduate School of Business, Faculty of Business & Law, Deakin University, Burwood Campus, Australia. He has published in International Marketing Review, Journal of Strategic Marketing, Journal of Product and Brand Management, Journal of Global Marketing, and Asia Pacific Journal of Marketing and Logistics, among others. He co-authored an article for the Journal of Asia Pacific Journal of Marketing and Logistics, which was chosen as an Outstanding Paper Award Winner at the Emerald Literati Network Awards for Excellence 2013. He is also a co-author of a book - *Building a Marketing Plan: A Complete Guide*. His main research interests are international marketing, branding, and marketing strategy.

Index

L

M

N

O

P

R

S

T

U