

ANGLIA RUSKIN UNIVERSITY

FACULTY OF BUSINESS AND LAW

HOW SUCCESSFUL KNOWLEDGE MANAGEMENT AND ORGANISATIONAL
CAPABILITY STRATEGIES SECURE GROWTH OPPORTUNITIES FOR SMES
OPERATING IN THE UK TECHNOLOGY SECTOR

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ANGLIA RUSKIN UNIVERSITY

ABSTRACT

FACULTY OF BUSINESS AND LAW

DOCTOR OF BUSINESS ADMINISTRATION

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Successful organisations survive through their ability to assess their current position, identify and critically appraise threats and opportunities, evaluate their resource availability, and develop a considered, appropriate response. This thesis investigates how efficient and sophisticated approaches to capturing and exploiting business intelligence, also known as Knowledge Management (KM), facilitate the development of Organisational Capability (OC) for successful growth strategies.

This thesis focuses on SMEs, representing 99.9% of the UK private sector, as their size and structure present unique approaches to strategy development. Only 41% can expect to survive five years. Drawing from existing literature, a diagnostic model was developed that enables SMEs to identify their current position in terms of KM and OC status, and the potential consequences. By charting the SMEs on the model, decision-makers can develop growth-enhancing KM and OC strategies accordingly. This was tested through the development of case studies with three technology SMEs, supported by survey responses.

Advocating a distinctive approach to research design that is both immersive and reflexive, this thesis makes four specific contributions:

- An advancement of theory relating to dynamic capability development
- An advancement of theory relating to SME growth strategies
- The development of a practical diagnostic tool to highlight deficits in KM or OC strategy
- The classification of three dynamic growth phases that illustrate how the exploitation of KM supports growth by realigning internal structures with external environments, acknowledging that OC evolves from operational to strategic level as the firm grows.

The findings will also enable future Government policy makers to better understand SME challenges, and create interventions that can support UK SMEs in achieving sustained business growth.

Key words: SMEs, Small Firms, Knowledge, KM, Capability, OC, growth, strategy, dynamic, entrepreneur

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Glossary of Acronyms

ACAP	Absorptive Capacity
ARU	Anglia Ruskin University
AEB	Associated Examination Board
BEIS	Department for Business, Energy and Industrial Strategy
CEBR	Centre of Economics and Business Research
CEO	Chief Executive Officer
CBI	Confederation of British Industry
CO	Customer Orientation
DBA	Doctorate in Business Administration
EO	Entrepreneurial Orientation
GDPR	General Data Protection Regulation
HR	Human Resources
IP	Intellectual Property
ISO	International Organization for Standardization
KM	Knowledge Management
LO	Learning Orientation
MO	Market Orientation
NHS	National Health Service
OC	Organisational Capability
OLC	Organisational Learning Capability
ONS	Office for National Statistics
PPE	Personal Protective Equipment
RBV	Resource Based View
SME	Small and Medium-sized Enterprise
SO	Strategic Orientation
USP	Unique Selling Point

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Chapter 1: Introduction to the Thesis

1.0 Chapter Overview

In this chapter, I describe my research and the context for the research field, how I have approached the various elements to bring this thesis together, and how I anticipate answering the research questions.

1.1 My Research

I work in an academic world, but not in an academic role. I was motivated to undertake a Research Degree to advance my understanding of how organisations develop their skills and capabilities, and the Doctorate in Business Administration (DBA) allowed me to research in a field that was independent of my employer. I joined Anglia Ruskin University's (ARU) Learning Development Services (Professional Services) in 2012, in a role working with organisations to identify and develop work-based and distance learning opportunities for employees who had changed careers or who had not yet had the opportunity to undertake a university education. Prior to ARU, I had worked in a variety of leadership roles in recruitment, learning and development with Small and Medium-sized Enterprises (SMEs) in the private sector, latterly in e-business. I had developed a particular interest in internal capability development and recognised that many of my customers in my current role were facing similar challenges with specialised-skills recruitment to those I had experienced in former roles. My interest therefore was specific to smaller, private SMEs.

As I began to read the literature, it became clear that research specifically focused on UK SMEs' capability and strategy development was still emerging, and I recognised a gap in the literature. Being practically minded, I wanted my research to advance knowledge, and provide something practical and usable to the business community, as I had also become aware of a divide between academic theory and its relevance to business.

After commencing my Doctorate in Business Administration (DBA) in 2016, my role changed to focusing on the development and engagement of healthcare apprenticeships and supporting the NHS and private healthcare employers across the East of England. My research perspective has therefore shifted from being highly connected to my work to being a welcome distraction from public sector and national healthcare challenges.

1.2 The Context for My Research

With responsibility for recruitment, learning and development in my previous roles, I was challenged with finding people with the right skills, attitude and 'fit' for my employers. In the last of these roles, the need for technical skills had increased as new technologies emerged, so this was often a long, drawn-out and expensive process, with mixed results that were rarely long-term.

I encouraged the directors to consider developing technical skills within the business, hiring people with the personal attributes and attitude the business sought straight from school or university and thereby shifting the investment to developing capabilities with internal expertise through staff trainers. This resulted in a review of capabilities against current customer needs, and a comprehensive overhaul of internal training and development opportunities. Just as this project was concluding, the managing director accepted a buy-out offer from a US-based company and the project was cancelled. My interest in the project remained, however, as did questions around the potential of the process, the impact on growth of the company, and the effect on retention and motivation.

1.3 The Importance of Small and Medium-sized Enterprises to the Economy

The UK Government's Department for Business, Energy & Industrial Strategy (BEIS) defines a small business as one employing 0-49 workers, and a medium-sized business as one employing 50-249 employees; collectively, SMEs employ 0-249 people (BEIS, 2020). Of the estimated 5.9 million businesses that were trading in the first quarter of 2019 in the private sector (i.e., excluding not-for-profit businesses, but including public corporations and nationalised bodies), 99.9% were classed as SMEs (BEIS, 2020). 95% of these employ fewer than 10 people, including sole proprietorships and partnerships. A mere 0.1% of businesses employ more than 249 people (i.e., large enterprises).

The importance of SMEs to the economy should not be under-estimated; they contributed 52.2% private sector turnover to the economy in 2019, and employed 60.4% of the workforce (BEIS, 2020). Their success underpins the performance of the economy, particularly in times of economic, and global, uncertainty. Therefore SME 'capabilities should be recognised and celebrated' (Gough, 2017, unpagged).

1.4 The Development of the Thesis

Initially, my thesis title was *In Pursuit of Dynamic Organisational Capability Strategies that Promote Growth in SMEs*. This encapsulated the focus of my research and allowed me to specify the criteria for a sample of SMEs to be studied: established businesses (5 years +) that had confirmed an aspiration to grow.

However, as I explored the literature, two revelations led me to reconsider my title:

- (1) I cannot supply a suggestion for a strategy, or strategies, as these are unique to the business. I can merely critique the theory behind strategy development and offer a balanced view of the various stimuli that influence the decision-making. So, this title was a little misleading.
- (2) It took me some time to decide on my position in the debate over dynamic capabilities. This only manifested during the reworking and updating of my literature review, where I explored alternative theories and recognised them in the context of my own analysis. I cover these in Chapter 2: Literature Review. I developed my position and viewpoint further in the discussion section of Chapter 5: Data Analysis and Discussion. Ultimately, I dropped 'dynamic' from my title.

I reviewed my title as I was writing up. I believe that the revised title, *How successful Knowledge Management and Organisational Capability strategies secure growth opportunities for SMEs operating in the UK technology sector*, more accurately describes this thesis.

1.5 My Approach to Research

As an inexperienced researcher, just getting started was an enormous hurdle to overcome. My mentor boosted my confidence in my ability and chipped away at my Impostor Syndrome (Clance & Imes, 1978). The initial attraction of the DBA was the structure, requiring the submission of three preliminary papers before the research commenced. By learning from feedback received, I advanced my research skills from the start, in particular my confidence and skills in academic writing, and the ability to identify suitable, relevant literature that bore relevance to my studies.

Research inexperience notwithstanding, I had developed considerable experience in interviewing skills. Having worked in recruitment for more than 20 years, I am naturally inquisitive, a good reader of people, and proficient in asking questions and acquiring information. I obtained the Certificate in Recruitment Practice from the Associated Examination Board (AEB) in 2005, comprising four modules including Interviewing Skills. Many reports I read relating to SME success and failures were based on quantitative research. Consequently, I sought to bring out the human element in my research and represent the voices of real SME decision-makers facing challenges to growing their businesses. I sought, in effect, to tell their stories, so that my findings might resonate with other SMEs in similar situations, and to help to bridge the gap between academia, mismatched government policy, and practical business use.

As I began my research in March 2020, the UK Government implemented a national lockdown in response to the Covid-19 pandemic. This required flexibility and adaptability to overcome the subsequent challenges, not least to my intended research design.

1.6 Guide to the Chapters

In Chapter 2, I critique the literature and introduce the conceptual model I derived from the literature. I describe my research ontology, epistemology and methodology, and research design in Chapter 3. In Chapter 4 I describe my Case Studies, and in Chapter 5 I present my analysis and discussion of the findings.

Chapter 2: Literature Review

2.0 Introduction to the Chapter

Most of the hypotheses and resultant theories relating to organisational capability (OC) and growth strategies originate from studies of large organisations (cf. Ulrich & Lake, 1991; Harvey & Jones, 1992; Grant, 1996a; Teece, Pisano & Shuen, 1997; Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Helfat & Winter, 2011; Lin & Wu, 2014; Rauffet, Cunha & Bernard, 2016). In response, in this thesis I focus on the development of growth strategies specific to SMEs.

Stonehouse and Pemberton compared several strategic management methodologies in both small and large firms, identifying a correlation between SME success and 'long term planning' (2002, p.860), as internal learning and reflection enhance strategic thinking as the SME better understands its competitive environment. The relationship between environment, capability and strategy has endured as an accepted construct over many years (Chandler, 1962; Ansoff, 1987; Ulrich & Wiersema, 1989; Parnell, Long & Lester, 2015). A firm's activity is influenced by its available resources and capabilities. Aligning these to the external market requires strategic planning, the success of which is measured by performance (Parnell & Brady, 2019). Edelman, Brush and Manolova found that 'any strategy that does not build on the resource configuration of the small company will likely be detrimental to firm performance' (2005, p.377).

A fundamental central focus of my research is exploring successful SMEs strategies, especially those that exploit growth opportunities through OC, to facilitate the achievement of longer-term growth, success and sustainability. The simple conceptual framework illustrated in Figure 1 assisted in locating my research focus in pursuit of learning how these strategies develop.

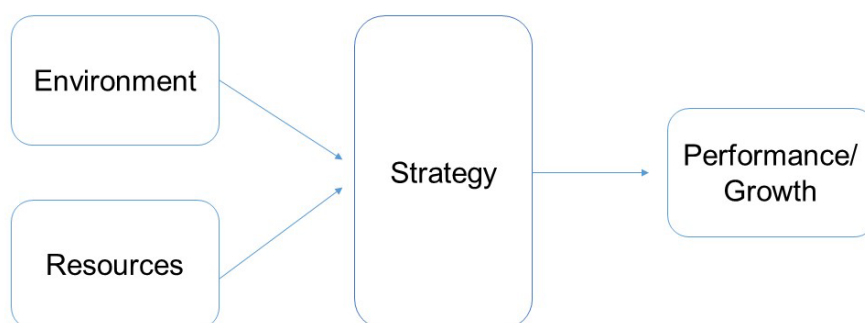


Figure 1: A conceptual framework (adapted from Parnell & Brady, 2019, p.154)

2.0.1 Factors that determine success or failure in SMEs

According to the Office for National Statistics (ONS), the five-year survival rate for businesses 'born' in 2014 and still active in 2019 was 42.5% (ONS, 2019). 4.6% of these were classed as high growth, defined by the ONS as employing 10+ with an average growth in employment of greater than 20% during 2016-2019.

CB Insights (2019) questioned 101 failed SMEs and identified the main reasons for failure (see Figure 2). As there was frequently more than one reason, the total percentage exceeds 100.

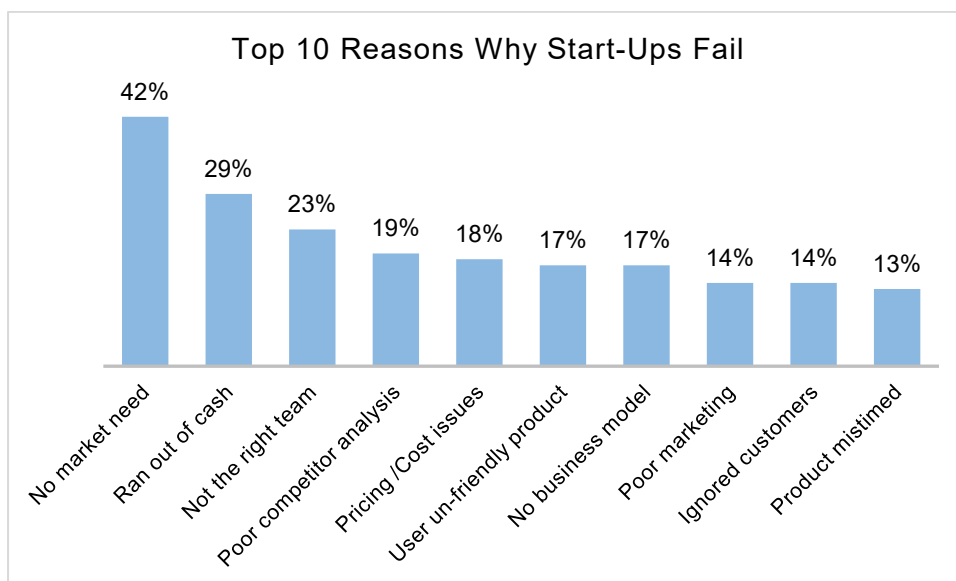


Figure 2: Top 10 Reasons Start-ups Fail, adapted from 'Top 20 Reasons Start-ups Fail' (CB Insights, 2019, p.4)

Clearly, the key reason was 'no market need', which affects all other business activities, as failure to sell stock prevents inflow of revenue. It is impossible to secure necessary resources, or to calculate an acceptable price without market demand. Managers that understand customer demand create sustainable business models that facilitate the appointment of the right staff, and customer engagement.

Research into SME failure, (cf. Foley & Green, 1989; Jennings & Beaver, 1995; Jennings & Beaver, 1997; Franco & Haase, 2010) has informed government policy, but despite listing avoidable pitfalls, SMEs continue to fail. Yet the reasons for the success of those SMEs that survive the first five years are less well documented. The key learnings for aspiring CEOs and government policy - the factors that contribute to SME growth and success - are overlooked.

The first of these factors is the founding owner's motivation (Beaver & Prince, 2004). Skilled and specialist-trained individuals create start-ups, (i.e., beauticians, hairdressers, dentists, architects, car mechanics, chefs, builders, for example). Many of these will be content with monthly revenues that cover the rent of premises and running costs, tools, wages and insurance, and provide a personal regular income for themselves, otherwise known as a lifestyle business (Crick, Chaudhry & Crick, 2017), and will most likely close when the owner stops working. Individuals who have identified a particular market opportunity also create start-ups. These might emerge after several months of careful planning, or from a spontaneous reaction to a life crisis or change, such as disillusionment in their current employment, or job loss.

Previous studies have shown that the motivations of SMEs are often those of the owner (Beaver & Prince, 2004; Rogoff, Lee & Suh, 2004). An understanding of how the owner, and the influence of their close advisors and founding team, can succeed in growing a successful business are key to this research. Wang, Walker and Redmond (2007) found that CEOs pursuing growth are more likely to engage with strategic planning than those in lifestyle businesses. In this thesis, I focus on SMEs that aim to grow.

2.0.2 A review of the term 'strategy'

The term 'strategy' is widely used in business and economics, yet it is subject to competing definitions (see Table 1).

Author(s)	Definition
Chandler	'the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action... necessary for carrying out these goals' (1962, p.16).
Hofer and Schendel	'the fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organisation will achieve its objectives' (1978, p.25).
Galbraith and Schendel	'a consistent pattern... of managerial controllable or decision components...; and the direction in which these components are shifting over time...' (1983, p.156).
Porter	The 'creation of a unique and valuable position involving a different set of activities' (1996, p.18)
Whittington	'plotting favourable positions on a battlefield of business, and simply moving assets around by remote control' (2002, p.67).

Table 1: A list of definitions of the term 'strategy'

All businesses have initial objectives or 'rational goals' (Reid & Smith, 2000, p.175). The priority for managers is to consider how they can achieve these objectives by considering

the levels of resources required, the manufacturing process, the availability of funding, the maintenance of financial viability, and how these factors can support growth and profitability. The creation of a business plan is crucial, particularly for a newly established firm (Barrow, Barrow & Brown, 2001). Referring to the Corporate Finance Network and Association of Chartered Certified Accountants UK's joint SME Recovery Tracker published in September 2020, *AccountancyAge* reported that a mere 35% of SMEs have a business plan or some form of financial budgeting mechanism, compared to 85% of large organisations (Lemmon, 2020).

A robust business plan offers in-depth knowledge of the current market, provides insight into opportunities, and specifies the aims of the business. It explains how the concept of the business, along with the manager's expertise, the financial model, suppliers and resources, customer engagement, and planned sales and marketing activities, contribute to meeting these aims (Finch, 2013). If the business plan is a map pinpointing milestones that need to be visited to reach these aims, then the strategy is the route that needs to be followed to meet them effectively, through the positioning and mobilisation of internal resources.

Like any travel itinerary, contingencies for diversions within the market are essential. A strategy must be dynamic and offer elasticity to cope with internal and external deviations and emergent developments. Firms do not exist in isolation, and strategies evolve within dynamic market environments (Hofer & Schendel, 1978; Galbraith & Schendel, 1983; Rumelt & Lamb, 1997; Wang & Ahmed, 2007).

Rigid strategies prevent the flexibility and mobility of resources and limit innovation, which threatens the sustainability of competitive advantage (Mintzberg, 1979; Davis, Eisenhardt & Bingham, 2008). An SME that has achieved competitive advantage is implementing a 'value creating strategy' (Barney, 1991, p.102) that is not being implemented by any other firm in the same market and sustains it until other firms imitate the strategy. But not all SMEs strive to achieve competitive advantage in the short term. Some focus on growth, while others will focus on survival strategies (Coad et al., 2013). Whatever their aspirations, SMEs without strategic plans are likely to fail (O'Neill & Duker, 1986).

Porter (1991) proposed that concentrating primarily on internal resources results in an inward focus which loses sight of market dynamics. A strong position in the market is essential for survival. The ability of a firm to predict potential change factors, particularly those from external sources, including technological advancements, threats to the supply of resources, and changes in buyer behaviour, provide managers with the opportunity to

consider their options and plan for contingencies. Porter's (1996) theory, however, is built on the inaccurate premise that firms and their 'strategically relevant resources' (Spanos & Lioukas, 2001, p.909) are identical. Subject to 'their dynamism and variability' (Dragnić, 2014, p.151), the performance of SMEs is subject to internal and external influences, and both must be considered in equal measure.

The strategic position or *orientation* (SO) of a firm, as debated by extant literature to influence firm performance, is defined as 'how an organization uses strategy to adapt to and/or change aspects of its environment for a more favorable alignment' (Manu & Sriram, 1996, p.79).

Such orientations might be either, or a combination of:

EO (entrepreneurial orientation): exhibiting 'behavior such as risk taking, innovation, and proactiveness' (Miller, 1983, p.778).

CO (customer orientation): 'directing the efforts of the firm to meeting customer needs and wants' (Appiah-Adu & Singh, 1998, p.385).

Extending to:

MO (market orientation): where firms 'strive to create superior value for their customers (and superior performance for the business) by focusing on customer needs and long-term profitability' (Becherer, Halstead & Haynes, 2003, p.15).

LO (learning orientation): 'embracing the commitment to learning, shared vision, open-mindedness and inter-organizational knowledge sharing' (Keskin, 2006, p.399).

In the next section, I explore these and the literature in relation to a range of SME characteristics and their impact, and influences, on strategy formulation in pursuit of growth.

2.1 A Review of the Literature Relating to SME Strategy Formulation

Most of the research on strategy development has focused on large companies and internal factors (cf. Ansoff, 1965; Mintzberg, 1973; Miller & Friesen, 1977; Miles et al., 1978; Bourgeois, 1980; Miller & Friesen, 1983a; Mintzberg & Waters, 1985; Miller, 1986; Ansoff, 1987; Henderson, 1989; Hart, 1992; Porter, 1996; Andrews, 1997). In addition, assumptions have been made that SMEs simply do not engage in deliberate strategic planning (cf. Mintzberg, 1973; Sexton & van Auken, 1985; Orser, Hogarth-Scott & Riding, 2000; Beaver, 2003; Wang, Walker & Redmond, 2007) or that the entrepreneurial style of strategic planning, often found in SMEs, leads to poor performance (Hart, 1992).

Perry (2001) reported that it is rare for an SME to have a plan, but those that had no plan at all were more likely to fail. Jennings and Beaver (1997) asserted that it was impossible for SMEs to follow the principals of strategic management and activity. Early activity focuses on planning rather than longer-term strategy and acting on 'instinct, intuition and impulse' (McCarthy, 2003, p.328). Bhidé recognised that most small start-ups, especially those entering rapidly changing markets, do not plan for good reason, as 'an ability to roll with the punches is much more important than careful planning' (1994, p.152).

SMEs have their own approach to strategy formulation, mainly connected to the CEO, in the absence of an established management team (Williams et al., 2020). Kaya (2015) proposed that an understanding of SME strategies should centre on their unique characteristics. Managers' decisions are influenced by the importance they place on up-to-date business intelligence, feedback from employees, and their ability to seek and repurpose feedback from customers for strategic benefit. Limitations in SME resources and structure require managers to play a critical role in acquiring business intelligence as a 'searcher and assimilator of information' (Lybaert, 1998, p.171), thereby becoming a strategic thinker (Skrt & Antončič, 2004).

In this thesis I focus on SMEs with an intention to grow, and the business strategies managers employ that have the greatest impact on the firm's ability to achieve this (Wiklund, 1999), since they command the allocation of resources to create value (Eisenhardt & Martin, 2000). SME managers need to develop flexible strategy formulation skills to cope with constant environmental changes and market demands (Miller & Friesen, 1983). Gilbert, McDougall and Audretsch contend that 'the strategy-growth relationship is contingent on the resources the venture has to support the strategy being executed' (2006, p.935).

Each of the models summarised in Table 2 examine SME behaviours holistically, especially in relation to the impact of both the internal and external environments.

Author(s)	SME Strategy Model
Stevenson and Gumpert (1985)	Adaptive, entrepreneurial firms seeking to grow will find their capacity to influence the competitive environment through strategic activity.
Bhide (1994)	Offered a four-stage model for analytical planning and execution to entrepreneurial start-ups.
Russell Merz and Sauber (1995)	Identified four managerial profiles in their research on small firm decision-making.
Jennings and Beaver (1997)	Attributed strategy formulation and implementation to the personality, views and experiences, and the ability of the owner/manager.
Covin and Slevin (1989)	Considered the structure, posture and environments of small firms and how they impacted decision making in a variety of situations.
Verreynne (2006)	Identified the influence of internal and external factors within the strategy-development process; adaptive mode indicates the SMEs response to their stakeholders which in turn shapes the strategy.
Wiklund, Patzelt, and Shepherd (2009)	Created a model to illustrate the influences of entrepreneurial orientation, environment, resources, and CEOs' personal views on the growth of small businesses.
Moreno and Casillas (2008)	Devised a conceptual framework to illustrate how specific strategic behaviours influence SMEs growth dependent on entrepreneurial orientation, and internal and external factors.
Brinckmann, Grichnik and Kapsa (2010)	SME planning has a positive effect on business performance in the development stage, but strategic flexibility, learning orientation and adaptability are more critical as the SME grows.

Table 2: A summary of SME strategy models

The environment creates the challenges SMEs must overcome with strategic planning designed to maintain growth, improve performance, attain market share, or achieve competitive advantage. The underlying variable is how firms develop an understanding of their environment, and how they proactively and realistically respond to changes. This flexibility supports risk assessment and decision-making that identify and facilitate the exploitation of opportunities to create value for customers (Shane & Venkataraman, 2000; Kaya, 2015) thereby differentiating SMEs from larger, more established competitors.

2.1.1 In Search of Distinctiveness

Early models of competitive advantage for larger-scale organisations were formulated on the supposition that all firms operating in the same customer markets were identical, with the same access to resources and pursuant of the same courses of action (Rumelt, 1984). These assumptions resonate with Newton's *First Law of Motion (The Law of Inertia)* that asserts that an object (organisation) at rest stays at rest, and an object in motion stays in

motion with the same speed and in the same direction, unless acted upon by an unbalanced (market) force (Hecht, 2015).

Drawing on Darwin's theory of evolution, Johansson & Kask suggest that 'new relational routines and capabilities will arise' (2013, p.311) in the pursuit of differentiation from competitors and adding value to the customer offer. Similarly, Gause's *Principle of Competitive Exclusion* illustrates how no two identical competitors can co-exist even if they are operating identically (Hardin, 1960; Henderson, 1989). A firm's distinctive range and supply of resources influence business activities; therefore, each will react to market dynamics in a unique way. Strategy implementation commits a firm to a specific allocation of resources, and therefore any changes within the market that require reorganisation and realignment of these resources will be felt more keenly by SMEs (Gibcus & Kemp, 2003). Where previous studies have revealed challenges in firms' 'capacity for strategic change' (Nicholls-Nixon, Cooper & Woo, 2000, p.515), Borch, Huse and Senneseth (1999) confirmed the unequivocal unity of SMEs' resources with strategy.

Several researchers (Hansen & Wernerfelt, 1989; Grant, 1991; Varadajan & Cunningham, 1995) hypothesise that internal resources and capabilities are critical influences in the development of competitive advantage and profitability, although one does not necessarily follow the other (Makadok, 2010). Recognising the importance of external factors, Grant defines strategy as 'the match an organisation makes between its internal resources and skills... and the opportunities and risks created by its external environment' (1991, p.114). Constant shifts in the market require swift attention, but firms are limited in their courses of action by the availability and composition of internal resources.

Even if an SME is intent on achieving competitive advantage, this does not always lead to enhanced performance (Ma, 2000). SME strategies are dependent on the age of the business, with younger firms seeking to establish themselves, secure customers, and sustain a feasible cash flow. Some SMEs will be looking to grow their resources to capitalise on new business opportunities or customer contracts, while others will simply be seeking to remain viable. Levy and Powell (2004) found that most entrepreneurs intended to grow the business. McDowell, Harris and Geho discovered that the age of the firm has considerable impact on strategic outlook, where 'Owners of younger firms often focus on external strategies that build market share and expand the customer base, whereas mature firms focus on internal processes that improve operational efficiency and financial stability (2016, p.1907).

Firms of all sizes select different activities to meet their unique business aspirations (Miller & Toulouse, 1986). Where it was once common for analysts to assume that strategy creation followed the same principles for all sizes of organisation, they have recently recognised distinctive approaches for strategy development in SMEs (Andersen, 2004; Karami, Analoui & Kakabadse, 2006; Parnell & Brady, 2019). According to a study by the University of Surrey, 96% of SMEs consider opportunities for growth to be one of the most important factors contributing to their future success (Gray, Saunders & Goregaokar, 2012). Highlighting the challenges faced by SMEs in pursuit of greater market share, the RSA Insurance Group's report, *Growing Pains*, further concluded that the transition from a small to a medium-sized, and then to a large firm, proves to be one of the toughest of all (Centre of Economics and Business Research (CEBR), 2014).

Strategies for survival to find a place in the market where they can add value will precede any SME's strategies that focus on growth in that market, yet often SME survival is determined by its growth strategies (Cressy, 2006). SMEs are more likely to use their limited resources and relative flexibility to concentrate on areas of specific knowledge to exploit areas where larger counterparts are less able to compete, such as quality improvements on existing innovations, or a more focused customer experience (Beaver & Prince, 2004; Kaya, 2015). How they use this knowledge will define their SO, defined by Morgan and Strong (2003) as how decisions are made and how these decisions contribute to performance.

Business plans are operational rather than long-term strategic roadmaps detailing how to achieve objectives and improve performance (Shrader, Mulford & Blackburn, 1989). While many SMEs trust cash flow forecasts and budgets to direct activities from start-up, the need for more formal planning emerges as the firm grows to prepare for times of surprise or crisis (Berry, 1998). Despite their best intentions, many CEOs cite a lack of time, skills, resources and distractions from business matters that require their immediate attention (Ates et al., 2013): the very reasons why strategic planning is so imperative. In the absence of a formal strategy, business activities fail to capitalise on the deployment and maximisation of resources to embrace new opportunities, and counter threats to its position (Noble, 1999).

The presence of strategy does not guarantee success: 'a series of bad decisions can still be consistent with a bad strategy that eventually leads to failure' (Hauser, Eggers & Guldenberg, 2020, p.776). The same is true of inflexible strategies, which may hinder the development of creative thinking and changing course (Williams et al., 2018), while adaptive strategies protect firms from long-lasting damage (Schoemaker, 2012). Although the small size of SMEs might accelerate the process between strategy creation and execution, the

lack of human resources and breadth of expertise from 'middle managers or functional specialists' (Franco & Haase, 2010, p.516) can weaken the development of strategy.

Berry suggested that SME planning evolves as the firm grows:

As the activities and supporting functional areas of the organisation become more complex and sophisticated, planning will develop through various stages from its initial beginnings as simple financial plans and budgets, through to forecast-based planning, externally-oriented planning where the owner-manager begins to think strategically, proactively planning the firm's future rather than merely reactively responding to changes within the marketplace' (1998, p.456)

Mazzarol, Reboud and Soutar (2009) suggested that CEOs develop their appreciation of and engagement in strategic planning as the SME develops and matures, since structures gain complexity in growing firms and the CEO becomes further removed from operations, needing to delegate and trust employees. From the outset however, the presence of 'strategic awareness' (Karami, Analoui, & Kakabadse, 2006, p.321) in terms of the business environment and the impact of their decisions, may suffice.

2.1.2 The Concept of Organisational Life Cycles

Lippitt and Schmidt likened the stages of a firm's evolution process to people and plants, arguing that 'a business organisation goes through the stages of birth, youth and maturity' (1967, p.102), referred to as life cycles. Life cycle theory explains how the situation and environment of an SME influence growth strategies at a specific point in time (Tam & Gray, 2016). Since Greiner's (1972) model, much of the research relating to the stages of development as firms grow has concentrated on larger-scale organisations (cf. Kimberly & Miles, 1980; Miller & Friesen, 1983b; Mintzberg, 1984; Smith, Mitchell & Summer, 1985; Gupta & Chin, 1993) which are deemed less affected by the external challenges faced by SMEs (O'Farrell & Hitchens, 1988). Beaver (2002) underlined that the main issue in understanding SME strategy development is that they are as much different from each other as they are from their larger counterparts. Hanks described the life cycle as a 'unique configuration of variables related to organisational context, strategy, and structure' (1990, p.1).

Over the past few decades, several researchers have offered models specific to SME growth (see Table 3).

Author(s)	Findings
Steinmetz (1969)	Identified three critical phases of growth: Direct supervision, supervised supervision and indirect control.
Kroeger (1974)	Identified unique management skills that support the SME as it transitions through phases of growth.
Churchill and Lewis (1983)	Recognised how SMEs experienced common problems in similar stages of development to understand specific needs at specific points.
Scott and Bruce (1987)	Identified crisis points that triggered the next stage of an SME's growth journey to develop Greiner's model as a diagnostic tool for SMEs.
O'Farrell and Hitchens (1988)	Proposed a model whereby the focus is on internal and external resources to help SMEs compete and grow.
Kazanjian and Drazin (1989)	Research into new technology firms found similar growth stages between SMEs as they experience and resolve challenges
Dodge and Robbins (1992)	Identified the variety of common challenges SME CEOs face in the various stages of growth that are unique to them.
Hanks et al. (1994)	Researched high-growth tech firms to develop a model of four growth stages.
Lester, Parnell and Carraher (2003)	Identified five Life Cycle Stage Characteristics: Existence, Survival, Success, Renewal, Decline.
Phelps, Adams and Bessant (2007)	Study on organic growth in smaller and younger businesses involving the recognition of tipping points and the importance of new learning impact through absorptive capacity.
Levie and Lichtenstein (2010)	Introduced the 'dynamic states' approach – recognising SMEs are complex and adaptive in organising resources to offer value to customers and thus triggering growth opportunities.
Smallbone and Wyer (2012)	Identified how firms evolve and therefore need to adapt through five developmental phases.
Ingle, Khlif and Karoui (2017)	Suggested four main states of SME existence based on board configuration: new venture/start-up, high growth, plateaued growth and professional management.
Salder et al. (2020)	Four Dimensions Conceptual Model: incorporating Characteristics, Assets, Strategy and Environment.

Table 3: Key findings from a chronology of SME growth models

A common consensus that underpins the models in Table 3 is that firms are formed, grow, and stabilise, and some will continue to grow, but will do so at their own pace. Failure can occur in any of these stages, although some might renew by entering new markets or changing their business proposition (Eggers et al., 2013). Depending on where an SME is in its own life cycle, it will be looking to overcome a unique set of challenges in a unique environment, and thus its path is unpredictable (Garnsey, Stam & Heffernan, 2006). These challenges each require specific strategies based on SME decision-makers' understanding of the issues, their perception of the threats and opportunities, and where they can direct available resources (Dutton & Jackson, 1987; Barney, 2001b). In recognition of the unique growth patterns that SMEs follow, influenced by their unique internal and external factors, most of these growth models offered little value to my research, except for Levie and Lichtenstein's (2010) Dynamic States theory, to which I will return in section 2.3.1.

As Kazanjian and Drazin (1989) observed,

the problems, tasks or environments may differ from model to model, but almost all suggest that stages emerge in a well-defined sequence such that the solution of one set of problems or tasks leads to a new set of problems or tasks emerging which the organization must address (1989, p.1489).

Such complexities provoke debate into the validity of universal life cycle stages. Scott and Bruce suggested 'crisis points' triggered growth (1987, p.47), requiring the firm to adapt immediately to a new challenge in order to survive. Conversely, Gray, Saunders and Goregaokar discovered that a CEO simply paying close attention to the market and seizing new opportunities is just as likely to realise growth potential, particularly one that exhibited EO; a demonstration of the CEO being 'cognitively-agile' (2012, p.70).

Edelman, Brush and Manolova explored the relationship between resources and performance, with specific focus on the 'distinctive competence' (2005, p.367) that is unique to SME HR and business habits. Their study revealed that, although the deployment of resources alone can lead to firm performance, or growth, SMEs tend to align their strategies to available resources, which leads to *enhanced performance* (see Figure 3).

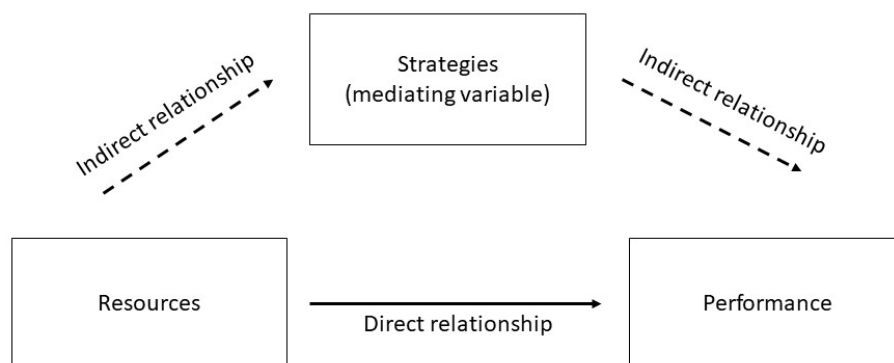


Figure 3: Co-alignment: the 'resource-strategy-performance' model (Edelman, Brush & Manolova, 2005, p.371)

In this model, firm performance was found to be enhanced with the intervention of strategies focused on resource allocation, due to the 'unique exploitation of resources through appropriate strategies' (2005, p.376). SME resources will be more limited in early years (Williams, 2014); a planned and shrewd approach to resource configuration can be critical to survival. While the model highlights the importance of strategy in the deployment of internal resources, the role of the external environment in this scenario is overlooked, which impedes the success of resultant strategies. As concluded by O'Regan, Sims and Galleary (2008), unless SME strategy is also aligned to the environment, its effectiveness will be limited.

2.1.3 Aligned Strategies

SMEs create value by implementing strategies that align with their resources and their business activities (Woiceshyn & Falkenberg, 2008). In *section 2.0.1: Factors that determine success or failure in SMEs* of this thesis, although I identified the key reason for SME failure to be 'no market need', other reasons included 'not the right team', 'no business model' and 'ignored customers'. Despite this, new businesses with no discernible customer demand or market need open every day. CEOs may believe they have a great idea or offer, with the right resources in place, yet no buyers will exist unless there is true market demand (Goodwin, et al., 2015). Hofer and Schendel (1978) argue that to be successful, SMEs must ensure their resources and capabilities are strategically aligned, wherever they are in their life cycle, to seize any opportunities and counter strategic risks (Slywotzky & Drzik, 2005). An informed appraisal of customer needs equips SME managers to formulate purpose, and consequently create a strategy, which advances the SME in pursuit of its purpose, and develop resource capability through transformational leadership (Eikelenboom & de Jong, 2019). In the case of the SME, these are most likely to be human resources, of which, according to Hargis and Bradley (2011), the 'planning and use of resources in a way that aligns with the strategic direction of the firm' will contribute to performance (2011, p.112). Edelman, Brush and Manolova conclude, 'any strategy that does not build on the resource configuration of the [SME] will likely be detrimental to firm performance' (2005, p.377).

Where strategy and structure are aligned, external influences and 'internal inefficiencies' are likely to be less problematic (Bergeron, Raymond & Rivard, 2004, p.1004) and performance should be enhanced. Barney (2001b) notes that strategies aligned to capabilities will have a better chance of success. The development and subsequent formal adoption of the aligned business plan will greatly enhance an SME's ability to achieve its goals, maximise resources, and monitor progress (Lyles et al., 1993). Figure 4 illustrates how specific *internal* business elements are interdependent on each other to achieve strategic alignment.

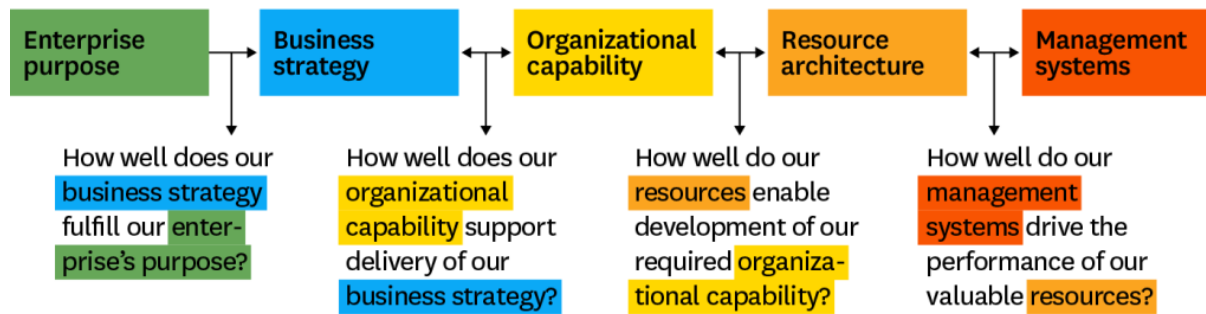


Figure 4: The Interdependent Components That Make up a Strategically Aligned Enterprise (Trevor & Varcoe, 2017, p.3)

The Trevor and Varcoe (2017) model in Figure 4 represents the considerations any firm must make to ensure all internal factors align for the optimisation of strategy development. However, external factors are again disregarded, and since any change in an SME's external environment will affect the success of a strategy, ignoring it will be detrimental to success. When 'strategic decisions are not usually made in 'strategic alignment' with a firm's external and internal characteristics', firm performance is impaired (Rashidirad, Soltani & Syed, 2013, p.213).

Crossan, Fry and Killing's Diamond-E Framework demonstrates how 'Strategy must satisfy both the external and internal circumstances simultaneously' (2004, p.48) (see Figure 5).

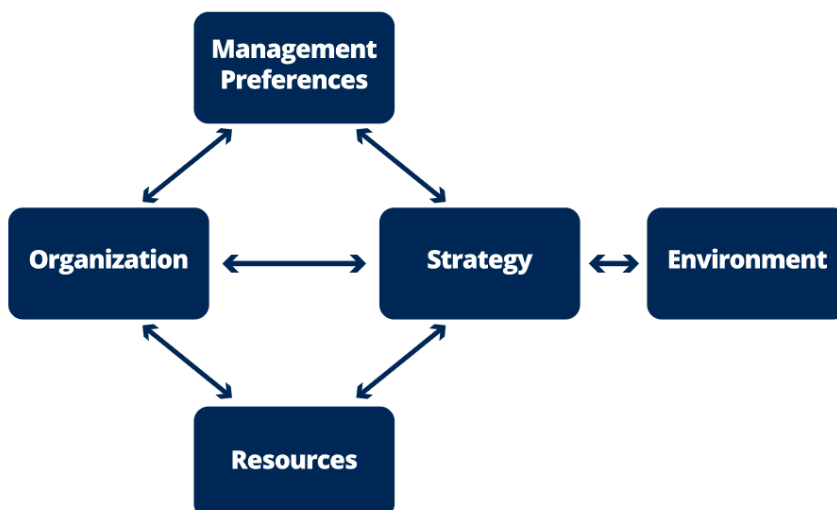


Figure 5: The Diamond-E Framework (Crossan, Fry & Killing, 2004, p.48)

In a constantly changing environment, this strategy-development framework illustrates the necessity for constant strategic re-assessment of resources against new challenges, again relying on the SME's flexibility in realigning resources and adapting strategy accordingly (Ferreira et al., 2013). While a large and well-established organisation is likely to have

sophisticated processes and tools to achieve this, the challenge for SMEs is intensified by their limited resources (McDowell, Harris & Geho, 2016), yet this might also be to their advantage, as having fewer variables increases flexibility and adaptability in aligning them to meet strategic goals (Bagnoli & Giachetti, 2015; Street, Gallupe & Baker, 2017). As Dibrell, Craig and Neubaum concluded, 'firms capable of concurrently acting and reacting are in a better competitive position than those that are unable to effectively change the objectives of their strategic plan to changes in the external environment' (2014, p.2005).

The Confederation of British Industry (CBI) notes how 'organisations often fail to focus on the customers and markets they serve' (Appiah-Adu & Singh, 1998, p.385). The firm's strategic orientation influences their ability to develop strategies that enhance performance (Slater, Olson & Hult, 2006). At an initial level, fulfilling customer needs to generate income demonstrates 'customer orientation' (Asheq & Hossain, 2018). Gaining and using information from customers to create strategies that meet their needs indicates 'market orientation' (Reijonen & Komppula, 2010). Despite the limitations of SMEs in terms of structure, planning expertise, and access to sophisticated data collection, their size provides better, quicker access to customers. Managers can efficiently evaluate behaviours, reflect on feedback, and capitalise on knowledge faster than their larger competitors (Pelham & Wilson, 1996). To secure success and a strong market position, 'value orientation' strategies where market opportunities are fully exploited and resources are optimised accordingly are essential (Zacharias, Nijssen & Stock, 2016).

2.1.4 Structure and Size

Although Schumpeter (1934) recognised that entrepreneurs exist in both large and small organisations, Hauser, Eggers, and Güldenber, (2020) found that decision-makers in SMEs take very different approaches to decision making and strategy formulation. For instance, managers in larger organisations might preside over extensive teams, and operate at a distance from direct reports. Their decisions may be carefully constructed, rational and informed, drawing on historical data and expertise from colleagues and peers (Crick & Crick, 2014), and follow well-established corporate processes, or organisational routines (Nelson & Winter, 1982). However, their information may lack currency or detail, and may be difficult to locate (Choo, 1996). Furthermore, any evaluation of decisions taken, or processes introduced, whether anecdotal or formal, will inevitably be inhibited by a highly complex organisational structure (Fredrickson, 1986) that prevent or hold up opportunities for improvement.

Conversely, SMEs have the capacity to use their relative size to their advantage. Their managers tend to be more involved in daily activities and will frequently experience the impact of their decisions directly. They are likely to be multi-faceted and adopt several roles and areas of responsibility, as there are simply no other staff to delegate them to (Kozubíková et al., 2015). They are at the heart of daily business interactions and might deal directly with their customers, to the extent that market intelligence is instantaneously available and easily accumulated (Pelham, 1997; O'Regan, Sims & Ghabadian, 2005). Indeed, the accessibility of employees, often the SME's key resource and source of knowledge, from whom managers can collect and review business-critical information regularly to create more informed and practical business decisions, is a clear advantage. This powerful knowledge bank can effectively provide business intelligence for the development of plans and activities that are relevant and aligned to the business, supplemented by more sophisticated and technology-driven market reports and data-analysis gathering tools used by most organisations (Papachristodoulou, Koutsaki & Kirkos, 2017).

However, not all SMEs conduct business in this way, and the structure, staff distribution, company philosophy, communication style, personality mix, and nature of the business, all influence how an SME operates, and arguably, how much it values the contribution and the views of employees: a demonstration of 'empowerment' (O'Regan, Sims & Ghobadian, 2005, p.393). Margolis (2008) describes the direct and positive effect this can have on SME performance, noting that 'consistent positive results stem from an intelligent vision, an incessant focus on quality of execution, and a culture that engages and empowers employees at all levels' (2008, p.11).

Organisational adaptability is not limited to SMEs, as all firms need to adapt to changing environments (Miles et al., 1978) but SMEs have size as an advantage. Covin and Slevin claimed that SMEs face a greater challenge responding to their unpredictable environments due to limited resources and 'poor management decisions' (1989, p.75), and a limited knowledge of their market (Smith & Smith, 2007) yet they have the 'flexibility and agility' (Singh, Garg & Deshmukh, 2008, p.528) to advance, adapt or reverse decisions more readily.

Strategy is developed by people rather than autonomous systems (Bourgeois & Brodwin, 1984), and strategic development in all organisations involves a certain amount of personal instinct. The limitations of the SMEs' structure and resources risks the decision-making process occurring in isolation without any strategic alignment or evaluation of the

environment, but with an effective CEO, the benefits of small size and simple structure will allow the adaptation of decisions as necessary (Hauser, Eggers & Güldenber, 2020). However, the absence of established organisational routines, or 'the way things are done' (Dosi, Nelson & Winter, 2002, p.4), the presence of 'gut feeling' (O'Regan & Ghobadian, 2002, p.670) and personal preferences (Garavan et al., 2016), as opposed to validated sources of information, are likely to influence managers' decisions, exposing SMEs to greater risk. In summary, the research suggests that the process of involving internal and external influencers in the gathering of information, decision-making and strategy implementation will protect SMEs from ill-considered action. Strategic success is as much dependent on communication and implementation as it is on development. O'Regan and Ghobadian, for example, identified potential pitfalls in successful strategy execution including, for example:

- poor communication
- lack of employee capabilities
- misinterpretation of the strategy's intended goals
- ineffective coordination

(2002, p.665)

A dominant feature of successful SMEs is the presence of strategic thinking, even where a business strategy has not been fully formulated or communicated. Bonn (2001) described three attributes of strategic thinking: how the CEO understands the organisation and its operating environment; the level of the CEO's creativity; and their vision and aspirations for the business. CEOs can only formulate successful strategies if they are close to the day-to-day internal operations of the business, and alert to external influences. According to Adner and Helfat, 'strategic decisions at the top of an organisation do not emerge from a disembodied decision-making process; managers make these decisions' (2003, p.1012). CEOs are influenced by several complex factors (e.g., their personal aspirations, capacity for entrepreneurship, age and experience, investment made, advice sought) but these change over time as the SME grows and becomes more established in the market (Levy & Powell, 2004). With limited resources and access to information, CEOs should master the core management principles of leadership, entrepreneurship and knowledge to plan for long-term growth (Ng et al., 2016).

New CEOs may be inexperienced and naïve in strategic planning and financial management, but proximity to day-to-day operations is likely to help them make better

decisions (Deakins & Freel, 1998). Although SMEs tend to be more exposed and affected by external crises and major market upheavals than their larger competitors, they are also found to be more resilient, and just as likely to survive (Sullivan-Taylor & Branicki, 2011). SMEs may lack resources, which can generate substantial challenges from even the smallest of crises, far more than larger firms, but the regularity of these challenges enables the CEOs to become accustomed to dealing with them (Jennings & Beaver, 1997). Persevering with ambiguity and threat is part of the daily business routine, and, in the right situations, SME CEOs excel at emergency planning (Covin & Slevin, 1989).

Size, structure, and culture facilitate the engagement of all SME employees responsible for deploying a strategy, enabling them to contribute to its development, understand its purpose, and improve capabilities to enhance successful implementation. Jones and Macpherson state that 'learning at an organisational level depends both on developing personal knowledge and skills (human capital), and on having effective systems for knowledge sharing (social capital)' (2006, p.156). The CEO's decision-making style, therefore, measured by how well they involve their employees and advisers, directly determines staff engagement and, ultimately, the success of the strategy.

2.1.5 The Influence of Leadership on SME Strategy Formulation

CEOs are critical for 'orchestrating necessary responses' to environmental changes (Augier & Teece, 2009, p.411), yet the management of growth has largely been ignored in economic research. SME CEOs are close to daily operations, and therefore best placed to decide how and where to allocate resources to meet approaching demands and opportunities. Their role is to execute specific and intrinsic business processes to deploy capabilities in a way that enables opportunities to be sensed, seized and satisfied (Teece, 2007).

While in this thesis I do not intend to scrutinise the long history of leadership theories, it would be remiss of me to ignore the significant impact that leadership styles have on strategy formation in SMEs, especially as without a motivated and committed CEO, the business is unlikely to grow (Hansen & Hamilton, 2011). In the development of strategies that overcome the challenges presented by the external environment, the CEO's personal style influences their strategic orientation (Franco & Matos, 2015).

To sustain profitability or viability, organisations need its business strategy to facilitate the adaptation, development and acquisition of new resources and skills if they do not currently match its environment or challenges (Hofer & Schendel, 1978; Kipley & Lewis, 2009).

Barney recognised that more innovative, riskier strategies might deliver better results, and notes that 'firms that build their strategies on path-dependent, causally ambiguous, socially complex, and intangible assets outperform firms that build their strategies only on tangible assets' (2001a, p.648). The development and success of such entrepreneurial strategies for SMEs in their formative years depends on the character of the CEO and their education, experience, and market knowledge, and how they collect and consider information (Variyam & Kraybill, 1993).

Porter identified how a firm's strategic position or orientation is based on the leadership style and presence of a strong leader 'willing to make choices' (1996, p.77). Leadership has been a popular topic in research into larger companies (cf. House, 1996; Yukl, 1998; Mumford et al., 2000; Ogbonna & Harris, 2000; Hacker & Roberts, 2003; Prasad & Junni, 2016; Goleman, 2017), examining a range of factors including vision, values and aspirations, emotional intelligence and relationships with subordinates, power and authority, innovation, and propensity for planning and taking risks.

Miller and Toulouse argued that the four main challenges to achieving success in SME performance related to 'the strategies, decision making approaches, structures and CEO characteristics used to cope with these challenges' (1986, p.47). In fact, their study concluded that CEO characteristics bore stronger influence on performance than all other variables.

Garcés-Galdeano and García-Olaverri (2019) emphasise that CEOs of large organisations are often selected following a rigorous recruitment process, whereas CEOs of start-ups self-select to run a company, irrespective of their competencies and experience. Past research attempts to identify a list of common attributes presented by successful SME leaders have proved to be challenging, particularly because each SME is unique in aspirations, markets, expertise, perceptions, and financial setup. However, a break-through study by Garcés-Galdeano and García-Olaverri (2019), involving more than 1,200 technology SMEs, provided insight into profiles of SME CEOs and an association with company performance. Their research explored the factors of general education, business education, industry experience, CEO age, tenure, external experience and entrepreneur experience. By exploring the stimulus of internal factors separately from external factors, they found:

- Personal influences including higher educational attainment and relevant management experience have a positive impact on firm growth, even with limited tenure as a CEO and/or business and management experience.

- External influences including relevant industry experience and former employments 'generates a deeper understanding of the environment and a greater applicability of new knowledge'.
 - Strong internal and weaker external influences cause firm stagnation.
 - Strength in 'the role of education combined with external tenure is essential in order to achieve better firm performance. By itself, experience does not guarantee good results'
- (2019, pp.1085-6).

While Chell (2001) found that few CEOs were formally or professionally educated, and therefore more inclined to follow intuition than to develop a business plan, more recent studies have advanced an appreciation of how personal education influences SME strategy (Richbell, Watts & Wardle, 2006; Jones, Macpherson & Thorpe, 2010; Raymond et al., 2013). Higher education enables a more pragmatic approach to knowledge gathering (Jones & Crompton, 2009) and the ability to recognise and act on opportunities in changing environments (Wiklund & Shepherd, 2005; Karami, Analoui, & Kakabadse, 2006).

Personal preferences and aims are likely to play a significant role in SME decision-making, especially in young firms in the early stages of market establishment. As an SME grows, however, the once substantial influence of the CEO is likely to diminish, diluted by other staff asserting their beliefs and ideas, and delegation of responsibilities. Exercising humility and knowing when to defer to trusted employees can enhance performance (Ou, Waldman & Peterson, 2018). The challenge to the CEO is in handling the transition, transferring power and delegating authority (Miller & Toulouse, 1986). It takes a magnanimous and modest owner to allow someone more competent to share or even take over management of the business they may have put their heart and soul into establishing, but it is possible. As Wang and Poutziouris state, 'High performing leaders are often found [to be] diplomatic, intelligent and able to motivate followers to contribute for the collective good of the business, while subjugating their own interests' (2010, p.347).

Wang and Poutziouris (2010) and Verreynne et al. (2016) reported their findings of SME leadership styles according to the participation of employees (see Table 4).

Research	Minimal participation	Shared participation	High participation
Wang & Poutziouris (2010, p.341) *	Directive (lowest); inform, instruct	Supportive; friendly, approachable, accommodating	Participative (highest); empowering, advising, involving
Verreynne et al. (2016, p.421)	Top-down - CEO-led (centralised)	Collaborative with employees (internal participation)	Collaborative with external stakeholders (external participation)

Table 4: SME Leadership Styles

*A fourth style 'achievement orientation' accounted for less than 5% of the SMEs surveyed

Both studies identified participative, collaborative styles as most successful in leading growing SMEs, encouraging and sharing ideas and experiences with invested employees and loyal customers alike who can contribute to realising their vision for the business (Gupta et al., 2004). McCarthy's study on crisis driven strategy focused more on the personalities of SME CEOs, identifying two specific types of entrepreneur: *charismatic* and *pragmatic*, dependent on their 'decision-making style, goals, attitude to risk, degree of commitment to venture, and business background' (2003, p.330).

2.1.6 CEOs as Entrepreneurs

McCarthy's (2003) research assumes that all SME leaders are entrepreneurs. 'Entrepreneurship has become the symbol of business tenacity and achievement. Entrepreneurs' sense of opportunity, their drive to innovate, and their capacity for accomplishment have become the standard by which free enterprise is now measured' (Kuratko, 2007, p.1). Georgellis, Joyce and Woods (2000), however, argued that only those focused on growth exhibit entrepreneurial behaviours. Covin (1991) identified that the more entrepreneurial the strategic behaviours exhibited, the higher potential performance.

There is a significant difference between an entrepreneur and a CEO, despite many researchers using the two interchangeably (Gibb & Davies, 1990). Behavioural theory suggests that entrepreneurs operate in any size of business, and exhibit a collection of characteristics such as risk-taking, innovation, and desire to increase profits or market share (Palmer et al., 2019). Conversely, a CEO is an individual who has established, and is managing, an SME for their own personal ambitions, and earning enough to make a living; they are not necessarily entrepreneurs, neither are they all leaders (Carland et al., 1984). Recent research focuses less on the personality and characteristics of a leader, and more on their actions and choices (Aldrich & Martinez, 2017). The motivations for starting a business are varied and might stem from necessity as much as from the identification of an opportunity (Nabi, Walmsley & Holden, 2015). A CEO with 'entrepreneurial mentality' can

exhibit entrepreneurial leadership and motivate employees to follow an entrepreneurial strategic orientation to solve problems (Edelman, Brush & Manolova, 2005; Jones & Crompton, 2009; Gans, Stern & Wu, 2019).

As Gibb and Davies state:

there is growing interest in the strategic vision of the entrepreneur and its influence on growth and this merges into concepts such as strategic orientation and strategic awareness which seek to encapsulate the degree to which the entrepreneur can flexibly review and plan responses in a competitive environment (1990, p.24).

Covin and Slevin (1989) introduced the term Entrepreneurial Orientation (EO), which is the strategic positioning of a firm in relation risk taking, encouraging innovation, and competing with other firms for market share. They noted that hostile environments command the most entrepreneurial responses of all:

The attributes which appear to contribute to high performance among small firms in hostile environments are an organic structure, an entrepreneurial strategic posture, and a competitive profile characterized by a long- term, goal-oriented approach to management, high product/service prices, and a concern for maintaining an awareness of industry trends (1989, p.83).

The debate around entrepreneurship being at firm level rather than individual level has intensified scholarly activity in recent years (Covin & Lumpkin, 2011), with the suggestion that the actions and behaviours exhibited by the firm create entrepreneurialism, therefore EO becomes a trait of the SME. However, the CEO's characteristics influence the effectiveness of the firm's strategies aligned to EO (Palmer et al., 2019), therefore the CEO becomes significant to the performance of the SME. Kotey and Meredith found that 'high performers are proactive in strategic orientation and exhibit entrepreneurial personal values' (1997, p.60), defined by Jones and Crompton as 'teamwork, effective communication and delegation, responsible people management and a coherent vision for the firm's future development' (2009, p.344). Sadler-Smith et al. (2003) described the salient characteristics of an entrepreneur as focused on business growth and innovation or change, working collaboratively with employees to foster a strong and embedded business culture, and cultivating a robust and reflective external outlook with both competitors and customers that shapes growth strategies. Lubatkin et al. (2006) cite ambidexterity as another critical characteristic in pursuit of new opportunities often while juggling operational, hands-on roles with their strategic responsibilities. As Kozubíková et al. (2015) explain, 'Entrepreneurs must be capable to have the features of several personalities at once and as one person to

demonstrate the ability to act as investors, inventors, accountants, dispute investigators, leaders, technologists, marketing specialists and top sellers' (2015, p.42).

A behavioural view of leadership offers the concepts of transformational (as opposed to transactional) and entrepreneurial leadership as these have a significant bearing on strategies that promote capability in SMEs (Bass, 1990). Engelen et al. discovered that 'a firm's ability to realize the performance benefits of EO fully depends on top management's transformational leadership behaviors' (2012, p.1086). Transactional leadership is a simple 'give and receive' process in which the CEO *gives* the instruction for carrying out a task, and the employee *receives* the 'compensation' commensurate with completing the task (Bass, 1990). Conversely, transformational leadership (the ability to inspire others to make changes and create opportunities) leads the business and undertakes measures that challenge the norms and focus business activities on meeting customer demands (Slater & Narver, 1995). Similarly, CEOs need to possess the vision and capability to see new opportunities and potential threats, and plan for change and innovation that secures the future of the business. Transformational leadership traits demonstrate the ability to look both inwardly and outwardly and empower employees to work with them (Hacker & Roberts, 2003); relationships are based on trust and shared responsibilities towards the success of the business (Ghobadian & O'Regan, 2016). Soriano and Martinez (2007) discovered:

when the leader is entrepreneurial, a relationship-oriented style of leadership is positive, where the leader can allow their entrepreneurial capabilities to flow freely among team members due to the importance they give to people and their relationships, the support, rewards and personal consideration they offer and, above all, the respect, acceptance and concern they show for the needs of their subordinates (2007, p.1113)

In support for this entrepreneurial influence, Chaston suggested that 'the small firm, in balancing actions to improve performance by changing style versus restructuring the organization, should recognize that entrepreneurial style apparently has greater influence' than its structure (1997, p.829). Entrepreneurs are not necessarily leaders, in the same way that leaders are not necessarily entrepreneurs. In their study of the connection between leadership and entrepreneurship, Coglisier and Brigham (2004) identified four core leadership behaviours, Vision, Influence, Leading, and Planning, without which entrepreneur-led SMEs cannot successfully develop new ventures. However, 'Entrepreneurs will sense opportunities ahead of others and be able, through various means (including leadership), to get others to share their vision and help them execute upon it' (Augier & Teece, 2009, p.414).

In summary, the personality traits of entrepreneurs directly influence the early ethos and values adopted by fledgling businesses; early business goals tend to be their personal goals, and often shape early strategy (Miller, 1983). Entrepreneurs need to demonstrate conviction and courage in their business ideas to gain the backing and stakeholder support to launch in the first place. But they also need to demonstrate the ability to give due consideration to fresh business or market intelligence that helps them to assimilate potential threats and develop contingencies. Ruthless determination to enter the market without due diligence can result in reckless strategies that limit the success of the business (Russo et al., 1989). While Mintzberg described entrepreneurs as maverick business CEOs who achieve success 'against all the odds and all the advice' (1973, p.45), Miller (1983) described those using their experience, education and appreciation of what they know about their environments to be somewhat risk averse. Penrose described 'entrepreneurial judgement' as being 'closely related to the organization of information gathering and consulting' (2009, p.37). In some situations, such as severe economic crises, entrepreneurs may choose to implement survival strategies that limit the shockwaves felt by the business rather than strategies that place the business at risk (Choi & Shepherd, 2016). This is less of a criticism, more of a recognition of the SME building resilience to help 'weather the next storm'. Anticipating the right time, and recognising signs when it is not, are reflections of true entrepreneurship (Brinckmann, Grichnik & Kapsa, 2010).

Entrepreneurs must be prepared for swift action to unforeseen external challenges, as 'Entrepreneurial action must be situated in the entrepreneur's assessment of the opportunities and environment where they operate' (Giones et al., 2020). Change is unpredictable and requires dynamic strategic thinking. Since they are focused on making the business successful, entrepreneurs are likely to inspire a culture of innovation, and influence corporate processes and philosophies, resulting in a transformed organisational culture and superior performance (Zhao, 2005; Renko et al., 2015). As the business grows and matures, the role of the business leader will change with the skills required at the time (Scott & Bruce, 1987), and the culture of the SME that has been developed within the life cycle of the firm thus far will determine internal leadership styles and decisions (Ogbonna & Harris, 2000).

Studies have identified that a firm with EO does not necessarily perform well (Wiklund & Shepherd, 2005), or sustain a period of performance, yet the approach to strategy formation can make the difference (Hitt et al., 2001). In their research on the impacts of Organisational Learning Capability (OLC) and EO on SME performance, Altinay et al. (2016) discovered that performance was enhanced only where both EO and OLC were aligned to strategic goals and could seize advantages presented by new opportunities in the market.

Furthermore, they found that 'OLC has a positive impact on EO which, in turn, has a positive impact on SME growth' (2016, p.885), echoing Wiklund's findings that 'EO contributes to both growth and financial performance, suggesting that it has a 'double payoff' (1999, p.45). To conclude, being entrepreneurial is not sufficient to secure business success or growth; SME strategies must be focused on the achievement of growth as a strategic goal (Lechner & Gudmundsson, 2014).

2.1.7 Strategies for Growth and Performance

Storey (1994) identified three essential influences needed to achieve sustained firm growth: business characteristics, business strategy, and the CEO's personal characteristics, notably as innovators or change agents (Blackburn et al., 2013). Yet Storey omitted the environmental influence (Wiklund & Shepherd, 2005). The significance of the environment to the SME in strategy development, as first highlighted by Ansoff (1965), relates to how they respond to external influences (Smallbone & Wyr, 2012). A firm's environment defines the availability of resources and skills, market position in relation to competitors, customer needs and potential sales in relation to market scope, flexibility and maturity (Dobbs & Hamilton, 2007).

The absence of motivation and commitment to grow will inevitably limit growth (Smallbone & Wyr, 2012). Growth does not follow a logical, predictable staged process, but is more dynamic, complex and unique to each SME, triggered by internal and external motivations (Levie & Lichtenstein, 2010; Brown & Mawson, 2013). It is therefore likely that the strategy will follow a number of revisions and reconfigurations, and organisations can renew themselves (Courtney et al., 1998).

Miller and Friesen (1984) identified four determinants of SME growth, expanded by Dobbs and Hamilton (2007) and updated by Smallbone and Wyr (2012), shown in Table 5.

Miller and Friesen (1984)	Strategy	Decision-making style	Situation	Structure
Dobbs and Hamilton, (2007, pp.305-310)	Growth objective Employee recruitment and development Product market development Financial resources Internationalisation/ business collaboration Flexibility	Motivation Education Experience Size of founding team Ambition for business	Market sector Size/scope of market Buoyancy of market Industry growth Industry maturity Relationship with large competitors	Age Size Structure Organisational learning Processes Adaptability
Smallbone and Wyer (2012)	Management Strategies	Characteristics of the entrepreneur	Environmental/ industry specific factors	Characteristics of the SME

Table 5: Factors contributing to SME growth

These lists illustrate that no single factor influences the ability of SMEs to grow. There is some consensus, however, on the presence of EO and the influence on growth. Penrose (1959) asserted that growth is directed by the interpretations of the environment, the deployment of resources, and the entrepreneur's personal influence. Storey (1994) concluded that only the presence of entrepreneurship and clear strategies would allow a firm to grow; formal planning facilitates an SME's understanding of their environment and how they can use resources to their best advantage (Gibbons & O'Connor, 2005). Wiklund, Patzelt & Shepherd acknowledged that the 'manipulation of resources into value-creating strategies' were dependent on the SME's entrepreneurial strategies (2009, p.366), and O'Regan and Ghobadian concluded that 'high performing firms have a more effective approach to strategy deployment' (2002, p.426).

A quantitative study by the Enterprise Research Centre (ERC, 2020) found no apparent relationship between growth and SME size, age or financial status, in contrast to findings from research discussed in section 2.1.4: *Structure and Size*. Several factors were uncovered through qualitative interviews however, including inspiring leadership, people-management, innovation, investment, and data-driven operational processes, highlighting the areas of competency and capability towards which a growing SME should strive. The resultant development of new conceptual frameworks has advanced academia and practitioners' understanding of success criteria.

Moreno and Casillas maintained that 'the strategy of the firm is an intermediate variable between EO and performance, and that firms with a greater entrepreneurial orientation tend

to develop certain types of strategies, and this type of strategy will lead to different rates of growth' (2008, p.510). They found that small firms focused on anticipating change, identifying opportunities for growth, and adapting to, and even cultivating, new environments or market changes, would grow through innovation and the development of new products or technology based on new market opportunities/diversification or changes in customer needs (see Figure 6), mostly due to the availability of underutilised resources. I intended for this to be a key area of exploration for my research.

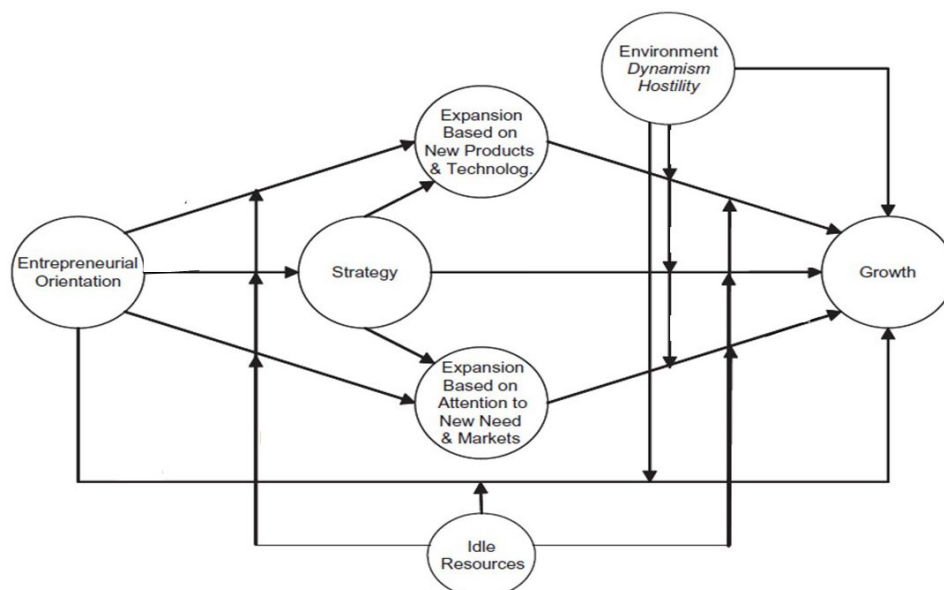


Figure 6: Moreno and Casillas' Conceptual Framework (adapted) (2008, p.509)

Simpson, Padmore and Newman (2012) offered their own conceptual framework to identify the issues relating to critical success factors that contribute to growth, recognising that, due to the sheer number of variables, and the uniqueness of each SME in respect of these variables, it is impossible to measure business performance (see Figure 7). Feedback plays a critical role in SME performance, particularly in how the CEO chooses to modify business activities in response to this feedback, and this exposed another critical area for investigation in my research – how SMEs use feedback and new knowledge to shape their strategies.

This model highlights the importance of the SME's sense and perceptions of the business environment, particularly external, as this is mutually significant to its growth; SMEs that learn and understand their market are quicker to adapt (Wolff, Pett & Ring, 2015) which in turn creates healthy competition in the sector. Developing and honing what they know about their environment and exploiting this learning to their advantage enhances SME success. Since SME leaders have less time for contemplating decisions and weighing up risks, they

must act fast and listen to feedback as acquiring knowledge enables faster action (Gilmore & Carson, 2000).

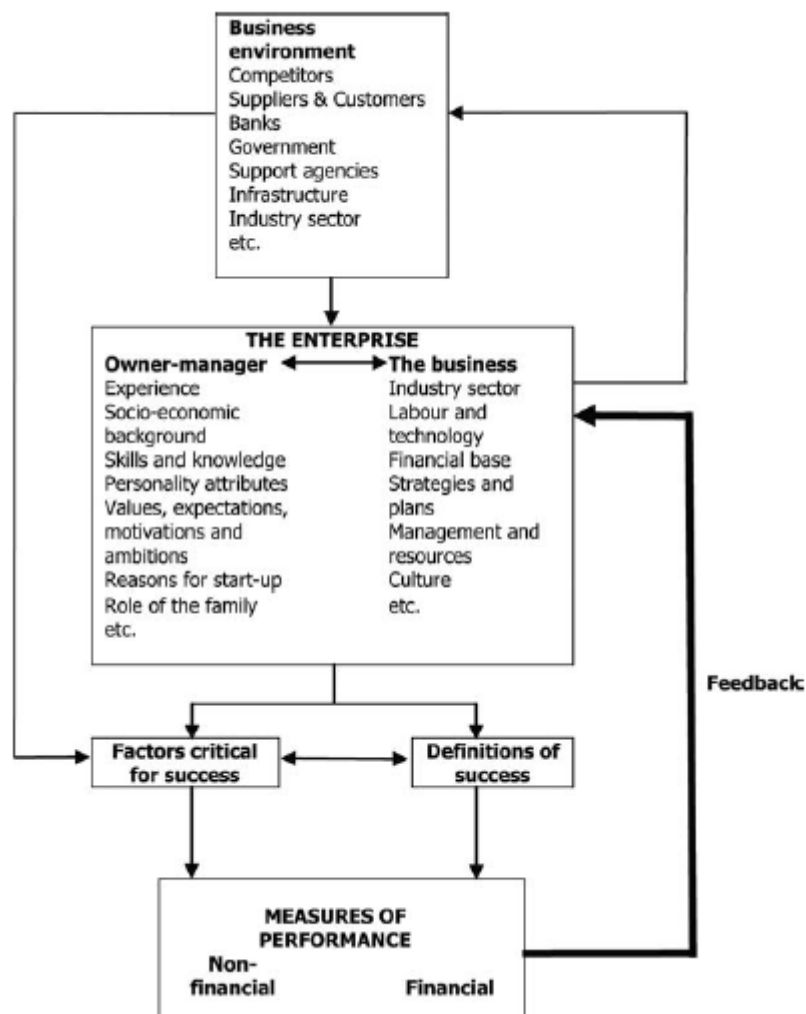


Figure 7: Defining success-theoretical relationships (Simpson, Padmore & Newman, 2012, p.270)

Aldrich and Martinez (2017) asserted that little is known about how knowledge and the environment interact to develop strategies. Obtaining feedback, and learning continuously from strategic outcomes, demonstrates a learning orientation and facilitates a constant opportunity to re-evaluate and reshape business processes and activities for improved performance (Zahra, Sapienza & Davidsson, 2006; Simpson, Padmore & Newman, 2012).

In the next section, I explore the notion of knowledge capture and management in support of growth strategies in more detail.

2.2 Knowledge Management in Support of Capability Development

Miller and Friesen (1983a) recognised the importance of the environment on strategy development, noting how firms must adapt to reposition themselves as their environment changes. SMEs that optimise available insight and information relating to their environment are better equipped for the future; following a strong 'external orientation' they can identify customer demands and use the information to adapt their internal operations to meet them (O'Regan & Ghobadian, 2005, p.92). Unique opportunities to derive success and growth from limited resources lie in Knowledge Management (KM) capability (Du Plessis, 2008).

Gurteen defined KM as 'an emerging set of organisational design and operational principles, processes, organisational structures, applications and technologies that helps knowledge workers dramatically leverage their creativity and ability to deliver business value' (1998, p.6). Knowledge assets (Nonaka, Toyama & Nagata, 2000) include a firm's intellectual property, and the skills and know-how of the employees (Moustaghfir, 2009). Knowledge encourages innovation, which in turn leads to entrepreneurial strategies (Teece, Pisano & Shuen, 1997). A critical activity for SME CEOs with vision and knowledge is to use this knowledge, and the strategies they create, to 'accomplish activities effectively through organising of knowledge' (Soleimani, Hamidibeinabaj & Bafrani, 2013, p.1644).

At the turn of the new technological age, Hitt et al. noted the paradigm shift in strategic thinking for firms to survive in the long-term, and the need for 'strategic flexibility' (1998, p.26). Covin and Slevin concluded that the performance of an SME is greatly enhanced through 'an organic structure, an entrepreneurial strategic posture, and a competitive profile characterised by a long-term, goal-oriented approach to management, high product/service prices, and a concern for maintaining an awareness of industry trend' (1989, p.83). SME leaders close to operations are likely to make better decisions (Deakins & Freel, 1998). The absence of deep-rooted, organisational routines can help SMEs to find innovative solutions more readily (Kim, 1993), and by making sense of what they learn, SMEs can identify and close gaps in what they know (Yun, Jung & Yang, 2015).

In a world of constantly shifting physical and abstract borders, evolving technologies, and diminishing natural resources, predicting market growth, market shrinkage, and new opportunities is highly challenging. As observed by Santoro et al., in a 'dynamic and fast-changing environment, firms face opportunities and risks that result in the existing knowledge becoming obsolete' (2019, p.383). The importance of data and how it is captured, analysed and utilised has grown rapidly in the past decade, and although data is now readily

available online, CEOs still prefer to trust internal sources that they can verify as opposed to external sources where the integrity and accuracy cannot be guaranteed (Citroen, 2011).

Mastering KM is a demonstration of how well the business applies knowledge to its best advantage, and indicates that an SME 'learns, remembers, and acts based on the best available information, knowledge, and know-how' (Dalkir, 2013, p.2). Kim describes the SME's 'capacity to take effective action' to respond to challenges and opportunities as 'organizational learning' (1993, p.43). The extent to which learning from experiences informs strategy and results in successful adaptations to behaviours indicates how 'experiential learning' can support SMEs as they plan for growth (Deakins & Freel, 1998, p.146).

Slater and Narver (1995) developed a model for a learning organisation (see Figure 8).

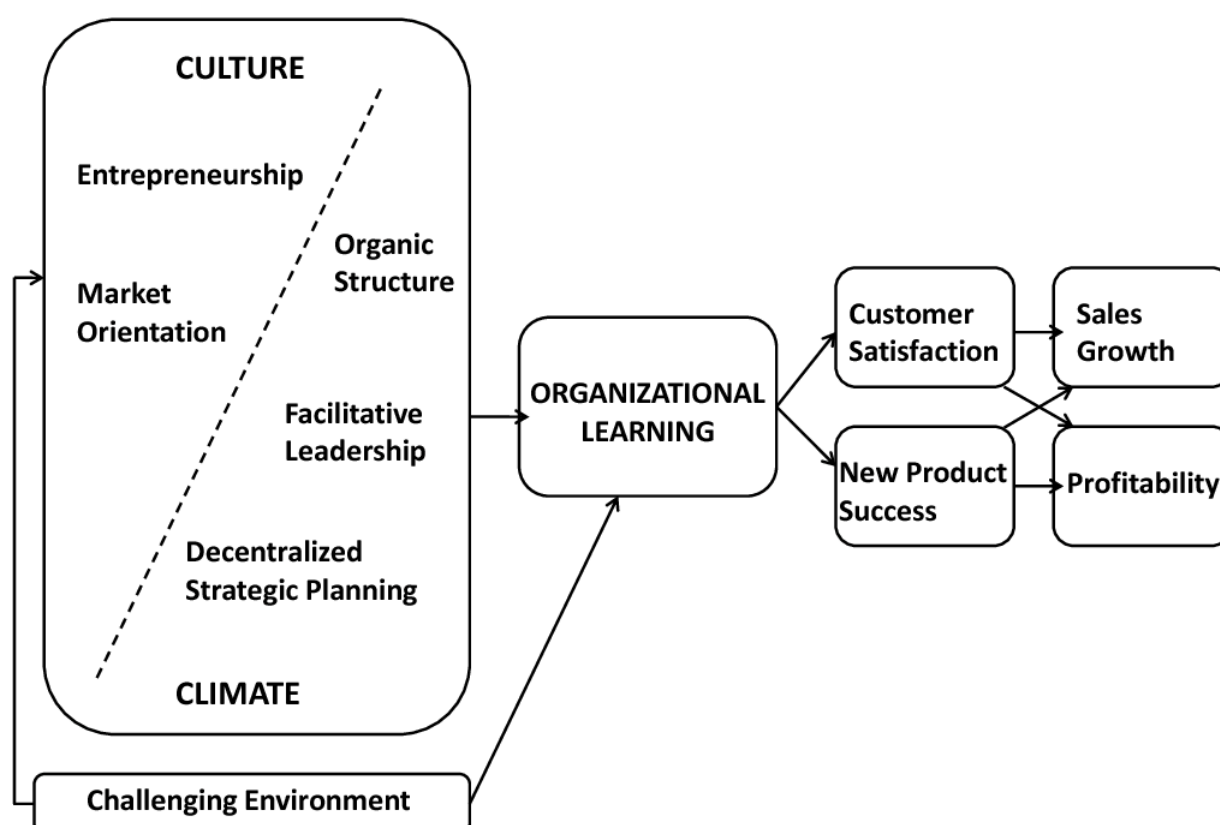


Figure 8: The Learning Organisation (Slater & Narver, 1995, p.67)

Firms with deep-rooted learning shared across and within all levels of their internal structure and external stakeholders will create value for customers, both by predicting and exploiting market opportunities, often before their competitors. An embedded learning culture and entrepreneurial orientation positively influence SME growth (Wolff, Pett & Ring, 2015). This is an area I intend to explore in greater detail in my research.

2.2.1 Absorptive Capacity (ACAP)

An SME's employees, and the culture in which they work, are central to the process of accumulating knowledge and its effectiveness in deriving value (Alam et al., 2009); interactions stimulated by individuals sharing tacit knowledge among their peer group can be encouraged, shared and ultimately transformed into explicit knowledge to influence effective organisational strategy (Gold, Malhotra, & Segars, 2015). In recognition of the fast-paced changing environment in which small firms often operate and need to make strategic decisions, these processes become the firm's dynamic knowledge capabilities (Dawson, 2000).

The aptitude of employees for assimilating knowledge effectively is critical in the development of strategies to thrive, grow, and achieve or sustain competitive advantage. Cohen and Levinthal call this Absorptive Capacity (ACAP), which they define as 'the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends' (1990, p.128). Capturing, amalgamating and exploiting knowledge and then applying it internally is crucial to SMEs with limited resources (Zahra & George, 2002; Liao, Welsch & Stoica, 2003; Gray, 2006).

There is a clear relationship between ACAP and performance, with specific influences identified as the SMEs characteristics and size (Valentim, Lisboa & Franco, 2016). But the SME's propensity towards organisational learning, influenced by the decision-makers in promoting shared responsibility towards learning, knowledge-gathering and exchange, and identifying new opportunities with their employees, allows them to review the resources and motivations to adapt activities accordingly (Kipley & Lewis, 2009; Gold, Malhotra, & Segars, 2015).

Jones, Macpherson and Thorpe recognised the importance of 'human capital' (2010, p.661) in a firm's ACAP and entrenching organisational learning (see Figure 9).

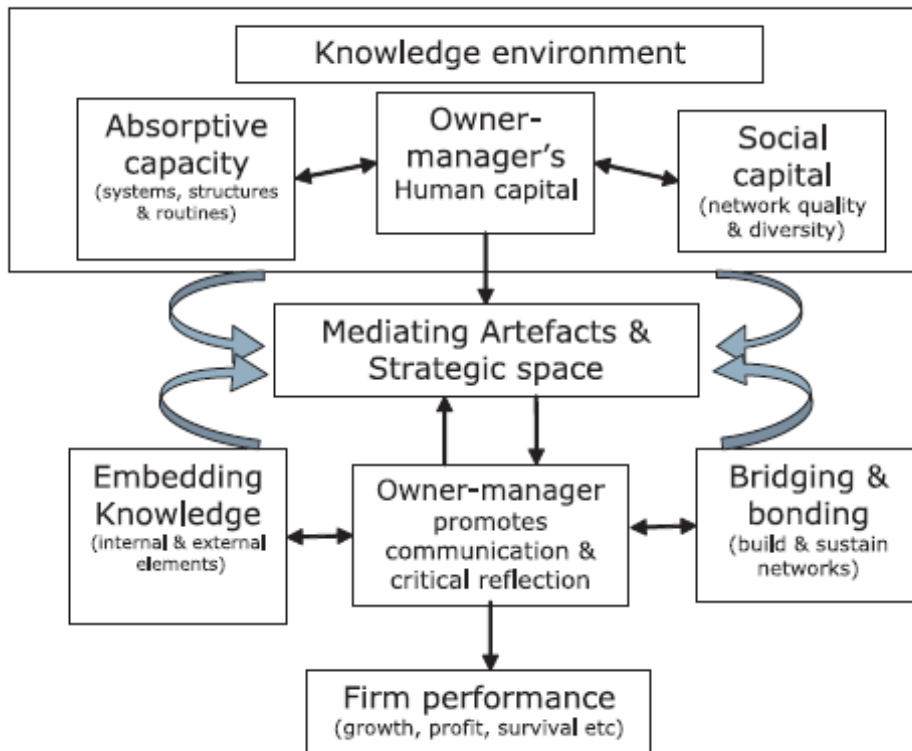


Figure 9: Knowledge transfer and learning in small firms (Jones, Macpherson & Thorpe, 2010, p.661)

Acknowledging Davenport and Prusak's assertion that 'knowledge exists in people' (1998, p.5), and people with knowledge exist in all areas of an organisation, it is important to understand how opportunities are recognised at different levels, and how they are coordinated to the benefit of the SME (Garnsey, Stam & Heffernan, 2006). Therefore, the whole workforce needs to be involved in learning and adapting to change for knowledge transfer to work (Burnes, Cooper & West, 2003). As the adoption of a learning culture progresses, new ideas and innovations emerge, encouraging debate, consideration and reflection, and a space for new strategy to form. The commitment of a firm's employees to organisational learning, and their participation in developing strategic decisions, positively influences performance (Kohtamäki et al., 2012). By contrast, without such commitment, 'human capital variables' (Coad et al., 2013, p.616) can adversely affect SME growth and performance.

Liao, Welsch and Stoica (2003) explored the relationship between ACAP and a growing SMEs' ability to respond and adapt to the external environment, claiming that knowledge offers little value without the ability to exploit it in the development and implementation of successful strategies. Knowledge in itself is a comparatively low-cost resource, yet 'the survival and performance of a firm strongly depends upon the ability to obtain distinctive capabilities that lead to competitive advantages' (Harris et al., 2013, p.59). So, too, is the ability to obtain knowledge relating to competitor capabilities, which helps to identify how,

when, and where to direct resources (Teece, Pisano & Shuen, 1997). Thus, 'knowledge strategies to help firms compete depend upon their abilities to capture and use a wide range of internal and external information, both informal and formal' (Levy & Powell, 2004, p.160).

Wales, Parida and Patel (2013) drew comparisons with an SME's growth path and ACAP, again showing the importance of the transfer and application and exploitation of knowledge as it follows a unique trajectory within its unique structure and culture. Recognising and assessing future opportunities and threats is a core business requirement to prepare contingencies and resources accordingly and a demonstration of effective KM processes (Darroch, 2005).

2.2.2 KM Strategy and Performance in SMEs

The effectiveness of KM strategy in an SME is critical to the outcomes of the CEOs' strategic decisions (Kipley & Lewis, 2009). The accuracy of the information, the implications drawn, and the response will determine the success of the firm, but especially in the context of the business environment (Halawi, McCarthy & Aronson, 2006; Kim et al., 2014). External environments beyond the firm's control demand KM strategies that are embedded within the firm's culture, steering both individual interfaces and the systemic practices of the firm, to enhance responsiveness (Liao, Welsch & Stoica, 2003) and thus its performance (Darroch, 2005) and the value it creates for future survival (Lin, 2015).

The very nature and size of SMEs may result in an operational approach to KM where tacit knowledge is shared in fairly relaxed forms of internal communication. Durst and Edvardsson (2012) argued that SMEs are likely to excel in sharing (transferring) knowledge internally due to their size and flat structures but may lack experience in identifying something that is worth sharing (human factor) or in understanding how to use it to their best advantage. The SME structure has a significant bearing on the success of KM strategy, as those with an agile, flexible, decentralised structure are more likely to benefit from successful KM activities (Valaei, Nikhashemi & Javan, 2017). Marqués and Simón (2006) introduced six aspects of KM to enable SMEs to identify areas for improvement (see Figure 10).

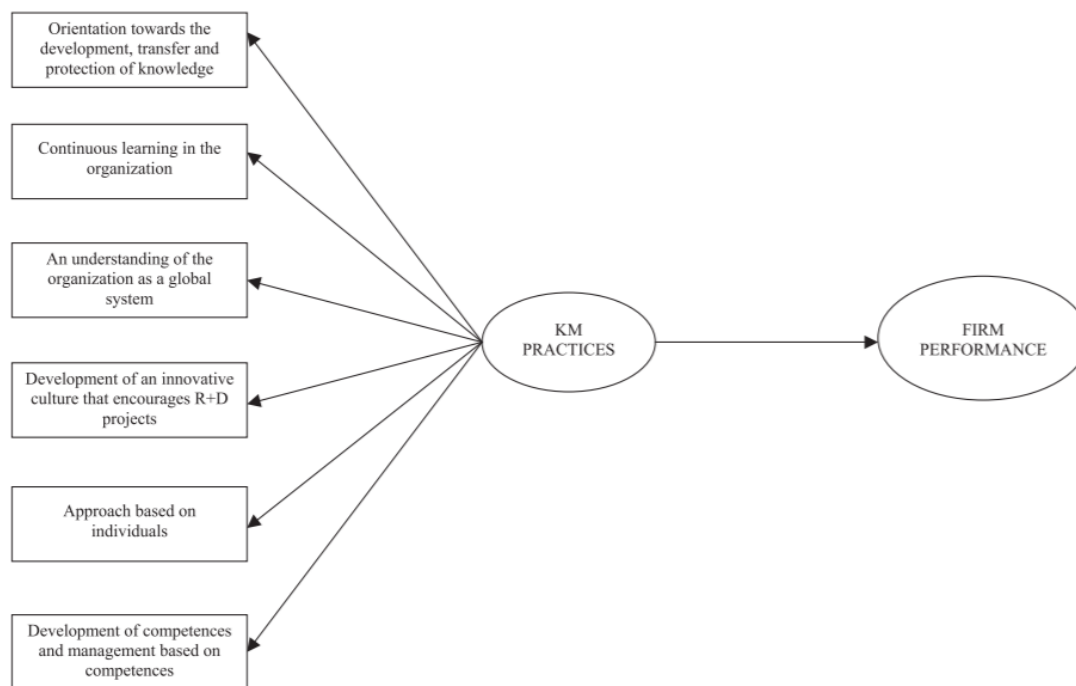


Figure 10: A theoretical model to measure the relationship between KM practices and firm performance (Marqués & Simón, 2006, p.146)

Marqués and Simón's model recognises various aspects within KM, from both an organisational and individual perspective, which contribute to enhancing performance and developing value-creation and/or growth opportunities. Knowledge exists from the start of the business with the CEO's existing knowhow and experience, but new knowledge must be created as the business develops (Nonaka & Takeuchi, 2007). One of the most available and utilisable resources an SME has from the outset is the knowledge held by the founding individuals, consultants and advisors, and further developed through research and financial planning. Knowledge, therefore, is an SME's most valuable resource (Bagnoli & Vedovato, 2014).

Smith (2004) illustrated the importance of KM in influencing business strategy for three large organisations, and the premise, despite Zack's (2005) findings to the contrary, is no different for SMEs, especially those actively seeking opportunities to grow (i.e., prospectors) and using proactive, far-reaching KM strategies (Bagnoli & Vedovato, 2014). Marqués and Simón's (2006) model highlights the importance of the human factor in KM. Individuals hold knowledge (Nonaka, Von Krogh & Voelpel, 2006), and in larger organisations, these may not necessarily be the same people in the business formulating strategy; this fragmentation is minimised in SMEs where staff numbers are smaller and therefore closer to the strategy-maker (Durst & Edvardsson, 2012).

In summary, where SMEs use knowledge to inform its strategy, they can organise their resources to achieve strategic goals (Soleimani, Hamidibeinabaj & Bafrani, 2013). As Darroch states, 'firms with effective knowledge management behaviours and practices are likely to make better use of resources and so will exhibit superior outcomes such as more innovation and superior financial performance' (2005, p.103). SMEs develop new capabilities as they acquire new knowledge.

How SMEs manage KM to inform growth strategies will be one of the key areas of my research.

2.3 OC Development Strategies for SMEs Seeking to Grow

According to Bagnoli and Giachetti, 'performance differences between firms are results of their different knowledge bases, and thus of their different capabilities in generating and applying knowledge' (2015, p.571). Soltani et al. define OC as 'a set of complementary assets, routines, and skills' (2018, p.240). These might be in the form of innovation, efficiency and productivity (Sheehan & Foss, 2017). KM is a key element in coordinating the development of resources into organisational capabilities (Darroch, 2005) as without it, SME capabilities are not sufficiently dynamic to assist them to evolve and respond to internal and external forces. Winter asserted that an OC is 'a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type' (2003, p.991). Knowledge provides CEOs with the essential insight for planning and developing such capabilities. Similarly, Moustaghfir suggests that 'firms provide the physical and social structure, and resource allocation decisions, so that knowledge can be shaped into capabilities' (2009, p.346).

According to Grant, 'the essence of [OC] is the integration of individuals' specialised knowledge'; knowledge has emerged as the firm's 'most strategically significant resource' (1996a, p.375). Collis (1996) identified two factors that are critical to the development of OC: innovation, and learning. Chaston, Badger and Sadler-Smith opposed this view, suggesting the ability to learn stems from the ability to innovate, in that 'capable' firms exhibit learning characteristics which differ from those of non-capable firms' (1999, p.193), which was later supported by Wei et al. (2011). Bryant offered that 'firms learn new skills by recombining their current capabilities' (2003, p.34).

Ansoff (1987) recommended that SMEs should systematically and continuously review and enhance their capabilities as new environmental challenges occur, as 'being fast in learning and making the requisite adjustments to the strategic model is important' (Teece, 2010, p.188). A limitation of Marqués and Simón's (2006) model is in identifying how specific KM practices relate to firm performance. This is expanded on by Ulrich and Wiersema, who observed that OC 'is enhanced when internal practices adapt to external demand' (1989, p.120) (see Figure 11).

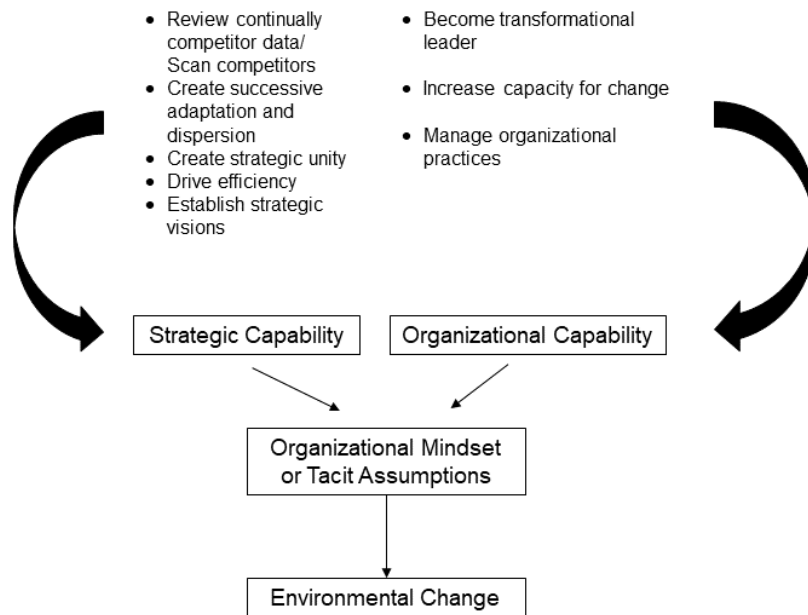


Figure 11: The Relationship between Environmental Change, and Strategic and Organizational Capability (Ulrich & Wiersema, 1989, p.119)

The flow of knowledge (i.e., market data, visions, required adaptations) informs strategy, while capabilities are focused on transformation, change and enhanced organisational routines. These develop the organisational *mindset* ('people's perceptions of the organization's belief' (Canning et al., 2020, p.627)) that prepares a firm to collectively identify and adapt to environmental change. Economic instability necessitates business flexibility, which is developed by capable employees with multi-disciplinary skill sets. With a business model that can be adapted through new learning, CEOs can swiftly mobilise multi-disciplinary employees into new project teams with minimum disruption to usual business activities (Shirky, 2008). Following Barney's (1991) Resource-Based View of the firm (RBV), these employees can therefore be classed as intrinsically valuable resources, since as they develop new skills and knowledge, they make further contributions to the business, thus becoming a dynamic resource. One of the key dynamic resources a firm possesses is the 'ability to manage human capital effectively under volatile environmental conditions' (Chan et al., 2004, p.19).

If strategic goals are aligned to resources, organisational capabilities will only successfully advance an SME's growth opportunities if the employees are motivated to use them. The emphasis may need to be on 'developing resources for innovative and growth-oriented strategies' (Borch & Madsen, 2007, p.109). When employees are aligned to a firm's purpose, they will understand 'the connection between their actions and the broader goals for the success of the company' (Trammell, 2015, p.55).

A firm's capabilities are vital to 'establish its identity' (Grant, 1991, p.133) and 'strategic direction' (Borch, Huse & Senneseth, 1999, p.67). OC is described by Helfat and Lieberman as a 'firm's capacity to deploy resources for a desired end result' (2002, p.725) in ways that are valuable to their customers, and which are difficult for their competitors to copy (Teece, Pisano & Shuen, 1997). Thus, the presence of adaptability (Damanpour, 2010), agility (Vossen, 1998) and rapidity in the 'implementation of decisions' (Sullivan-Taylor & Branicki, 2011, p.5575) by which SMEs address systematic problems are capabilities. To help 'build and reconfigure resources to adapt to changing environments' (Rice et al., 2015, p.232), agile and adaptable resources become SMEs' capability to optimise flexibility and survival strategies. Arbussa, Bikfalvi and Marquès also distinguish 'strategic agility as a special kind of dynamic capability' (2017, p.274).

To summarise, an SME's external environment is uncontrollable and unpredictable. The ability of the SME to exploit knowledge gathered to sense market challenges or opportunities that lead to an adaptation of strategy and innovation that creates value for their customers are organisational capabilities that support SME growth (Miocevic & Morgan, 2018). I explored the notion of a firm building on existing knowledge from the founding team, noting that knowledge must continually evolve and develop to support the growing business in the unique and changing environment in which it operates (Macpherson, Jones, & Zhang, 2004).

2.3.1 SME Life cycles and Growth

According to Heikkilä, Bouwman and Heikkilä, while the SME's strategic outlook tends to be flexible and adaptable, there are 'three generic strategic goals that are related to their life cycle: starting a new business, generating growth and increasing profitability' (2018, p.114). Massey et al. (2006) tested their model's usefulness and found that CEOs could identify their unique situations and appreciate the decisions that seemed right at the time. This might explain the attraction of life cycle models that help CEOs visualise a certain situation, thereby achieving credibility by association.

Recent studies have cast doubt on the legitimacy of staged life cycle theory, however. For example, Storey (2011) found that most firms are unable to sustain growth as they progress through their life cycle. Coad et al. (2013) concluded that firm growth is random and determined by the resources available. Refreshingly, Levie and Lichtenstein recognised the limitations of the growth stage model theories, especially in light of the variations in the number of stages, and identified the concept of dynamic states in an attempt to explain the development stages, and how and why firms grow the way they do, noting that 'In order to

capture the fact that business organizations (similar to organisms) are dependent on their environment for survival, dynamic states are open, complex, adaptive systems that operate in disequilibrium conditions' (2010, p.332). Figure 12 illustrates the theoretical importance of such unpredictability, where the SME's environment and structure are recognised within the Dynamic States model, and growth is achieved by organising resource capacity to meet customers' needs.

	Stages of growth models	Dynamic state models
Assumption	Organizations grow as if they were organisms	Each state represents management's attempts to most efficiently/effectively match internal organizing capacity with the external market/customer demand
Propositions: what	Configurations of structural variables and management problems	Configuration of structural variables and organizational activities (aspirations)
Propositions: how	A specific number of progressive stages Sequence and order is predictable Incremental and punctuated transitions	Any number of states Sequence and order may be predictable depending on context Incremental and punctuated transitions, and emergence
Propositions: why	Immanent program of development Prefigured rules of development Regulated by environment	Adaptive process of retaining the sustainability of a business model Interdependent rules for development Driven by market change and opportunity creation

Figure 12: Assumptions and Propositions of Stages of Growth Models and the Dynamic States Model, (Levie & Lichtenstein, 2010, p.335)

As firms grow, the focus on offering value to the customer takes higher priority as the SME identifies how they can develop value from internal resources in response to external opportunities, hence firm growth is unique and non-sequential. Sternad and Mödritscher (2020) also support the notion that growth patterns are shaped by entrepreneurs recognising and exploiting new external opportunities through enhanced value creation processes. For Heikkilä, Bouwman and Heikkilä, 'Growth-oriented companies adopt a front-end approach: they typically want to start by improving customer relationships and customer segments in their existing markets, and then move on to improving their offering and finding new partners and channels' (2018, p.122). Growth prompts external challenges to decline as internal challenges begin to dominate (Dodge & Robbins, 1992), which reflects the need for a revised organisational structure and the introduction of processes to support the growth of the business and employees, referred to as 'growing pains' (Flamholtz, Randle & Mozilo, 2007). This will be a key area to investigate in my research questions.

However well the SME is configured internally, complacency must be avoided (Wang, Senaratne & Rafiq, 2015); ACAP must continue to serve strategy development in pursuit of new opportunities, recognised as strategic entrepreneurship (Ireland, Hitt & Sirmon, 2003). Higher intensity of hostility and enterprise in environments urges firms to increase focus on analysing and creating new opportunities (Gupta et al., 1993), and on scanning their environment to ensure they are prepared (Hambrick, 1982; Lauzen, 1995; Aldrich, 2008).

How SMEs develop OC and use them to expedite growth will be another key area of my research.

2.3.2 Dynamism in SMEs

The dictionary definition of the term dynamic is 'characterized by constant change, activity, or progress' (OED, 2020). If OC is the collective capability of the SME's individuals to create value (Ulrich & Smallwood, 2004), the debate widens in respect of what constitutes a capability, and when it is classed as ordinary or dynamic. Teece (2019) offers these definitions: 'Ordinary capabilities are to a large extent operational whereas dynamic capabilities are generally strategic in nature' (2019, p. 7). Zahra, Sapienza and Davidsson define dynamic capabilities as 'the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s)' (2006, p.918). Entrepreneurial capability is dynamic, as it is influenced by its environment (Lowik et al., 2012). If dynamic capabilities enable change (Zahra & George, 2002), it makes sense that an SME that can readily adapt to changing environments (Teece, Pisano & Shuen, 1997) possesses dynamic capabilities.

Growth itself brings new challenges to an SME, such as a requirement for capable decision-makers and middle managers, and professional capabilities that support the growing business to maximise efficiencies, and ensure that the needs of customers, employees, other stakeholders, and compliance, are met (Churchill & Lewis, 1983). As markets change and evolve, so must a firm's resources. Where RBV theory fails is in disregarding how resources with intrinsic value are created or adapted to respond to changes in market activities. Teece and Pisano (1994) built on Nelson and Winter's (1982) model of how firms respond quickly and efficiently to market forces, by identifying how the presence of dynamic capabilities facilitate the strategic deployment of adaptable resources. The concept of dynamic capabilities has, however, produced conflicting standpoints, and Barreto offered a revised definition, in which 'A dynamic capability is the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and

market-oriented decisions, and to change its resource base' (2010, p.271). Barreto (2010) insisted that dynamism was present only when all four dimensions (problem solving, identity of market forces, decision-making, and resource adaptations) were interconnected.

Eisenhardt and Martin (2000), and Zahra, Sapienza and Davidsson (2006), found that specific environmental conditions for dynamic capabilities may improve a firm's performance, but do not guarantee *superior* performance. Wilden et al. noted that 'Firms must align their internal organizational structure with their capacity to sense and seize external opportunities and reconfigure their resource base accordingly if they are to derive superior performance from dynamic capabilities' (2013, p.88). CEOs must possess the knowledge to predict these changes and guide the firm through the turbulence by adapting and repurposing OC (Helfat et al., 2007) that deliver what the market needs. Wang and Ahmed concluded:

managers must not evaluate dynamic capabilities as a stand-alone target. Instead, the change trajectory in the external environment, the firm's historical and current strengths and weaknesses, its long-term strategic orientation and its product-market positioning must be considered simultaneously in order to channel its resources effectively toward capability development (2007, p.44)

Capabilities are not classed as 'resources' because of their dynamic 'doing' nature but are 'the result of resource deployment and organizational processes' (Moustaghfir, 2009, p.343). Doz and Kosonen found that SMEs cultivating 'the internal capability to reconfigure capabilities and redeploy resources rapidly... [achieve] resource fluidity' (2008, p.96). The differences in how organisations perform in the same marketplace can be attributed directly to the differences in resources and their capabilities within each (Liao, Kickul & Ma, 2009). The strategies employed by CEOs to link resource capabilities with market dynamics create these differences to enhance performance.

Wiklund (1999) asserted that one of the most influential factors in performance was the dynamism of demand, especially how the firm assessed the environment and exploited the opportunity (Barreto, 2010). The strategies employed by SME CEOs to organise and capitalise on the knowledge acquired for the benefit of capability development and strategic performance affects how dynamic this particular capability becomes to 'improve an intellectual and comprehensive vision of the relationship between the organisation and its environment' (Carneiro, 2000, p.88).

SME CEOs must take advantage of knowledge to develop capabilities (Gupta, MacMillan & Surie, 2004), and their role in creating a dynamic environment should focus on creating dynamic capabilities that can be adapted to enhance performance, and structure the organisation to optimise their deployment (Wilden et al., 2013). Miller and Toulouse note that 'Dynamic environments were expected to require more adaptive and flexible CEOs' (1986, p.57).

Levie and Lichtenstein suggested that when 'Facing rapid growth or imminent decline, the most successful companies can and do change their pathway of development by learning and adapting in ways that increase their "fitness" within their changed environment' (2010, p.331). An adaptive firm must have ACAP to be in a position to develop KM capabilities that prepare them for change in present business environments (Hock-Doepgen et al., 2020). With 'superior absorptive capacity', SMEs can integrate resources and information to develop value-creating products. With 'superior organizational agility', SMEs can 'channel these deployed resources and information back to itself, thus providing itself with clear guidance on how to exploit extant resources and capabilities according to customers' needs and on how to integrate external and internal resources and capabilities for creating unique competitive resources' (Liu & Yang, 2019, p.167).

Orser, Hogarth-Scott and Riding assert that leaders of SMEs must have the capability to plan forward while they are still managing the firm through current growth, and that 'specific problems must be dealt with by the firm owner/managers if the enterprise is to move to the next stage of growth. Through the resolution of problems, managerial knowledge and abilities are acquired (or not). These are skills required to sustain the firm through future evolution' (2000, p.45).

Dynamic, unpredictable environments require growth-oriented SMEs to regularly reassess their activities and adapt internally and externally. The presence of dynamic capabilities has been found to be useful in informing CEOs in the development of capabilities that support growth (Pezeshkan et al., 2016). Nevertheless, the notion of what determines a capability to be dynamic is still in debate. A capability is only dynamic if it is technically effective or evolutionarily fit to contribute to shaping the environment and the success of a firm (Helfat et al., 2007), yet herein is notably where followers of Eisenhardt and Martin's (2000) theory of dynamic capabilities diverge from Teece's view, subscribing to the opinion that the simple concept of best practice can be classed as a dynamic capability (Peteraf et al., 2013).

In 2019, Teece re-asserted his 2007 definition of dynamic capabilities, citing them as enhanced ordinary capabilities capable of ‘sensing (of changes in the market), seizing (of opportunities/innovation) and transforming (of culture/business structure)’ (2019, p.43) to align the business with customer needs. Teece’s revised 2019 model illustrates how dynamic capabilities influence strategy towards ‘organisational transformation’ (see Figure 13).

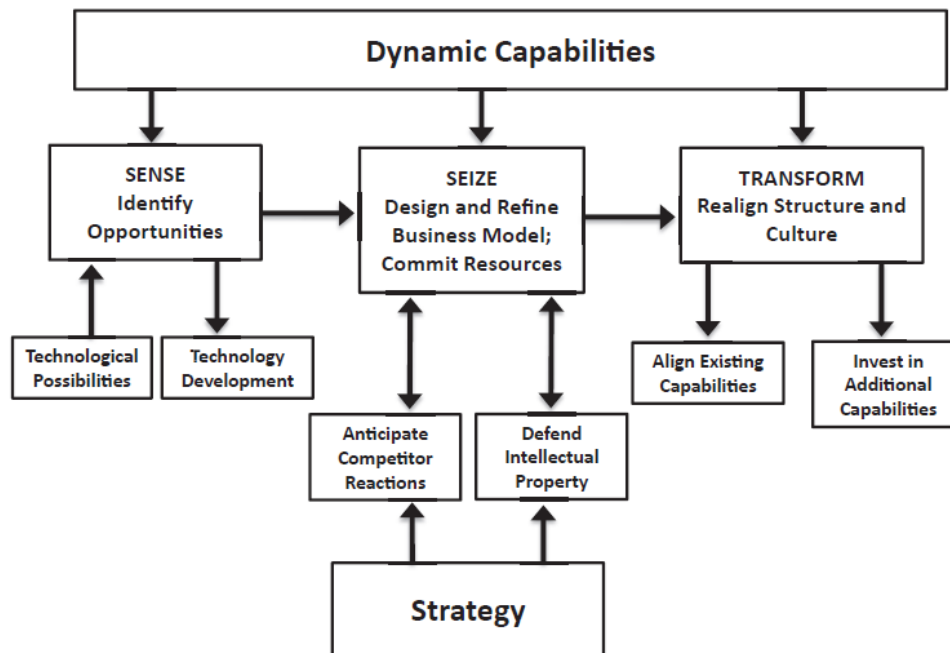


Figure 13: Teece’s Dynamic Capabilities Framework (simplified) (2019, p.11)

By following this revised model, it is apparent to me that even a new start-up firm should be able to sense and seize opportunities from the beginning and use their founding resources to align to customer needs, thereby exhibiting dynamic capabilities from the outset. Helfat and Peteraf suggested that founding capabilities stem from ‘(1) an organized group or team, having some type of leadership and capable of joint action; (2) a central objective, the achievement of which entails the creation of a new capability’ (2003, p. 1000). I intend to explore this notion within the context of Teece’s framework further in my research.

In summary, whilst Teece (2019) champions the construct of dynamic capability, he also concedes that timing is vital. Effective KM from the start greatly enhances performance (Darroch, 2005). Pioneers are not necessarily the first to attain the optimum position in the market, and the SME that combines robust KM strategies with the ability to reallocate resources for OC development can be stronger in the long term (Teece, 1998).

2.4 A Conceptual Model for Growing SMEs

My aspiration in this thesis was to consider the development of SME growth strategies, following an adapted conceptual framework recognising that resources aligned to a firm's environment shape successful strategies to achieve growth. The literature review has revealed that both KM and the development of OC are strategically interdependent factors for achieving growth. Hamel and Prahalad posed the question, 'What has set your transformation agenda?' (1994, p.123), concluding that CEOs spend insufficient time identifying the core competencies that will help them grow in the future. Others (cf. McKee, Varadarajan & Pride, 1989; Ambrosini & Bowman, 2009; Barreto, 2010) argue that, when internal and external factors affecting growth and performance are considered, and internal resources align with the external market, the value of dynamic capabilities is enhanced.

The goal of competitive strategy is to find the optimal match between environmental and organisational contingencies (Zajac, Kraatz & Bresser, 2000). Competition is important to motivate SMEs to review and develop their capabilities, as without it, firms become inert and complacent which stagnates productivity in the long term and prevents SMEs from responding effectively to new challenges. Penrose (1959) drew attention to the presence of idle resources, knowledge and capabilities in a firm, noting that internal opportunities for exploitation in a growing firm will always drive strategies for growth. To guard against complacency, firms need to remain vigilant, poised to change course, and prepared to readapt to respond to constantly changing market activities (Wang, Senaratne & Rafiq, 2015). Burnes, Cooper and West assert that, 'an organisation's ability to keep pace with changes in its environment is dependent on its ability to learn' (2003, p.453). Firms find success when knowledge strategies align with competitive strategies (Zack, 1999; Phelps et al., 2007); KM is arguably one of an SME's most critical dynamic capabilities (Bagnoli & Giachetti, 2015).

KM helps CEOs focus on important or critical external factors and align their resources (human factors) with the knowledge derived to develop OC and then shaping, assimilating and using it to create value for customers (Dawson, 2000) which makes KM dynamic in nature. Brinckmann, Grichnik and Kapsa (2010) found that strategic flexibility is enhanced by the willingness to learn and the capability to adapt. Zahra, Sapienza and Davidsson (2006) had also previously challenged whether the presence of dynamic capabilities bore any significance to firm performance, asserting that a firm's KM created the dynamic effect. They stated that 'The effects of dynamic capabilities on organizational performance work through

substantive capabilities ('what the firm can do') and depend on the quality of the organisation's knowledge base ('what the firm knows') (2006, p.943).

As I stated in the introduction to this thesis, I also aspired to offer a practical tool that would be useful to SMEs. I created a conceptual model that explains the potential effects of KM and OC strategies I have explored throughout this chapter, through six possible outcomes for SMEs preparing for growth in relation to their ability and capacity to exploit KM and OC strategies (see Figure 14). The model intends to illustrate the potential impact on business growth, as SMEs without KM lack the capacity to identify where OC needs to be developed, which, in turn, leaves them without contingencies or with misdirected capabilities that create more idle resources. Equally, for SMEs with strong KM, but a rigid and inflexible structure, or a lack of deployable dynamic resources, the model illustrates their possible struggle to respond to new opportunities or challenges, which will leave them at a clear disadvantage. As Augier and Teece (2009) explain, 'A company that is excellent at making the wrong things will fail. Yet it can be mediocre at providing innovative things that customers want, and it may succeed, at least for a while' (2009, p.411).

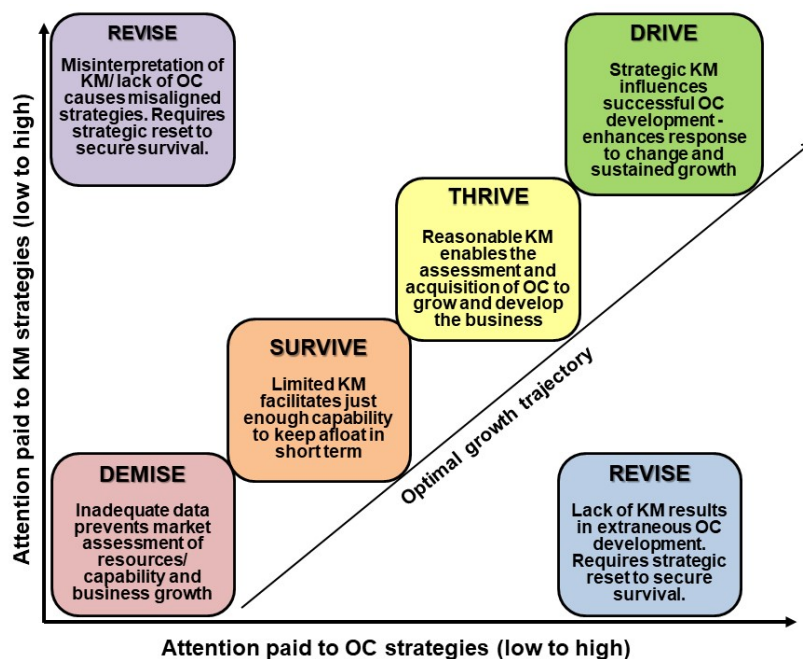


Figure 14: A Conceptual Model to Illustrate Six potential effects of KM and OC Strategies on SME Growth (Webber, 2018)

I intend to test my proposed conceptual model to see how closely it resonates with SMEs and whether it is useful in providing a situational analysis to review their OC and KM strategies in my research.

2.5 Concluding Remarks

Since KM and OC activities are unique to each SME, the purpose of my research is to identify how SMEs develop KM and OC strategies and use them to expedite growth. This involves the study of SMEs of various size and business age, as these variables have been found to influence the presence of OC, and therefore have some effect on performance (Arend, 2014).

My primary research question is therefore: how do SMEs achieve sustained growth? I intend to answer this through three subsidiary research questions:

- How do SMEs manage KM to inform growth strategies?
- How do SMEs develop OC and use them to expedite growth?
- Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

I discuss my research objectives and methodologies in the next chapter.

Chapter 3: Methodology and Research Design

3.0 Introduction to the Chapter

Investigations into the development of OC in SMEs have been scarce in favour of those undertaken in larger companies (Zahra, Sapienza & Davidsson, 2006), yet, as discussed in Chapter 2, I identified how OC guarantees adaptability to new challenges (Koryak et al., 2015). Many SMEs, in the absence of a more formal strategic planning process (Singh, Garg & Deshmukh, 2008; Cocca & Alberti, 2010), continuously review their sales performance, customer base growth and retention, and their financial position, to learn and identify 'critical success factors' (Garengo, Biazzo & Bititci, 2005, p.27) in a form of self-assessment or situational analysis. Encouragingly, Carson's more recent focus on SME transformation has indicated that 'a more strategic, diverse and operationally flexible business model' (2013, p.14) can secure enhanced resilience to market volatility.

Clegg's study of growth constraints in SMEs found staff capability 'to be the root to all innovation, commercialisation, and operationalisation' in growth strategy (2018, p.777). Although theoretical models relating to company growth were often biased towards larger firms (Penrose, 1959; Hall, 1987), in the past decade, the study of SMEs has encouraged a deeper debate on alternative approaches to growth strategies (Macpherson & Holt, 2007; Blackburn & Smallbone, 2008). I have developed a new conceptual model that recognises the assertions made by Penrose (1959) pertaining to cumulative company growth through the development of 'knowledge and competence' (Garnsey, Stam & Heffernan, 2006, p.4), expanding the notion that growth is prompted when productive capability meets market opportunities.

Siggelkow suggests that if models were 'as complex as reality, they would not be useful' (2007, p.21) and my aspiration was to test the practical application of my conceptual model to ascertain if it assists SMEs to recognise their current position, anticipate changes, and implement plans that secure future success (Schäffer & Willauer, 2003). By providing 'guidance for managers' (Ambrosini & Bowman, 2009, p.45), I intend for my conceptual model to help SMEs build the ideal environment for the development of KM processes and the creation of OC, resulting in the discovery of solutions to secure growth and success, particularly in challenging times (Barratt, Choi & Lil, 2011). By combining the concepts of KM and OC, my model plots an SME's position on a growth path to enable strategic, and, in some cases, remedial, decisions that will optimise, or reset, the SME's growth trajectory.

3.1 Testing the Conceptual Model

I derived my model (see Figure 15) from my study of KM and OC theories (cf. Covin & Slevin, 1989; Grant, 1996a; Teece, Pisano & Shuen, 1997; Hitt, Keats & DeMarie, 1998; Davenport & Prusak, 1998; Deakins & Freel, 1998; Bryant, 2003; Levy & Powell, 2004; Dalkir, 2013; Harris et al., 2013).

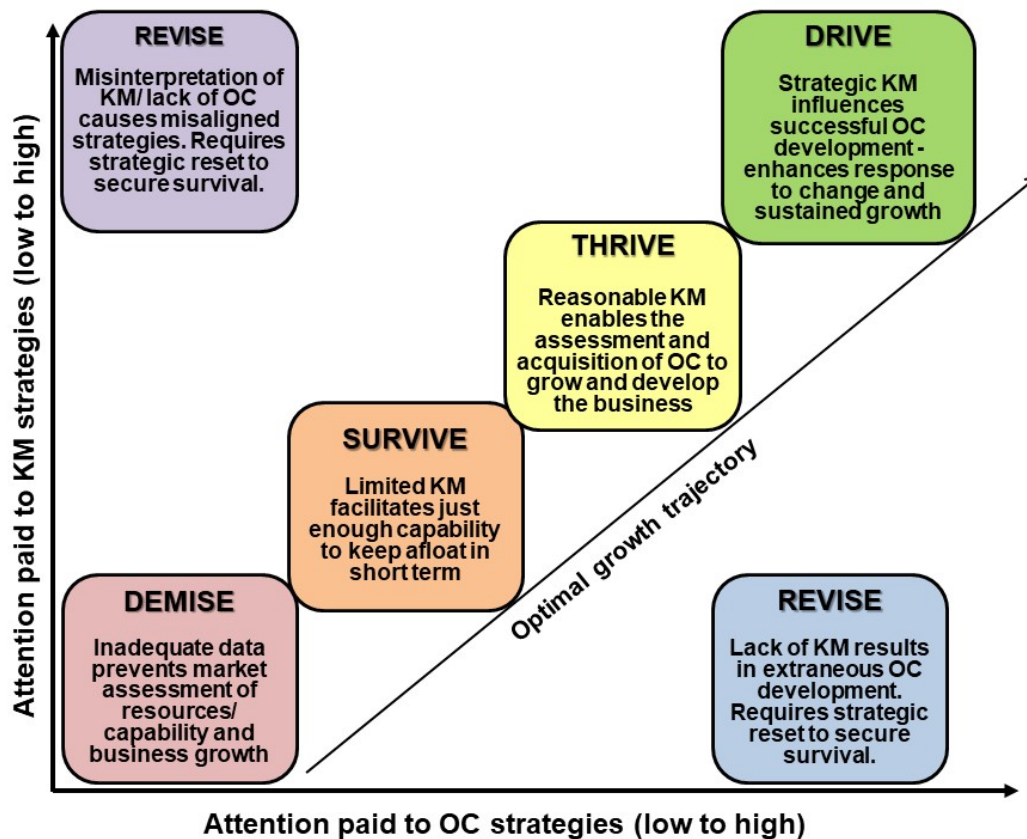


Figure 15: Six potential effects of KM and OC Strategies on SME Growth (Webber, 2018)

My model will assist SMEs planning to grow or to enter new markets, by considering the following:

- The effectiveness of current strategy: what is working, and what are the risks, failings or missed opportunities
- The validity of information: how and what is being learned, the reliability of data, and how it supports critical assessment in the development of a plan
- The effectiveness of knowledge capture: does the information provide opportunities to influence market share/product development/turnover? What improvements will maximise success?

- Business readiness: ensuring the right capabilities are in place to meet these changes, and recognising the incongruences to develop remedial strategies
- Potential risks/costs to the business at every step: recognising when the right strategies are in place, and when they need to be reviewed.

As proposed by Teece, there are crucial elements in the development of KM: 'The enterprise must learn (1) what customers want, (2) what new technologies might allow, (3) what aspects of the business model are working, and (4) whether the current strategy is effective and the company is on the path toward building a great business' (2014, p.337). In this context, one of the areas I investigated was organisational responsiveness (Liao, Welsch & Stoica, 2003); how SMEs collect, transfer, integrate and exploit information to serve capability strategy development. A fundamental component of organisational responsiveness is the ability to understand how this knowledge can be optimised in its application.

Knowledge is essential for a business to survive (Nonaka, 1994). Where customer-focused CEOs use information to develop effective or innovative strategies, the performance of an SME is likely to exceed competitors lacking such insights, yet very few researchers have linked this to the development of business strategy (Yang, Fang & Lin, 2010). By appraising the effectiveness of SME KM processes and transfer, I do not intend my final model to be *prescriptive* in identifying which dynamic capabilities an SME should focus on developing, but to be *diagnostic* in highlighting weaknesses to inform possible remedial action.

By conducting in-depth research on three SMEs in the first stage of my data collection, I sought to establish how organisational knowledge, that which concerns customers, markets and competitors, technology and value-creation opportunities (Yang, Fang & Lin, 2010), is transferred from individuals to CEOs. I also intended to understand how this informs strategic decisions for resource organisation, and consequently operational and effective capabilities (Wang & Ahmed, 2007). Hence, possessing the right information can influence 'the impact on strategic decisions' (Peschken et al., 2016, p.200). The transfer of information from staff to CEOs, and later from CEOs to staff within an SME, is crucial to increase the chance for successful strategy implementation.

Although I do not intend to explore organisational knowledge theories in detail, I endorse Grant's proposition that a company is a 'knowledge-integrating institution' (1996b, p.112), recognising that individuals capture knowledge, both those already employed, and those hired by an SME to supplement what is missing. Unobservable, tacit knowledge such as

skills and 'know-how' are far more elusive in practice than observable, explicit knowledge, and are, consequently, a challenge to transfer effectively and efficiently internally (van Den Berg, 2013). It was therefore important for me to gain an understanding of knowledge transfer between each SME's employees at all levels.

In conclusion, I aimed to identify how SMEs achieve sustained growth through the following three subsidiary questions:

- How do SMEs manage KM to inform growth strategies?
- How do SMEs develop OC and use them to expedite growth?
- Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

In the rest of this chapter, I explain how I answered these questions.

3.1.1 Rigour and Relevance

An ongoing debate among business and management scholars (cf. Mintzberg, 2004; Bennis & O'Toole, 2005; Vermeulen, 2005; Gulati, 2007; Schiele & Krummaker, 2011) focuses on how the quest for rigorous research has surpassed the need practical application or relevance. Myers (2013) maintains that the former is essential for a theoretical contribution, while the latter is more challenging to be acceptable by publishers.

Rigorous research	Relevant Research
'Scientific research'	Relevant to business practitioners
Emphasis on meeting scientific standards such as validity and reliability	Emphasis on being immediately relevant to practice
Subject to academic peer review and published in academic journals	Published in consulting reports or industry magazines
Theoretical contribution	Practical contribution

Table 6: Rigour and Relevance (Myers, 2013, p.12)

Table 6 highlights the tension between scientific research, accepted by the academic community, and practical research, relevant to the business community. A compromise is for collaboration between academia and business (Kieser & Leiner, 2009) to bridge the gap between rigour and relevance (Berglund, Dimov, & Wennberg, 2018; Kittler, 2018), as it both enhances knowledge and informs practical application.

3.2 Epistemological and Ontological Position

As Wikgren expressed so adeptly, ‘research is always a question of making choices’ (2005, p.11). These choices are influenced by an individual’s philosophy, also referred to as research paradigm, or ‘worldview’ (Creswell & Plano Clark, 2011, p.38), and the assumptions made as knowledge is acquired to answer the research questions, which in turn shape the research design and choice of methodology.

Crotty describes four levels for developing a research study:

- 1) The philosophical assumptions and beliefs of the researcher.
- 2) The theoretical lens through which the researcher views the world that informs the
- 3) Research strategy and methodology.
- 4) The tools and procedures by which information is gathered and then analysed or interpreted (1998, p.4)

Maxwell (2013) described paradigms as philosophical positions that represent very different ideas about what is real (ontology) and how we can learn about it (epistemology). The dominant paradigm in social science research was once Positivist (Neuman, 2011), following a scientific logic that truth exists, and that formulas can be devised to test and demonstrate this truth. Within this paradigm, people’s experiences, feelings, and thoughts were deemed to be irrelevant (Yilmaz, 2013). The opposing view, that people *do* matter, and their perceptions are relevant in that they influence their own versions of truth, and cannot be pre-determined, fuelled passionate debates concerning the paradigms, and the emergence of Interpretivism (Johnson & Onwuegbuzie, 2004; Yilmaz, 2013; Shannon-Baker, 2016). The opposing positions in ontology, epistemology and methodology are set out in Figure 16.

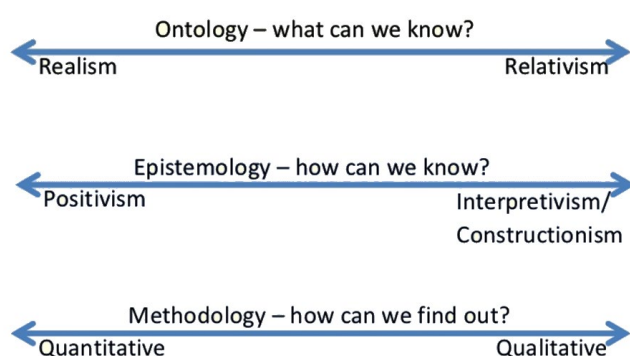


Figure 16: Research as continuum (Condie, 2012, p.15)

Ontology describes the nature of knowledge: what we know is real. How this knowledge is developed – the methods by which we can learn about it – relates to epistemology (Wahyuni, 2012). A researcher's ontological position influences their epistemology, their beliefs regarding the best way to develop their knowledge, and therefore their chosen research methods (O'Connell Davidson & Layder, 1994). Figure 16 recognises that the two extremes of a researcher's ontological position are either as a realist, recognising that there is only one truth that is discoverable, or as a relativist, holding the view that there is more than just one truth and reality itself is 'a social construction' (Maxwell, 2012, p.viii).

Beliefs and Assumptions	Positivist Approach	Interpretative Approach
Nature of Reality (Epistemology)	Reality is single, tangible and objectively given	Reality is socially constructed; therefore, multiple constructions and realities can exist
Relationship of 'knower' to the known	Independent	Interactive and inseparable
Role of Values	Inquiry is value-free	Inquiry is value-bound
Research methods usually used	Quantitative	Qualitative

Table 7: Positivist Versus Interpretive Approaches to Research (adapted from Lincoln & Guba 1985, p.37)

The updated version of Lincoln and Guba's (1985) approaches to research (see Table 7) sets out the differences in beliefs and assumptions of both the Positivist and Interpretivist approaches. Creswell (2013) suggested that opinions offered in research contribute complexity and variety, since there are many, and all are subjective to the individual's social viewpoint, and therefore subject to change (Wahyuni, 2012).

As King, Horrocks and Brooks (2018) suggest, our personal experiences influence our choice of research. Cope defines the purpose of Interpretivist research as 'develop[ing] 'bottom-up' interpretive theories that are inextricably 'grounded' in the lived-world' (2005, p.167). This position has directed my choice of research methods as I am seeking to understand and interpret the views and lived experiences of the research participants. I am interested in how SMEs gather and use knowledge to develop capability strategies for the purpose of business growth and I am seeking to understand SME practice and test a conceptual model that will support SME strategy development. It is essential for me to establish how the participants of my research evaluate and make sense of, or interpret, their situations, and reflect on how and why their personal backgrounds shape their explanations of what is happening (Maxwell, 2013). For me, then, a positivist, scientific approach is inappropriate.

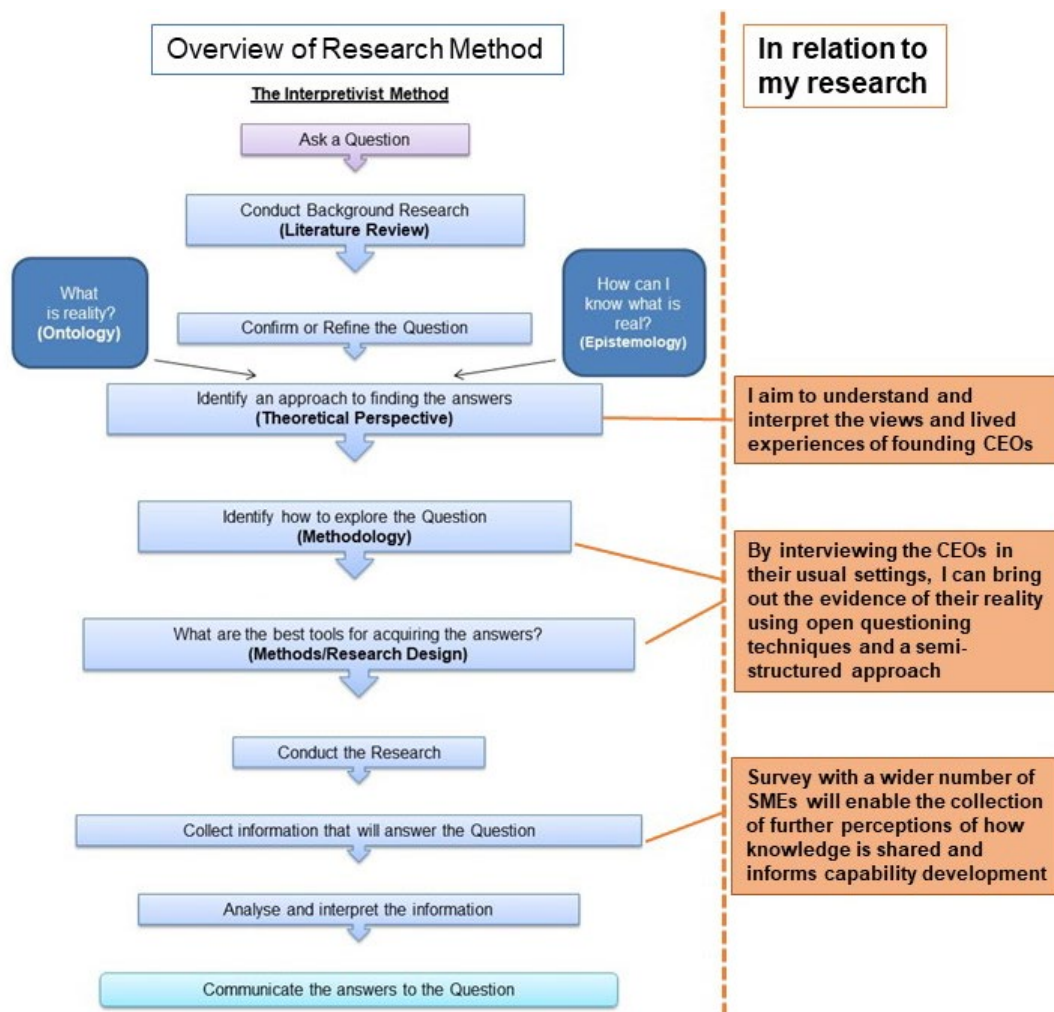


Figure 17: The Interpretivist Method (adapted from Dewey, 1910, unpagged)

Figure 17 provides my own illustration of Dewey's (1910) Interpretivist Model, an adaptation of The Scientific Model. It recognises the empirical differences in research where humans are central to the investigation and allows for the consideration of 'observations without experimentation or formulation of hypotheses to be tested' (Kivunja & Kuyini, 2017, p.32).

I have also annotated the model in Figure 17 with my own research approach. By engaging in inductive, qualitative research, I am studying people and capturing their perceptions and experiences in their natural settings to interpret the *meaning they attach* to their view of the world (their truth) to answer my research questions (Wahyuni, 2012). I am not expecting one truth as participants will offer a variety of perspectives based on their own experiences (Yilmaz, 2013). As an Interpretivist researcher, I aim to enable research participants to speak freely, and identify situational influences and variables (Peters & O'Connor, 1980) that contribute to their views and perceptions. In the next section I detail the role I played in capturing the data to interpret participants' reality and answer my research questions.

3.2.1 The Researcher Role

One of my greatest challenges was to present a logical soundness in the construction of my arguments from my own interpretations and findings that promote 'plausibility' (Reichelt & Skjerve, 2012, p.5). My personal experience and knowledge of capability strategy development could influence my questions and interpretations. As one of the key assumptions of Interpretivist ontology is that both the researcher and reality are inseparable, since, epistemologically, knowledge is the truth according to an individual's interpretation of their experiences (Weber, 2004), it is impossible for me to remain completely unbiased and free from assumptions and preconceptions based on my personal learning and experiences (Holstein & Gubrium, 2011). I report my own assumptions in my analysis (Yilmaz, 2013), and to counter any risk to the reliability of my research, I adopted a multimethod approach. This includes two distinct methods (interviews and survey) for gathering a range of perspectives and supports the trustworthiness of my research findings by triangulating one with the other (Voss, Tsiriktsis & Frohlich, 2002; Bell, 2010; Neuman, 2011; Maxwell, 2013).

Inevitably, some viewpoints were contradictory to what I was expecting to hear (Gillham, 2000). In these instances, it was important to maintain an open mind to enable critical reflection in my research analysis, as these conflicting truths helped to improve my conceptual model. Undertaking a comparative analysis, similar to that conducted by Salvato (2003), required me to become fully immersed in the interviews to allow modification of exploratory questions in real time, and the investigation of 'emerging themes' as the semi-structured discussions progressed (Barratt et al., 2011). By comparing themes and identifying trends and patterns, the conceptual model was further developed (Pettigrew, 1990), which enhanced its value to SMEs in identifying their available options for business growth. These factors were critical in adapting my research for knowledge advancement and strengthened the validity and reliability of the outcomes (Eisenhardt, 1989; Johnston et al., 1999; Rowley, 2002).

To encourage openness and honesty, I confirmed the protection of anonymity to each participant, and applied *Chatham House Rules* (Chatham House, 2018), which I reinforced at the start of each interview.

3.2.3 Sampling

I opted to follow a purposeful sampling approach (Eriksson & Kovalainen, 2008; Yilmaz, 2013). This allowed me to select the SMEs that were most likely to give me an enriching case study relating to my area of interest (Palinkas et al., 2015); 'where one can learn a great deal about issues of central importance to the purpose of the inquiry' (Patton, 2002, p.230). Such in-depth and rich cross-comparison enabled me to identify patterns and similarities between each case study (Yin, 1989).

The value of the practical application of my conceptual model required the opinions of those working within SMEs to check my assumptions (Seawright & Gerring, 2008), allowing me to explore real-life experience (Siggelkow, 2007). Carson (2013) notes that only 35% of SMEs survive beyond three years, while SMEs that employ more than 10 employees from start-up have a better chance of survival, as do those operating in high-growth sectors (Coad et al., 2013; Mas-Verdú, Ribeiro-Soriano & Roig-Tierno, 2015). These factors influenced the sampling of SMEs to those trading for a minimum of five years in the high-growth technology sector. In addition, I chose to limit the geographical location of the SMEs I am investigating to the East of England region, for purely practical and cost-effective reasons, since this is where I am based. In addition, the East of England was named as a 'tech hotspot' (Tech Nation, 2020). According to the European Commission's Regional Innovation Monitor (2020):

The Science & Innovation Audit for the East of England has identified four key technology themes for the region: Life Sciences, Agri-tech, Advanced Materials and Manufacturing (AM&M) and ICT. The region has a strong research heritage, with world-class research facilities and skills at the University of Cambridge and elsewhere that have led many multinational corporations and many technology-based start-ups to locate in the area (2020, unpagged).

Therefore, I invited participation from SMEs based on the following criteria:

- Trading for a minimum of five years
- Employing more than 10 people
- Operating in a technology-related sector
- Main office in the East Anglia region
- Aspiring to grow

These criteria prefaced my introductory letter seeking participation in the study.

SMEs operating in the many categories of Technology sectors experience a high level of revolution and change, in part because innovation drives competition, but also because there are ongoing challenges in skill development and talent attraction (The Institution of Engineering and Technology (IET), 2017). My intention was to learn more about the impact of effective KM strategy on OC strategy within such organisations.

I acknowledge that there are fundamental differences in how firms grow, with limited research in this area (McKelvie & Wiklund, 2010), and I limited my research to firms that were aspiring to grow organically. I recognise too that not all SMEs plan to grow, and others will grow through acquisition or merger. Therefore, I included the aspiration to grow as a criterion for the sample of SMEs surveyed, and sought confirmation of this via the survey questions.

3.3 Research Design and Methods

My research design must facilitate answering my research question (Maxwell, 2012): how do SMEs achieve sustained growth? My personal ontological and epistemological positions influenced my choice of qualitative research methods. I take an interpretive stance, seeking to understand the world by collecting and interpreting the views of individuals, and a constructivist, relativist ontology, where learning occurs through my social interactions with these individuals (Bryman, 2015). 'The objective of the qualitative methodology is to produce in-depth and illustrative information in order to understand the various dimensions of the problem under analysis' (Queirós, Faria & Almeida, 2017, p. 370).

Capitalising on my interview experience, I believed that conducting in-depth interviews would enable me to better understand the participants' views, and to then interpret each of their experiences through the development of case studies, to assist in answering of my research question. On completion of the case studies, I opted to identify common themes that would inform the questions for a subsequent survey, to test the case studies' legitimacy with comparable SMEs in the technology sector. The deployment of 'two or more studies using different methods, which address the same research question' (Morse, 2015, p. 210) is known as multi-method research. As attested by Queirós, Faria and Almeida, surveys are useful for 'obtaining information about a given phenomenon, through the formulation of questions that reflect the opinions, perceptions and behaviors of a group of individuals' (2017, p. 381).

To identify how knowledge is transferred within the hierarchy of each of the three SMEs, I focused the first part of the interviews to establish how effectively the SME CEOs consider, and act upon, the information that flows up from operational employees, and specifically, how this information influences their decision-making (Schäffer & Willauer, 2003). I then tested my model in the real-life context of the SMEs. I hoped that the model illustrated how market challenges can be overcome through harnessing useful knowledge to inform the development of new capabilities.

I took a multimethod sequential design approach to my research which involved two data collection stages using two data sets (see Figure 18).

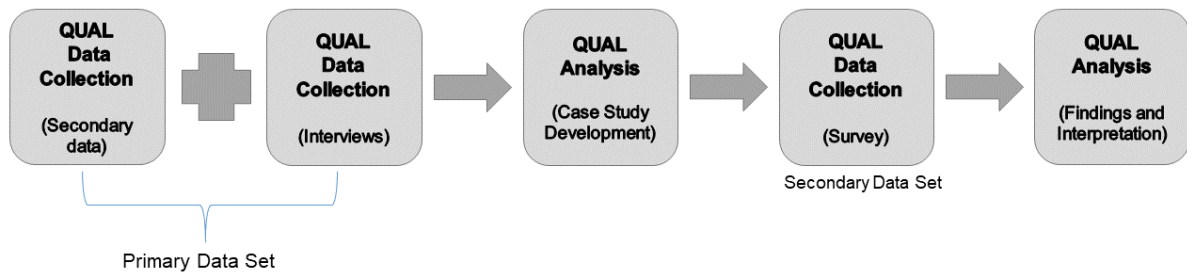


Figure 18: Illustration of the proposed multimethod sequential design for qualitative data collection (adapted from Hesse-Biber, Bailey-Rodriguez & Frost, 2015, p.17)

The case studies for the three selected SMEs were informed by the collection of:

- Secondary data sources (e.g., existing company records, business information)
- Transcripts of the interviews with the founding CEOs of the same organisations

The evaluation of company records assisted in providing background data for each SME that enabled me to check the business was indeed flourishing and growing. I collected data including current turnover and profitability, current staff numbers, and current investment strategies, plus circumstantial information relating to organisational successes and strategies from company reports, business plans, blogs, company websites, and news artefacts. I conducted the interviews over a month (February-March 2020) that facilitated the development of the case studies. On completion of the case studies and subsequent review and reflection, I proceeded with Stage 2, a survey of similar SMEs in the technology sector, to compare the perceptions and viewpoints accumulated from the three case studies with a wider sample of similar SMEs.

This multimethod sequential approach allowed ‘a more detailed and comprehensive perspective of a particular phenomenon... [and] may also be used to test the findings from the primary [qualitative] component’ (Hesse-Biber, Bailey-Rodriguez & Frost, 2015, p.11). I first collected and analysed the primary data set and combined it with the secondary data to develop the case studies. From here, I identified themes for further exploration (Creswell & Plano Clark, 2011) and commenced Stage 2 of my data collection through the survey of a wider sample (the secondary data set) (see Figure 19).

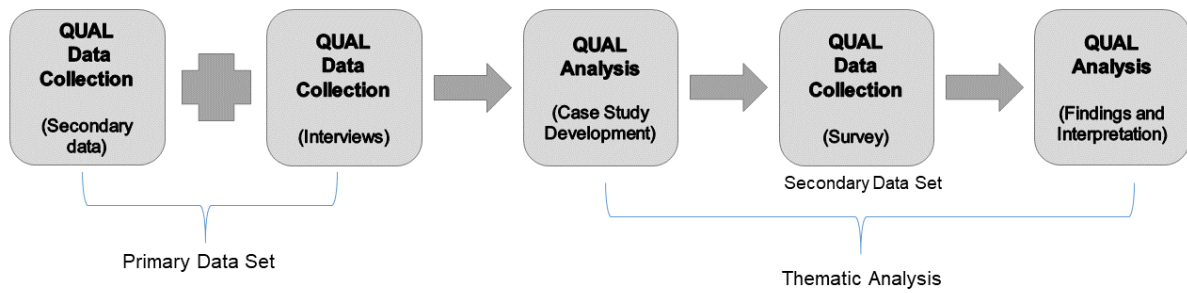


Figure 19: Illustration of the multimethod sequential design for qualitative data analysis (adapted from Hesse-Biber, Bailey-Rodriguez & Frost, 2015, p.17)

Previous studies following this approach to research design demonstrated how primary qualitative analysis was enhanced by secondary data to add depth to the research (Hesse-Biber, Bailey-Rodriguez & Frost, 2015).

3.4 Case Study Development

Eisenhardt defines case study research as a strategy that 'focuses on understanding the dynamics present within single settings' (1989, p.534), offering the researcher an opportunity to engage in a variety of data-gathering methods as the case study is developed (Gillham, 2000). According to Eisenhardt and Graebner, one of the key advantages of case study research is to examine 'patterns of relationships' (2007, p.25) in more depth and to 'illustrate causal relationships more directly' (Siggelkow, 2007, p.22).

Similarly, Bogdan defined a case study as 'a detailed examination of one setting, or a single subject, a single depository of documents, or one particular event' (2007, p.59). My intentions were to investigate each of the organisations 'in-depth and within its environmental context' (Ridder, 2017, p.282), and to test the integrity of my model to ensure it is 'complete and reflect[s] actual practice by identifying any additional factors and indicators' that may be missing (Rose & Cray, 2013, p.33). Comparative case studies can support the development of 'causal heterogeneity (factors that mediate X's [KM's] relationship to Y [OC development])' (Elman, Gerring & Mahoney, 2016, p.385). My research offers three in-depth case studies. According to Voss, Tsikriktsis and Frohlich, 'For a given set of available resources, the fewer the case studies, the greater the opportunity for depth of observation' (2002, p.201.)

I expected to enlist the assistance of a Gatekeeper from each SME, potentially a senior administrator, office manager, or Human Resources (HR) officer, who would provide me with permitted archival sources of information. A study of sales data, turnover, and profitability assisted me in identifying the historic and current performance, and growth trajectory of each SME. However, I discovered that SME CEOs are self-sufficient. CEO1 and CEO2 acted as their own gatekeepers; only CEO3 asked a Personal Assistant to help with diary arrangements and paperwork management. Thus, I did not require gatekeepers.

3.4.1 Interviews

Interviewing is the most popular tool for gathering qualitative data in social science research (Qu & Dumay, 2011; Manzano, 2016) and valuable for exploring humans and their choices and behaviours (Carter et al., 2014). McLachlan and Garcia defined the interviews as being 'a dynamic relation between what we term the ontological *whats* and the epistemological *hows*' (2015, p.200 [emphasis added]). By getting close to the participants, I gained a better understanding of their own versions of truth, and interpreted their perceptions (Leitch, Hill & Harrison, 2010).

A critical objective of the interviews was to identify the CEOs' perceptions, or 'entrepreneurial cognition' (Koryak et al., 2015, p.99), relating to the recent performance of the SME, current opportunities and threats that require exploitation or action, respectively, and how this might be achieved. According to Zahra, Sapienza and Davidsson, CEOs are key to the development of capabilities, and are influenced by their 'perception of opportunities' in their adjustments or adaptations to resource management, their motivations, or 'willingness' to make these changes, and 'their ability to implement these changes' (2006, p.918). Similarly, Akbar and Tzokas note that CEOs' abilities to pull fragments of knowledge into 'a coherent whole' (2013, p.1601), or 'stories' (Aronson, 1994, p.2) are critical to the assimilation and exploitation of knowledge for strategic purposes.

Successful gathering of suitable data lies in design and preparation, of both interviewer and participants (Galletta, 2013). Voss, Tsikriktsis and Frohlich (2002) identified one of the challenges in conducting successful case research as the requirement for skilled interviewers. Drawing on 15 years' experience of recruitment interviewing and holding a Certificate in Recruitment Practice from the Associated Examination Board (AEB), I first provided clarity about my aims and objectives to each participant before we began to ensure the best use of time in the interview. Furthermore, SME CEOs had only limited time for interviews (Bernard, 2017). The researcher's role is critical in the interaction with the participants, their familiarity with the subject area and context, and their ability to ask the right questions, listen and then interpret what they have heard (Rowley, 2002). Former experience equipped me to interact with participants to promote conversation, recognise *trigger phrases* and tease out information with specific verbal and non-verbal techniques (Bell, 2010), within the time constraints.

In-depth interviews are conversations with purpose (Legard, Keegan & Ward, 2003). They allow the researcher 'to collect and rigorously examine narrative accounts of social worlds' (Miller & Glassner, 2011, p.144). To keep my 'conversational 'bias' in check' (Holstein & Gubrium, 2011, p.150), I ensured that my involvement was at an absolute minimum whilst I probed into the views of each respondent. Semi-structured interviews permit both a structured approach to questioning and the flexibility to ask additional ad-hoc questions to probe a particular theme in more depth (Carter et al., 2014; Gray, 2018). An adaptive exchange of both open and closed questions encouraged expansive responses that were clarified and controlled, in search of the most important ideas and perceptions (Foddy, 1994; Chrzanowska, 2010; Yilmaz, 2013). Thus, I asked supplementary questions to explore or clarify interesting issues that emerged from the CEOs' responses, and either drop or rephrase questions as the interview advanced as necessary (Legard, Keegan & Ward, 2003). The result, therefore, is that while most of, but not all, the questions were identical, I was able to obtain similar information, and analyse the themes from each case study in relation to the others.

I specifically chose to interview founding CEOs who were directly responsible for strategic planning and decision-making since they were likely to offer the most relevant responses (McEvoy & Richards, 2006; Galletta, 2013; Gray, 2018). Each differed in their perceptions, specifically their interpretation of growth success, what constitutes a crisis, and the actions they take to deal with each situation (Macpherson & Holt, 2007). Using the same questions in each interview, with some flexibility, optimised consistency across the case studies (Turner III, 2010). The use of open questions encouraged free reflection, frankness and detail (Chrzanowska, 2010; Yilmaz, 2013). These often-revealed true aspirations, intentions and lived experience (Galletta, 2013). Further inquiry based on simulated situations, for example by using 'What if?' questions, enabled me to investigate areas of interest that bore relevance to testing my model in more detail (Bryman, 2015), especially when the response(s) given required clarity or development.

3.4.2 Interview Questions

I designed the first five questions to ensure I was interviewing a suitable representative of the SME, and that the SME met my criteria:

1. What is your job title?
2. What are your key responsibilities?
3. How many staff does the business currently employ?
4. When was the business first established?
5. How long have you been with the business?

Predetermined questions helped to explore topics relevant to my research questions:

Research Question	Topics to be explored
How is knowledge transferred within SMEs to inform growth strategies?	Performance or status reviews: how information pertaining to customer preferences, behaviours, engagement and perceptions is collected and used The gaps in this knowledge: how this is being addressed
How do SMEs develop dynamic capabilities and use them to expedite growth?	Adaptability in resource management: how they enable these plans to be implemented
Does my proposed conceptual model offer SMEs the opportunity for situational analysis and a review of strategic direction?	Growth plans for the business: how these are agreed and executed Future strategic planning: where the challenges lie Reflection: what effect these plans and changes have had on the business
What are the key observations from testing the conceptual model?	Participant reactions and views: how does the model reflect real life business practice and strategic activities?

Table 8: Topics explored with interviewees

The remaining interview questions were designed to capture this data (set out in Table 9).

Research Question	Interview Questions
How is knowledge transferred within SMEs to inform growth strategies?	<p>What were the original aims of the business?</p> <p>How have these aims changed or evolved?</p> <p>What does the term 'strategy' mean to you?</p> <p>How does the business measure growth?</p> <p>What have been the main drivers for growth?</p> <p>What are the biggest challenges to the business in your view?</p> <p>How well equipped do you believe you are in meeting them?</p> <p>What is the business good at? (Strengths)</p> <p>Where do you think the business needs to improve? (Weaknesses)</p> <p>How well informed do you feel you are for making strategic decisions and planning future growth?</p> <p>How do you reach decisions relating to business growth or activities?</p> <p>How do you identify new opportunities and threats?</p> <p>How is information or business knowledge shared?</p> <p>How does this information influence strategic decisions?</p>
How do SMEs develop capabilities and use them to expedite growth?	<p>How would you define the terms 'skills' and 'capability'?</p> <p>How do skills and capabilities relate to your growth strategy?</p> <p>How does you identify the skills and capabilities the business needs?</p> <p>Describe a situation where a specific skill or capability was missing?</p> <p>How do skills and capabilities serve growth aspirations?</p> <p>Can the current skills and capabilities adapt to meet new developments or market challenges?</p> <p>Have you introduced new skills or capabilities to enable business growth or development into new products / services / markets?</p>
Does my proposed conceptual model offer SMEs the opportunity for situational analysis and a review of strategic direction?	Where do you believe the business might sit on the model?
What are the key observations from testing the conceptual model?	How could the model be improved for real world use?

Table 9: Interview Questions

I was conscious that while much of the information would be explicit in participant responses, I would need to draw upon my 'active listening skills' to draw out inferences and meanings to explore them in greater depth if time permitted (Best, 2013, p.275). While the content of the discussion is important, the tone of the discussion is also extremely revealing, as this provides 'the cultural frame' to these interactions (McLachlan & Garcia, 2015, p.200).

Factors such as these will affect the quality of the evidence derived from the interview:

- How the participant reacts to the questions posed
- How easily they respond or reflect
- The depth of their knowledge
- Their critical appraisal of the challenges the SME has faced
- Their view of the actions that have been taken
- The fullness and consistency by which they respond.

3.5 Survey

Surveys are a convenient and efficient method of collecting data from a large sample to bolster initial research findings (Ilieva et al., 2002; Evans & Mathur, 2005). They permit the collection of 'multiple perspectives', known as 'data source triangulation' (Carter et al., 2014, p.545), to measure against the data collected from the interviews. By showing how the case study findings are representative of similar SMEs in general, this will increase the 'external validity' (Best, 2013, p.288) and reliability of my research findings.

I intended to distribute a survey to those SMEs within the criteria outlined earlier in this chapter. In demonstrable 'continued reflexivity' (McLachlan & Garcia, 2015, p.196), the survey questions were derived from the themes identified through analysis of the interviews. I developed the survey with a combination of open, free text, questions, and closed questions to gain more specific perspectives relating to the methods and success of pertinent business practices, and a measure of agreement with KM and OC theories relating to SME practice (Dawes, 2008). Some of the questions posed required the ordering of specific responses using a scale of variables (Likert, 1932) and some required the selection of just one or a range of multiple-choice answers. The responses enabled analysis, both in how closely each SME is representative of common practices and perceptions within the sample, and how these shared similarities with the three case studies.

Response rates to surveys directed at organisations can be as low as 18% (Evans & Mathur, 2005) to 35.7% (Baruch & Holtom, 2008). Response rates are affected by many different features, such as:

- The initial introduction and explanation of the purpose of the research
 - The length of time and ease by which the survey will take to complete
 - The content of the questions and interest/relevancy of the information sought
 - The presentation of the questionnaire
 - Its clarity of structure and order
 - The perceived guarantee of anonymity and confidentiality
 - The potential benefit of the research findings to the organisation
- (Brace, 2013; Hair Jr, Page & Brunsveld, 2019).

I used the same filtering criteria for the survey as for the interviews and the first three questions filtered out those respondents who did not meet my criteria.

I developed the survey using one of the survey tools recommended by ARU, *OnlineSurveys*, which meets all data security and General Data Protection Regulations (GDPR) requirements. I arranged for a 'critical friend' (Fook, 2015, p.451), a senior director for a local SME, to test the survey and suggest improvements to the question wording, response types, layout and question logic. A link to the improved survey was published in the Cambridge Cleantech's October (2020) online newsletter, which has a membership of around 200. I also sent the survey link to the SME contacts who had not been able to commit their time for an interview earlier but had offered to help in other ways.

While the survey link was in one of the final sections of the newsletter and likely to have gone unnoticed, it had been separately endorsed by the chairman by email to all members. The link remained open for three weeks after the newsletter had been distributed, after which time I had secured 11 responses. This represented a response of just over 5%.

3.6 Interpretation and Analysis

From the data I collected, I sought to answer my research questions and provide evidence and narrative around the following themes:

- What have I learned about knowledge transfer within SMEs?
- What evidence suggests that KM and OC strategies have achieved growth?
- How truthfully does my conceptual model represent 'real life'?
- How might the conceptual model be improved?

I chose to analyse the interviews using Thematic Analysis (Braun & Clarke, 2006). This method enabled me to acquire insight into my research themes and a truthful account of the practical applicability of my proposed model. Thematic Analysis has gained in popularity in recent years (Nowell et al., 2017) and has emerged as an accepted method in providing reliable, credible, transferable and trustworthy research, especially where a range of theories are involved (Braun & Clarke, 2006).

From an Interpretivist perspective, I recognise that my own experiences unavoidably influenced my choice of methodology, research structure and intentions (Morse, 1994). The validity of my research findings was improved by recognising where my personal experiences might have influenced my understanding, and by demonstrating 'openness to alternative interpretations' (Reichelt & Skjerve, 2012, p.4). By illustration, one of the SMEs was rejected as a potential case study as I was too familiar with members of senior staff and business history to provide an objective viewpoint. The SMEs in each of the three selected case studies were unknown to me prior to commencing the research. Demonstrating openness might involve the reflection and subsequent offer of a range of different perspectives and scenarios. Research 'practitioners must be accomplished craft workers' (Leitch, Hill & Harrison, 2010, p.79) in their ability to draw participants' responses into useful hypotheses, and my ability to connect with participants to uncover their authentic views, their 'knowledge grounded in human experience' (Nowell et al., 2017, p.1), ultimately affected the validity of my investigations and, therefore, my attainment of substantiated evidence.

Through the development of the case studies, I explored the decision-making and strategy-development processes undertaken by SMEs, concerning how CEOs develop capabilities. To achieve this, I used open questions and explored hypothetical situations. The ensuing cross-case analysis required careful consideration of the themes and responses from each

dataset, identifying similarities and differences that reinforced the findings, and indicating what relationships were present (Yilmaz, 2013), specifically between KM, OC and SME growth, and where a theme stood apart from the other two SMEs (Eisenhardt, 1989; Yin, 1989). In addition, I sought to test my model against reality.

I used an inductive research approach in both stages of my research, as there were likely to be several responses to each question and it was important to capture as many variances as possible (Hinkin, 1998). For example, the interview questions: 'How is business growth measured in your organisation?' or 'Describe the process by which information is shared within the organisation' each generated three unique responses. Similarly, the survey questions 'How are strategic decisions reached within the business?' and 'How does the business develop capabilities to meet challenges?' offered a multiple-choice of responses, as well as a free text option for 'other' to capture any viewpoints I may not have considered. This enabled me to organise the responses into common themes to identify patterns and analogous practices for further analysis.

I hoped to demonstrate a correlation between effective management strategies influenced by the up-flow of employee knowledge, and a positive impact on improved capabilities through the down-flow of strategies that have resulted in business growth, as this would greatly improve the practical value of my model. For example, this might be evidenced during the short period of my case study development by new business wins, an increase in business income, or an increase in employee numbers. I achieved this through a 'question-oriented evaluation' (Best, 2013, p.289), by asking direct questions that accessed this data.

I developed each element of the research process from analysis of the data gathered during the preceding stage, which enabled me to reflect on my findings at each stage to allow modification of the questions posed in the next. Due to the time available, and the expectation of at least three hours of audio transcriptions to be fully analysed and interpreted, and a number of survey responses to be organised, I needed to make conscious choices relating to the data. These decisions included identifying what was relevant and to be included (McLellan, MacQueen & Neidig, 2003), ensuring the participants' quotes illustrate and reflect the interpretation and analyses made (Patton, 2002).

It is my responsibility as a researcher to report and then interpret the meaning of the findings from my multimethod inquiry and make sense of them (Gillham, 2000), to analyse how these support me in addressing my research questions, and how they can be transformed into something meaningful to SME strategy development (Wolcott, 1994), which, in this case, is a

validation of my model. I followed Braun and Clarke's (2006) six-stage process to analyse the data (see Figure 20).

Familiarization: Data analysis is facilitated by an in-depth knowledge of, and engagement with, the data set. Familiarization – reading and rereading transcripts, listening to audio-recordings, making notes of any initial analytic observations – helps the researcher to move the analysis beyond a focus on the most obvious meanings.

Coding: A systematic process of identifying and labelling relevant features of the data (in relation to the research question). Coding is the first step in the process of identifying patterns in the data because it groups together similar data segments.

'Searching' for themes: The 'search' for themes is not simply one of 'discovery'; the themes are not *in* the data waiting to be uncovered by an intrepid researcher. Rather, the researcher clusters together codes to *create* a plausible mapping of key patterns in the data.

Reviewing themes: The researcher pauses the process of theme generation to check whether the candidate themes exhibit a good 'fit' with the coded data and with the entire data set, and each has a clear, distinct 'essence' – or central organizing concept. Reviewing may lead to no or few changes, or to discarding the candidate themes and restarting the previous phase.

Defining and naming themes: Writing theme definitions (effectively a brief summary of each theme) and selecting a theme name ensure the conceptual clarity of each theme and provide a road map for the final write-up.

Writing the report: The researcher weaves together their analytic narrative and vivid, compelling data extracts. Themes provide the organizing framework for the analysis, but analytic conclusions are drawn across themes.

Figure 20: Six-phase approach to Thematic Analysis (Braun & Clarke 2006, p.93)

I recorded the interviews in duplicate to avoid any risk of batteries running low or interruptions to the software working fully, using an audio recording application on my iPhone, and software downloaded on an iPad, *otter.ai*, which records and transcribes in a true-to-life mode, word for word, including 'idiosyncratic elements of speech' simultaneously (Oliver, Serovich & Mason, 2005, p.1273). By recording the interviews, I was able to concentrate fully on the interviewees' responses, body language and reactions, and insert probing questions to further explore their views on a specific topic at the appropriate moment (Nordstrom, 2015). Lee found that recording 'eliminated the conscious or unconscious bias associated with note taking' (2004, p.978). I transferred both the audio recording and transcripts to a password-protected cloud storage on the same day and deleted local files on both the devices that I had used, to protect the individual's confidentiality (Wiles et al., 2008).

Using the analysis software NVivo, recognised as a reliable resource-saving tool for qualitative data (Bond & Ramsey, 2010), I coded the transcripts from the CEO interviews to develop themes for analysis. The responses to the direct questions I posed in the interviews produced 'manifest' themes (Aberbach & Rockman, 2002, p.675), but my interest lay predominantly in the indirect, latent themes that presented through a comparative analysis

(Miller & Glassner, 2011) of patterns emerging through the individual responses (Joffe, 2011). This posed a range of challenges according to how clearly and directly the respondents answered a specific question, the coherence and succinctness of the response, and the language and terminology used for similar subject areas (Campbell et al., 2013). Since my personal interpretation of the vocabulary within the individual responses as specific meanings and connotations would influence my analysis (Javadi & Zarea, 2016), I adopted a reflexive approach and reviewed the transcripts at various intervals during the analysis stage to identify any alternative viewpoints that I had missed earlier (Alvesson, 2010).

3.6.1 The Reflective/Reflexive Researcher

As an Interpretivist, I am located centrally to the research, being interactive with it and inseparable from it while seeking to gain a deep insight into how SMEs develop growth strategies. In the development of the case studies, I sought to tell a story and develop a narrative (du Preez, 2008) to bring the SME CEOs' view of their world and their realities to life that heightens an understanding of their practices and methods. Effectively, I am giving the participants a voice (Lincoln, 1997), albeit interwoven with my interpretations, while still maintaining their anonymity. This is not just a story, however, but one that is 'authentic, grounded in data, interpreted and analysed to convey the meaning' (Simons, 2014, p.692). However, where an Interpretivist approach might reveal new truths and ideas, I must also maintain objectivity and avoid making assumptions that could distort the truth as I have constructed it (Yanow & Ybema, 2009); I must walk on the right side of a thin line that separates bias from useful insight (Schaffer, 2015).

Since I am an early-career researcher, a personal aim from writing this thesis was to develop my skills as a critical analytical thinker. I spend a great deal of time reflecting in all other aspects of my home and work life, working through possible scenarios and outcomes, and learning from feedback and advice (Lynch, 2000). I remained reflective throughout this process and kept a research journal to record notes after each interaction, either from what I read in the literature, or what I learned from my research participants, although I was initially uncertain how this would manifest in my thesis development, and, ultimately, in my contribution.

Roulston refers to 'the private domain of the individual researcher' (2010, p.119) as being a source of bias, being subjective and encompassing the researcher's private thoughts, views, experiences, attitudes and predilections, thereby distorting the truth. Yet these are fundamental to clarifying the meaning of the researcher's 'lived practices' (Schaffer, 2015,

p.7); the researcher's terms of reference (Taylor, 1971). The value of reflection and reflexivity in research has caused much debate due to potential clouding of truth (Lynch, 2000; Pillow, 2003), yet they have been accepted for their transparency as methods for pursuing objectivity and neutrality in social research, and enhancing quality and validity (Vicary, Young & Hicks, 2017). A continuous critical reflection on interactions with research participants facilitates a form of self-development process – the researcher learns from how they construct data and how they may improve (Polkinghorne, 1997; Roulston, 2010). This has certainly been my experience.

Reflection is defined by the Oxford English Dictionary (OED, 2020) as 'the action or process of thinking carefully or deeply about a particular subject, typically involving influence from one's past life and experiences; contemplation, deep or serious thought or consideration'. While reflection and reflexivity have been used interchangeably, the latter is defined as a form of 'mental action, process, etc.: turned or directed back upon the mind itself; involving intelligent self-awareness or self-examination; introspective' (OED, 2020), therefore it follows that reflection may well lead to reflexive action (Roulston, 2010).

Etherington describes reflexivity as:

An ability to notice our responses to the world around us, other people and events, and to use that knowledge to inform our actions, communications and understandings. To be reflexive we need to be aware of our personal responses and to be able to make choices about how to use them. We also need to be aware of the personal, social and cultural contexts in which we live and work, and to understand how these impact on the ways we interpret our world (2004, p.19)

The development of specific approaches that enhance integrity and trustworthiness have emerged from a long-standing debate (Gilgun, 2014; Eriksson & Kovalainen, 2015; Yin, 2018). Reflexivity plays an important role in this aspect. As case studies are developed, researchers develop 'interpretative asides or working hypotheses' (Simons, 2014, p.692) before they start their analysis and identifying themes. Jootun, McGhee and Marland (2009) suggest that reflection and reflexivity enhances the research quality through the researcher's interest and understanding. It is my intention therefore to evidence my reflections and demonstrate reflexivity as I develop this thesis.

3.7 Trustworthiness

According to Creswell and Miller (2000), qualitative researchers are challenged in demonstrating credibility in relation to their audience, time and resources, recognising that reflexivity is key. Lincoln and Guba (1985) introduced criteria for measuring the trustworthiness of qualitative research on a parallel with the widely accepted quantitative measures (see Table 10).

Quantitative criteria	Qualitative criteria (Lincoln & Guba, 1985)	Meaning (Lincoln & Guba, 1989; Tracy, 2010; Nowell et al., 2017)	Process
Validity	Credibility	Is the described experience recognisable?	1, 2 & 3
	Transferability	Does the research resonate with other SMEs in a similar situation?	4
Reliability	Dependability	Has the research followed a logical process?	5
	Confirmability	Can the researcher demonstrate how they have reached their interpretations?	When all criteria have been satisfied

Table 10: Criteria suggested for demonstrating trustworthiness in qualitative research

To achieve trustworthiness, I followed these processes:

1. Data collection triangulation between case study development and the survey
2. Ensuring the research lives up to its promise as described from the beginning
3. Identification of additional SME who might review the research to identify if the findings fit with their own reality
4. Ensuring the research is accurately and clearly documented, such as keeping an audit trail or research/reflection journal
5. A clear presentation of my interpretations and findings to demonstrate they have clearly originated from the data.

3.8 **Ethics**

To engage three SMEs that met the criteria of the sample, I first wrote to each CEO to introduce myself, my research and outline my desire to involve their organisation. I described what I was seeking to achieve from my research, the resources I needed, and the likely time scales. I was explicit about confidentiality and the handling of data to comply with GDPR (Information Commissioner's Office, 2018) and ARU's research Ethics procedures (ARU, 2018). To comply with the GDPR, I also stated how the information I collected would be treated and used, and where it would be stored, and for how long.

Specifically, I was seeking access to:

- Company documents and information that are not publicly accessible
- The views of a key decision-maker such e.g., a founding CEO or director, via interview

Once the business had confirmed they were willing to participate, I then sent each CEO the following documents:

- The Participant Information Sheet (Appendix 1)
- The Participant Consent Form, including participants' right to withdraw at any point without penalty (Appendix 2)

Section B of the Participant Information Sheet included examples of topics that I might be investigating (rather than the actual questions I will be posing, to avoid being prescriptive). In addition, I confirmed the time, location, duration, and recording methods I intended to use.

3.9 Concluding Remarks

In this chapter, I have explained my epistemological and ontological position, describing how I undertook my research as an Interpretivist.

I have detailed my two-stage research design within a multimethod sequential approach, which includes the development of three case studies using data from company documents, and interviews with founding CEOs, plus an online survey. I have justified my selection of research methods by clearly explaining how and why I selected those that were appropriate for my research. I have also identified and addressed the strengths and weaknesses of my chosen research design, and how it was adapted to meet the challenges I faced.

I have given due consideration to ethics requirements and demonstrated how I have complied with general ethical principles and those required by the University.

I have also outlined how I intend to analyse the information I am collecting from the Stage 1 case study development, how this will inform the content of the Stage 2 survey, how I will analyse the data, while following model processes to safeguard trustworthiness in my findings.

Chapter 4: Findings

4.0 Introduction

As reported in Chapter 3, my original intention was to present a minimum of five case studies. Securing time from founding CEOs of SMEs meeting my research criteria (who, as I discovered, are still highly involved in the day-to-day business operations) was therefore a much greater challenge than I had initially expected. This was further compounded by the nervousness in the UK of the advancing pandemic. Fortunately, I was able to conduct three interviews face-to-face before the national lockdown was announced. The three case studies present insights into the history of young organisations in three different areas of technology. They are all based in East Anglia and growing in both turnover and in staff numbers year on year (see Table 11).

	Case Study 1	Case Study 2	Case Study 3
Year established	2009	2012	1996
Founders	Two friends from MBA	Husband and wife	Two colleagues from competitor
Area of technology	Software engineering and cloud solutions	Energy efficiency and carbon reduction	New product development
No of employees	80	34	150
Decision-makers	Management Board-led	CEO-led	Partnership-led
Growth plans	Yes	Yes	Yes
Barrier to growth	Skills - technical	Skills - managerial	Skills - technical

Table 11: Key information for the SMEs

Supporting documentation to develop the case studies included:

- Online/desk research involving the SME websites, associations, news articles and marketing blogs
- Review of statutory company documents registered with Companies House, including an alert for any newly logged documents for the duration of my thesis development

After presenting the case studies, I then present the findings from the survey, the questions for which were designed to bolster the authenticity of the case studies using a wider sample.

4.1 Case Study 1: SME1

The interview was conducted in a classroom at ARU (after hours) at CEO1's request, as SME1's open plan offices offered no private meeting rooms. CEO1 was relaxed and accommodating, and very keen to be involved with the research.

The business is based in an eco-advanced innovation hub which is home to a variety of businesses on various 'packages' to suit needs. The business rents a large open-plan space to take advantage of the flexibility to grow and rent more as it does so. The hub has parking, cycle lock-ups and on-site showers and café.

4.1.1 Origins

SME1 was incorporated in 2009 by two founders straight from MBAs at Cambridge University's Judge Business School. Both had worked previously in tech consulting with high profile global corporations, advancing previous bachelor's degrees with the postgraduate qualification later in their careers. The founders drew on experience and their own personal networks to start developing business from the outset. Introducing established networks was something to which all executives were able to contribute in the early years.

Originally founded to offer cloud technology to the public sector, SME1 successfully launched this aspect of the business five years after start-up. CEO1 explained the delay stating that they were "way too early" to offer such technology to the public sector, an indication of the founders' ability to identify and mitigate against risks to the business in the early stages.

The two founders personally financed the business initially. To generate income, they offered professional services, helping customers with their technology strategies. This, according to the CEO, "allowed us a little bit of a platform to attract some early investment. Our long-term vision remained relatively stable". The customer base continues to grow for both local and central government contracts, and SME1 has secured £2.5m through equity investment for R&D projects in the last few months.

One of the founders left the business after 10 years. The second remains as CEO and gave the interview. In 2018 SME1 was ranked as one of Europe's fastest growing companies by Deloitte's Technology Fast 500 and one of the UK Technology Fast 50. It holds accreditation in ISO27001, ISO9001 and ISO14001. In 2020, SME1 claimed more than 5% of the UK

software market and has recently won awards for Computing Cloud Excellence and Cloud Telephony. SME1 has also featured in The Sunday Times Tech Track 100. (Citations and years have been withheld to protect identity).

Researcher observations and reflections: *From the start of the interview, CEO1 appeared to be a highly reflective, pragmatic individual with the desire to get things right. His early focus on gathering information and using this to look ahead and shape decisions for the newly established business set a strong foundation for a learning culture. He is naturally forward-looking, and this trait is evident throughout.*

4.1.2 Corporate Structure

CEO1 described his role as “Managing overall business strategy, investor relations, pretty much a wide portfolio of tasks, all to do with increasing... company value, growth prospects, remaining very hands on in that role”. He is member of a board of four executives who oversee the strategic operations of the business. Strategic decisions are reached by consensus. The informal setting for sharing information and communications openly with employees enables a collaborative approach to ideas generation, which are then considered by the board.

The two income streams, technical consultancy and technical innovation, were separated in 2020 and a new subsidiary established for the cloud solutions in preparation for sale. According to CEO1, “The majority of our people work in software but actually revenue is about half and half”. Each is managed separately and is essential to the success of the other. Ten employees, including CEO1, have been with the business since its first year.

Researcher observations and reflections: *Deciding by consensus has become one of the defining cultural values of the business – involving employees in all aspects of business strategy and activity, and gaining their buy-in. Staff turnover is attributed mainly to establishing roots on the intended software market, and at the completion of projects. CEO1 appeared to be relaxed in empowering employees, but evidently has not relinquished responsibility completely.*

4.1.3 Business Growth to Date

CEO1 noted that “The business has grown around the needs and requirements of our customer base.” Growth is measured by SME1 in revenue and numbers of employees (see Figure 21).

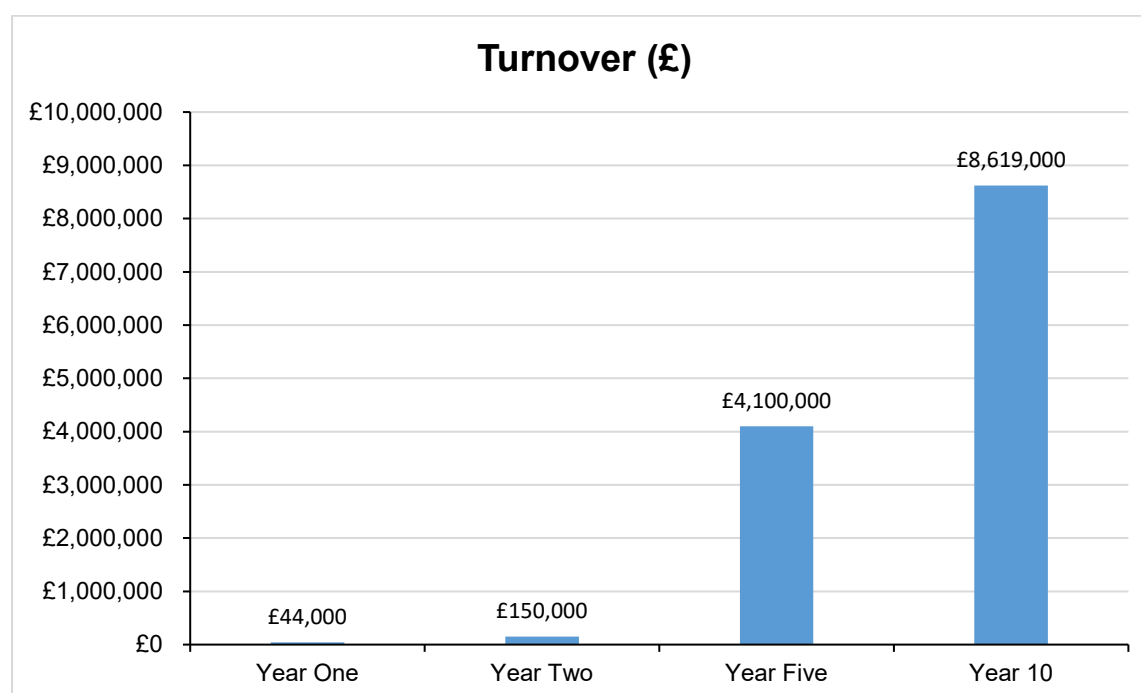


Figure 21: Growth in Turnover for SME1 (Source: Companies House)

NB: The most recent accounts available at the time of writing were for Year 10 (2019).

While SME1 shows a steady increase in revenue over its first ten years, the real boost to financial growth came after year eight when they achieved a 75.6% increase in sales growth, attracting £13m and resulting in a cash injection from an equity investor. CEO1 commented that “growth has been very rapid, but only started two or three years ago”.

Accounts show that revenue recorded for year ended June 2019 (£8,619,000) was significantly lower than that of the previous year (£12,963,000). CEO1 attributed this primarily to heavy investment of resources into software innovation and implementation, thereby reducing the resources available to the more profitable consultancy. The number of employees has grown to approximately 80, depending on project and R&D lifecycles. Customer retention is high, with £3m revenue achieved from recurring customer sales.

Growth was initially achieved through the early offer of professional services from 2009, but by 2014 the technology off-shoot was launched and started generating income. By the start

of 2020, revenue in the software technology stream equalled the consulting stream for the first time. However, the consulting business is responsible for most of the profitability. According to CEO1, “the professional business has been profitable, and the software division has been loss making, because of R&D investment”.

Early successes came from founding members’ personal connections and customers from the previous business who were promised a better service. As CEO1 noted, “If you know someone and you’ve got a bit of trust, previous business relations are normally quite a good way for the business to anchor itself”.

Measuring the growth of the software business has been complex for a range of reasons, including:

- Aiming to disrupt an established industry
- Sector dominated by cash-rich established multinationals
- Public service customers are risk-averse and follow the sector
- Innovation requires investment
- Licensing revenue is difficult to achieve – they continue to look for the ‘golden revenue’ in software licensing.

4.1.4 Business Strengths

The professional services division that has generated profit from day one has attracted highly professional and skilled employees. CEO1 reflected that the unit “is very good at customer engagement and customer service and is a very efficient business. I think it is very respected and liked – despite its size... they have fantastic customer feedback and generate a lot of profits”.

CEO1 noted that the software stream is innovative and is paving the way for the business to become “a really good technology company. It has taken us a long time to become that, but where we are now, I am feeling quite bullish about it”.

The operational culture is important to the business, which CEO1 believed is unusual, especially in relation to the customers it serves as “We don’t reflect our customers’ culture at all, but we are sensitive to it. We don’t have a public sector ethos in terms of bureaucratic

decision-making and so forth, so there's a no-blame culture, which is good. So, I think all of that gives us a lot of strengths".

Researcher observations and reflections: *The business had to wait until it could pursue the business streams originally intended. CEO1 reflected that they used the time to learn, plan and reinforce their service offer to be ready to serve the customer base they had been growing. Simultaneously, the culture of the business developed over time to secure the business as a customer-focused team prepared to empathise and resolve the complexities of their customers' needs. The success from bringing former contacts provided the business with a stable foundation of public sector customers from which they have grown.*

4.1.5 Business Weaknesses

CEO1 reflected on early decisions to establish the business and start generating revenue, noting "I think in the early days we were... looking to the future a lot more, and not focusing on the present day, so there were a lot of plans and a lot of forward-looking strategies which came probably at the cost of getting things done quickly". CEO1 also mused over the lack of an established financial head or HR lead within the business, which he attributes to simply not (yet) finding the right individuals to grow with the company.

Whilst there are many positives to having a no-blame culture, this renders the business "particularly exposed to people who don't feel a passion about the business and just want an easy ride. Yet our assumption had been that people don't really join start-ups without it".

Researcher observations and reflections: *CEO1's future-focused vision set the business on a strong path to profit and growth so has not been too damaging. The notion of a 'start-up mentality' is not a phenomenon but a reality other SMEs have had to overcome.*

4.1.6 Challenges to Business Growth

The greatest threats to SME1 come from the market in which it operates, and the nature of their customers. This is largely in terms of the financial risk posed the business and benefits greatly from the profitable professional services foundation. As CEO1 said,

Software businesses are very capital-intensive, and they have a phase where they are very capital inefficient as well, because risk is really high, so you can spend a lot of money. Because you spend the money on people and on

salaries, you are never going to see that money back. It is entirely possible to spend all that money without Intellectual Property generating any value.

CEO1 reflected on how maintaining a healthy operational cash flow is difficult in software development as investment is notoriously difficult to attract,

Generated capital is a very difficult challenge in the UK especially and this is one of the reasons why you almost never see large UK-based software businesses...Software business starts with having very low valuation, and so, while your ability to raise funding is very limited, your requirements are at their highest at that point, so it is an almost impossible ratio. If you don't have other sources of funding, such as grants, customer prepayments, a good relationship with international funders, then it's not going to happen.

Investors are clearly cautious due to the risks associated with innovation, where success is not guaranteed. Despite this, SME1 has tackled new software development with a reasonable degree of success, and according to CEO1, the experience has been one of their "key learnings": "The trick is, it's obviously appropriate for your business, your industry, your segment, but a lot of it is also transferable, so I think we are pretty well equipped".

SME1's customers' needs are inexorably linked with business growth potential, so their strengths in customer service must prevail. Looking to the future, CEO1 commented that "Our growth will come from new sales, from efficiencies we implement, and ultimately the quality of our solutions and the value they bring to our customers".

4.1.7 CEO1's Definition of 'Strategy'

Strategy is a combination, to me, of long-term goals and a broad-brush plan to reach those goals, and I think that the goals are based on maximising opportunities for the business.

4.1.8 Strategic Decision-Making

CEO1 admits that there is a certain amount of speculation when looking ahead, and "There is obviously a fair amount of forecasting involved in strategising – this will reflect this, this will become this, and so on". However, he reflects that it is less about the information than it is about following instinct and a willingness to take a risk: "You try to talk about the future obviously – strategy is forward-looking – so it's not so much about being informed about your own business, to me it's always been how optimistic or pessimistic you are and what's your risk profile, so that's the trade-off really".

CEO1 conceded, however, that early growth in professional services was in response to the data and information gathered from customers, and it was this knowledge that helped establish the software business. He also recognised that businesses evolve and pass through various stages over time: “I think different people are best for different phases of the business, so I probably know everything I need to know about my own business, but whether we will do something about it or not is a guess”.

The executive board makes strategic decisions by consensus, and members have arrived and departed throughout the business lifecycle, most notably those responsible for financial management. The business has a five-year plan with working capital forecasts that consider pipeline and growth plans, risks and mitigating factors. The forecasts were stress-tested as the pandemic took hold, primarily to evaluate the risk of decreased revenue. CEO1 is most often the instigator of initial suggestions for strategic development, noting that “Strategy is important, and you can’t generate strategy by consensus, you can kick it about and examine it, but you have to generate the seeds, which has been my role”.

In some cases, strategic development was almost accidental, owing to the naturally inquisitive and innovative ethos of many employees. According to CEO1, “People also pursue elements of what essentially can become strategy generation. Many times, we came across interesting examples of somebody doing something that then actually has potential across the wider business”.

4.1.9 Knowledge Capture

Identifying opportunities and threats to the business is viewed by CEO1 as an “organic process”:

If you spend time in the business, it will be obvious. You do need to expose yourself to the business and to customers of course, investors, the general market, clients, so I do a lot of reading, I do a lot of private research, it just becomes part of the job. Every business is ultimately a solution to some kind of problem.

SME1 has an informal approach and fairly relaxed and transparent culture which emulate that of the CEO; all employees including executives work in an open-plan environment. Communications are therefore shared, and ideas encouraged. As CEO1 noted, “Some of the best ideas we’ve had have come right from the ground up, either customers sharing something or people saying, ‘oh I could do that, that’s really cool’, and so forth”.

As SME1 has grown in number of employees, so too have the sources of information. Ensuring the information they learn is passed on to support strategic decision-making is vital to CEO1:

There is lot more complexity and it is much harder to measure the impact of a piece of information and link it to strategy. At the same time, there is more knowledge within different levels of the business, so you have to trust the people within the hierarchy of the business.

4.1.10 CEO1's Definition of 'Capability'

If you have a capability in, for example, software development, that comes as a result of many skills coming together across the business. In an individual setting that's different yet again – you might have specific skills, but you are not capable of applying them, so there is a difference.

4.1.11 KM and its Impact on Business Capability

In the early years, as SME1 was establishing itself and generating 'relatively easy income' through professional consulting, customers were researched to prepare for the launch of cloud technology solutions. The information SME1 collected heavily influenced its strategic direction:

As we consulted our customers, we realised that actually their challenges were caused by their choice of business software. So, we then spent more and more time looking at how much of the process is captured within the software, how inefficient it is, how old-fashioned it is, and so forth. So the business then morphed into creating a replacement solution of applications.

Agreeing a business proposition involved some trial and error:

Our original plan was to build a technology platform that we could sell to wider organisations. There have been a number of iterations as we worked to find our niche and the value that we bring to [customers]. What we changed into over this time is a sector-focused business, which then cut off a lot of other avenues. But by allowing us to establish depth in that sector, we can have breadth in terms of the technology we develop.

Researcher observations and reflections: *This is clear evidence for the necessity of information – a growing business competing in an established market must know where it can offer value to customers as this is the route to business growth.*

As SME1 has evolved, so too have information, ideas and suggestions driven by individual experiences, conversations and interactions, often revealed unexpectedly and informally. Empowering employees within the open and relaxed business culture requires cautious oversight and encouragement to think out loud. Some welcome the opportunity to offer suggestions and make decisions, but some find this aspect overwhelming. In SME1's no-blame culture, the need for employees to explain their actions is much more critical:

You don't want people just saying things they think you need to hear while things are going off the rails, but equally you want people to feel they can make the right judgement call and know when to escalate. You have to empower people to do the right thing and own their decision.

4.1.12 Capabilities and the impact on Business Growth

SME1's focus on professional services from the beginning is a clear example of the choices start-ups make to survive, which, in this case, paid off:

It was interesting for a start-up because on the one hand you want to acquire skills you don't have to pursue an opportunity. On the other hand, it's only an opportunity if you have the capability to fulfil it, otherwise everything is an opportunity. I think it's an organic process for small company.

As a business matures and gathers in strength, capability, income-generation, customer and employee confidence, market share, and so on, capabilities evolve:

We have certainly built jobs and roles around people and their skills sets, because – and this is the strength in the capability of a start-up – is that you can apply particular individuals towards solving specific problems and thus generating value...As the business grows then products and services are essentially an expression of capability within the business... We try to hire the right people and then apply their skills to solving the problem.

A gap in capability that might prevent a contract being secured or completed brings its own set of challenges, especially where services are unique. SME 1 has achieved this through collecting feedback from employees and listening to customers:

When we initially approached the strategy of transforming our customers by using software... the key gap that we were missing was subject matter expertise; some of the things that our customers do are actually very complex, so we've hired a lot of subject matter expertise, which has given us an obvious capability.

Another challenge is identification of missing capabilities. Skills gaps are reasonably easy to spot with technical roles. You can either do Task A, or understand concept B, or you cannot. But with more complex roles and projects, there is more to it:

The business develops new ideas for fixing problems and developing internal capability as we go. We're not great believers in writing a process before we try something – we do something, we do the best we can in a limited scope and that sort of is the process, learning lessons on the way. You can really engage your people in identifying where we can improve and by adopting their ideas and improving them, that becomes our best practice and capability.

When SME1 had created the financial foundation to move into software innovation and achieve the initial business goals, new capabilities had to be either developed or hired:

We wanted to become a software company, and in order to do that we had to pretty much create entire structures within the business from technical leadership, product ownership, R&D team with hierarchies within each section including project management and customer services teams, almost like multiple start-ups. It is much easier to learn about the market than to develop your own capabilities so most businesses will have curve, and the development of knowledge serves the development of your capability.

Researcher observations and reflections: *SMEs with growth aspirations must assess the risk of remaining in their 'comfort zone' or taking a risk with an opportunity in new territory. Financially they must consider the impact of moving from a situation where revenue is relatively secure, to one where the revenue potential is uncertain. For SME1, this risk was mitigated by retaining the profit-making consultancy when diversifying into software development by establishing a new division of the business.*

4.2 Case Study 2: SME2

I approached the business on recommendation from an academic colleague. It is located in a reasonably new business park with ample parking and a communal café serving a number of businesses. The office itself was tricky to locate as all buildings were identical, and the signage was difficult to spot from the road.

The door of the office on the ground floor opens into an open-plan office with 25-30 people working at desks. There was a general hum of conversation. I was led upstairs to the directors' offices, which is a smaller area of two glass-walled offices with relaxed seating outside, and a small kitchen, toilets, and meeting facilities shared with other offices through an interconnecting door. While evidently making the best use of available space, the workers were located downstairs and the leaders upstairs.

CEO2 is clearly in control with a very clear vision for the business. He takes an active role although probably more than he would like; he could delegate much of his workload and responsibility to section managers, when he finds the right staff. What struck me was the way he had adopted fairly corporate processes and structures that had clearly served well in previous employment. The business was almost growing around a pre-planned structure, rather than the structure and the processes growing with the business. With such clarity of purpose and direction, and clearly an expert in the carbon reduction sector, incoming middle managers need to follow his leadership, develop his confidence in their abilities early, and step up to high expectations to give him the confidence to 'let go'. This could also help with creating a fresh approach to recruiting and managing members of staff.

At the time of the interview, CEO2's focus was on developing SME2's ability to support customers remotely, thus widening their geographical area, and preparing for the pandemic.

4.2.1 Origins

Incorporated in 2012, the business remains owner-managed by a husband-and-wife team, who act as CEO and Financial Director respectively. Both studied business and management at university to postgraduate level. The two founders bring individual skills of finance management, business development consultancy and sector knowledge to the business. CEO2 is personally invested in the business and his cautious, measured approach to business development and growth is clear from the outset.

CEO2 described the business as “specialists in energy performance” and was initially created to “establish a business helping people to save energy and save money”. This drew upon CEO2’s 15 years’ experience in energy services and carbon reduction. This has resulted in moderate but steady business growth as potential customers ‘catch up’ with the global interest in ecological and environmental issues.

In its formative years, SME2 worked to promote environmental issues, educate and develop their customers’ knowledge, and the initial focus was on simple energy and cost-saving services. As market awareness evolved, SME2 has followed their aspirations and developed services in ‘building control and managing the environment’. Current customers are larger businesses and higher education institutions.

SME2 attracted private investment at an early stage which helped fund the acquisition of an established profit-making business in 2013 specialising in buildings’ environmental control. This runs as a subsidiary, providing the fledgling business with a foothold in the market from their second year. SME2 has since added additional specialist income streams to complement the main service.

The business pursues an elusive middle-management tier but has plans to grow in the next three years. With the recent achievement of ISO 50001, and CEO2’s ‘Entrepreneur of the Year’ for the sector, the business is growing in stature and credibility in the Eastern region, which is attracting new customer inquiries. (Citations and years have been withheld to protect identity).

4.2.2 Corporate Structure

CEO2 is the main day-to-day decision-maker, although he discusses and secures support from the other director as required, and particularly where any decisions have a financial impact. He is responsible for business development and growth, statutory compliance, and “anything anyone else doesn’t do!” He also identifies annual goals and plans and communicates them to the team. Team Leaders/Line Managers are consulted to ensure plans are realistic and practical.

The company structure is fairly flat and while development of a middle management layer is ongoing, a recent restructure has helped to overcome some of the challenges posed by this. Employee roles include data analysts, design and technology specialists, project managers, consultants and customer service

administrators, most of whom are office-based. In the field, SME2 employs installation specialists, service engineers, and energy auditors. It is important to CEO2 that the people who work in the business have some level of interest in, and knowledge about, what the business is trying to achieve: “There’s so much to it... you’ve got to be interested in the subject. So it’s getting people that are practical, not fanatical”.

Whilst CEO2’s office is upstairs, with most of the office-based employees on the ground floor, he operates an open-door policy to encourage employees to share their ideas and feedback. CEO2 also maintains close communications with his managers via structured, weekly reporting, and while not always viable, he prefers to trust his employees to do their job. He also recognised the need to stay close to customers to ensure the business is delivering on its promises, observing “I call myself the first date with the customer. You meet me first and then if it all goes well, we see each other for a bit, but we’ll see each other again at the end if things go wrong”.

4.2.3 Business Growth to Date

Despite CEO2 stating that “we’re not really bothered if we’re growing”, the business has shown steady growth (see Figure 22).

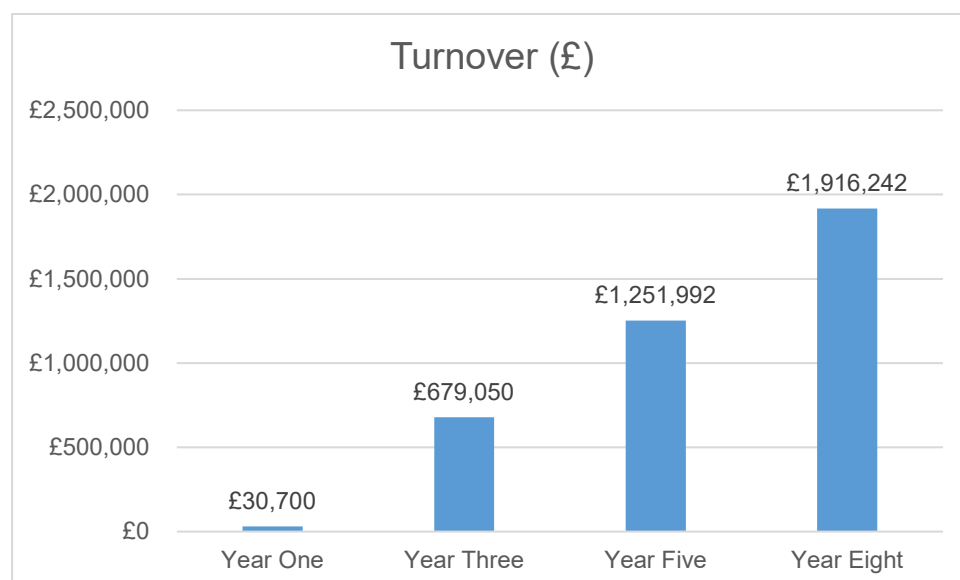


Figure 22: Growth in Turnover for SME2 (Source: Companies House)
NB The most recent accounts available at the time of writing were for Year Eight (2019).

Figures are based on income from the two income streams; SME2 acquired the established subsidiary company towards the end of Year Two which gave it a significant spike in

turnover thereafter. Turnover dipped slightly in Year Seven compared to the two previous years, caused by the settlement of a number of exceptional costs. A restructure due to recruitment challenges helped it recover during 2019, and SME2 is back on track.

While SME2 monitors turnover with planned budgets, the preference is to measure growth in terms of new business acquisition, and cost-efficient delivery, as these impact the creation of new jobs. As CEO2 explains, “We look at the mix of work, so, how much of it is contract-based versus one-off projects, and then employees as well, because we’re trying to self-deliver as much as we can. So one follows the other. Each new contract creates new jobs”.

Since recruiting the right people is a major concern for SME2, it is therefore inevitable that the monitoring of new business is a high priority for CEO2. In addition, monitoring serves as an indication of how the market is ripening for their offer of strategic energy performance solutions. As CEO2 explains, “The main driver for growth is people’s understanding and our ability to create better answers”.

4.2.4 Business Strengths

CEO2 sees the main source of strength as the expertise within the business for saving energy: “We will help [customers] save between 30 and 50% of their carbon footprint. So that’s cash down, kilowatts down, and the environment improved. We’re seen as being innovative, we’re seen as passionate, and we’re seen as being a bit agile”.

This ability to play to SME strengths, specifically their agility and flexibility, serves as a unique opportunity to respond quickly to customers’ needs: something their larger competitors such as E.ON and British Gas struggle to do. As CEO2 points out, “Convention tells you that you need a stable workforce, you need a structure, but actually I think you need to be able to respond. That’s much more important for small business; small business offers responsiveness; big business offers structure and stability”.

Researcher’s observations and reflections: *The size and structure of SME2 is a clear personal conflict for CEO2 in that he recognises the benefits of being able to respond quickly to customers, yet he demonstrates through his leadership that he values the formal structure and processes that are usually found in larger organisations.*

CEO2 also reflected on the business size in relation to their competitors, noting how “In larger organisations you’ve got a culture where they struggle to innovate. In our smaller organisation we have a struggle to be confined”. In addition, CEO2 takes a very pragmatic view to closely monitoring all aspects of the business and staying grounded. He demonstrated a keen awareness that it takes just one failed project or order to cause an SME to fail, noting that “We know what our barriers are...You’ve just got to manage really closely.” He is emphatic that they “don’t get ahead of themselves”.

Returning to the subject of expertise, CEO2 reflected that his own knowledge is often overshadowed by the giant corporations SME2 competes against:

In SMEs you can move fast, you can adapt, but you don’t have the same status as larger companies, and people do view them as ‘little’. It’s quite interesting that my own knowledge of what I do is probably superior to anyone in these very large businesses, but our businesses status undervalues it.

The concept of value is common theme in CEO2’s perspective. Despite growth in global interest in energy consumption, SME2’s consultants have heard of misleading advice given to customers from larger, more established competitors, so the value of the service SME2 offers is often lost. CEO2 lamented that “I think when you get good service, you don’t value it; it’s only when you get bad service that you hear feedback, so we try and seek out the positives from our service”

4.2.5 Business Weaknesses

The challenges posed by the current structure, even after a recent configuration of roles and responsibilities, remains the greatest risk to the business itself. As CEO2 noted, “We’ve really got no one in that middle bit because they’re just not really into our business. Our challenge with the under 30s is a lack of customer service. Our challenges with the over 50s is an ageing workforce being set in their ways”.

Researcher observations and reflections: *The recent restructure was a product of the strategic decision to withdraw from the construction sector, which resulted in the attrition of several more experienced staff. Subsequent unsuccessful recruitment of middle managers prevents CEO2 from extracting himself from the day-to-day operations and there is simply a lack of trusted people to whom he can delegate these responsibilities. This prevents him from turning his attention to more strategic and forward-planning requirements and creates a risk in SME2 being prepared to deal with unexpected challenges.*

For CEO2, taking responsibility for a range of business operations has necessitated a tremendous learning curve since establishing the business: “I grew up in a corporate where everyone had a specific job to play. Actually having to keep an eye on your pulse every day means you have to be quite disciplined”.

CEO2 referred to the “new virus” (Covid-19) that might put 20% of his workforce out of action, as they are working in other buildings and are at risk of contamination. At the time of the interview, he was keeping an eye on the news and preparing his employees for remote working.

Researcher observations and reflections: CEO2 reflected on their lack of marketing, but this did not appear to be a reflection on it being a weakness, simply an admittance that it was not a critical need, preferring to generate new business through networking and referrals from satisfied customers. The business website is professional, well-structured and informative and serves to educate the less informed about environmental issues.

4.2.6 Challenges to Business Growth

CEO2 felt the greatest risks to business growth were his employees, and cash flow, which are inexorably linked, saying “Employee motivation and retention is really hard, and I always say cash”. The split between professional and manual employees presents challenges in serving the needs and career aspirations of a diverse range of people, where even a slight change in business direction or process, roles and responsibilities and, in some cases, status within the company, are received in different ways.

Challenges to cash flow are created by two specific elements, the first being employee productivity and time it takes for a new hire to become income-generating. CEO2 observed, for example, “Let’s say we succeed with 75% of new people working out with us. You’re left with this inefficiency of someone who says they can do the job and then it turns out they can’t”.

Similarly, the second challenge is with the onboarding of new customers and the length of time between initial inquiry and the first invoice being paid. As CEO2 explained, “It can take between 12 and 18 months to turn into a deal, because of the education we need to do. Customers don’t come to us with: “I want to buy that” – they need to understand what we do and how we do it, and see it working”.

Another risk noted by CEO2 was the nature of the market sector in which SME2 operates: “We go out with the construction industry quite a lot and just work for the end user, but construction is just not the place to be – too high risk, low money”.

SME2 took steps to address this risk by focusing on alternative markets, specifically education establishments, although this had an unfortunate impact on the business, as they lost several of their most skilled engineers – another example of the challenges of retention. Clarity of business goals is critical to retention, as is being prepared for any adverse effects. As CEO2 explained, “If you change your direction, and you tell people this is where we’re going, it’s up to them if they want to come along or not. So, it’s ... being clear as you go about what you’re trying to achieve”.

Researcher observations and reflections: *When recruitment into middle management is successful, CEO2 may be able to take a more consultative approach to decision-making, thereby achieving greater buy-in from the people who can turn his vision into new customer acquisition and achieve the growth he wants. The change of customer sector focus appeared to be a decision made in isolation and then communicated without consultation or discussion. Unsurprisingly perhaps, attrition followed.*

4.2.7 CEO2’s Definition of ‘Strategy’

So I have a vision, a mission and then I have a strategy for implementation. We’ve got vision, then we say what our mission is and then our strategy is how we’re going to get there over a period of time. It’s a sort of a three-year plan of high-level goals and milestones, so the strategy is the plan.

4.2.8 Strategic Decision-Making

Strategic decisions are taken by the two directors, and employees are “consulted to get their buy-in” to the decisions made. CEO2 explained how “We try and get people together in workshops to understand the vision, the mission; we do a yearly beginning meeting. I’ve got my goals; I tell them what I’m trying to achieve and what’s important to us and why it’s important... I’m just a guy that if I’ve got a plan, I know where my business is going.”

Researcher observations and reflections: *CEO2 frequently uses the word ‘tell’ when describing how he communicates to employees, which is indicative of his leadership style and clearly intensifies his struggles to bring them on board with his ideas and plans.*

CEO2 ensures he has a good sight of daily business operations with weekly updates from managers who alert him to any issues that might need addressing. He also suggested that some of the more recent hires have influenced business strategy – based on the expertise they brought to the business and the unique opportunities their joining has afforded the company, noting how “we took the decision when we’re employing people- let’s get experts in a subject area, and then we’ll teach them about energy management”.

Researcher observations and reflections: *Despite his strong grip on the business, CEO2 is not afraid to hire people more qualified in certain aspects than he is if it adds value to the business.*

The result is a new service now offered to new customers to audit and analyse their energy consumption and create scenarios from which to build a range of potential solutions.

Researcher observations and reflections: *CEO2 makes business decisions in collaboration with the Finance Director (his wife) and is influenced by feedback from employees (to a lesser extent) and customers (to a greater extent). He communicates decisions to employees after they are made; they are not part of the decision-making process. His challenge will be to let go of this tight grip when he employs middle managers, who will need to feel empowered and consulted if they are going to be successful hires.*

4.2.9 Knowledge Capture

CEO2 draws from a great deal of experience, remaining well-informed, and keeping up to date with issues, competitor activity, and external developments that impact the sector. He receives feedback from employees via weekly reports and quarterly appraisals:

Every manager does a weekly report on the last week to identify what went well, what didn’t go well, what their movements are, and what their barriers are. We do a quarterly appraisal – all managers who have set goals. And then we have a weekly operation meeting where we’re looking at the issues.

Researcher observations and reflections: *The reporting process is fairly rigid and formal, which may not offer many opportunities to share ad-hoc information. The weekly operation meetings are more open, but it was difficult to ascertain how much is volunteered by customer-facing employees, especially the field-based engineers.*

The rest of the employees have the opportunity to share their feedback through their managers, but they are also asked to complete an annual survey to give CEO2 “a sense of what people think”. It also helps to identify where productivity might be affected, and how well SME2 is serving its customers:

Employee productivity is a big one for us, and accountability to the customer. It seems simple stuff, but do we answer the phone quickly? Do we respond when we say we would? At the end of a visit to the site, do we go and find our customer and tell them about what we found?

Customers are also a critical aspect of knowledge capture, and CEO2 contacts SME2 customers regularly to invite them to workshops or industry events, and to check the business is meeting its promises and the customer’s expectations but adding value to them too. The strength of the business partnership is where it counts the most:

I talk to my customers and my staff, and we recognise that if something goes wrong and we’ve got the relationship right, you’ll get a yellow card, you’ll get a warning, they won’t just go somewhere else. But if you get it wrong, you just lose the business, and you don’t ever know why.

SME2 shares the knowledge captured from these various sources with employees in workshops or via email. CEO2 expects managers to share company ideas and strategies with all staff in their scheduled one-to-one meetings to keep the employees informed, especially those who mostly work off-site.

4.2.10 CEO’s Definition of ‘Capability’

I have a cycle – development of our capability. So, what we wanted was a BMS [business management system]. So we needed an offer, then we needed a platform, then we needed offices to demonstrate it. We can show how we monitor and manage this stuff. And then we need to now start to integrate it into the businesses, so that’s the development of our capability.

4.2.11 KM and its Impact on Business Capability

CEO2 holds very pragmatic views of taking on what is achievable and not overreaching the company. This includes recognising the different levels of customer knowledge of environmental issues, which determines their needs:

Different customers buy different services at different times depending on their understanding. We talk about a capability cycle of understanding what

we do, so some people just buy us to look at the meters or bots by energy, other people buy our building management system, but ultimately, all of these things come into our capability service.

Another aspect is having a realistic understanding of where the business can compete, and where it cannot:

We can't do everything, so what we're going to offer and how are we going to grow in those other areas. How is the market buying things? ...Where do we think we can compete and why do we think we can't.

CEO2 has a strong appreciation of the business strengths and weaknesses and accepts that they cannot win every customer. However, the longer-term opportunities are rarely far from his mind; offering a valued service to customers keeps the door open for the future:

With our customers, we say we might not have the best idea...but we can help you appraise the context of it so it's just trying to get people engaged with what's important and what the issues are and what we're trying to fix.

Keeping employees interested, informed, and up to date with developments is critical for business development and the ability to offer customer service:

How do we make sure internally that our people understand [all the issues and potential questions]? ...you need them to understand [so] they'll be able to answer questions that the clients ask... and spot opportunities when they're having that conversation.

Again, recognising distinctions between the professional employees and engineers is crucial. While engineers might be the most visible representatives of the business, they are often the least interested in the business journey and strategy. Recognising that some people have different needs from their jobs, and different personal motivations, is important, especially as employees provide stability for the business. As CEO2 noted, "Sometimes I think we can get so invested in making sure all the people understand everything, and are bought into growth, and you can lose sight of the people that just want to turn up, be reliable, and just do a good job every day".

Researcher observations and reflections: CEO2's recognition that not all employees seek the same level of return from their employment could lead to complacency and assumption that this goes for the majority. SME2 is still small enough for CEO2 to understand individual motivations and ensure those who are interested and passionate about the future of the business and their role in it are involved in shaping its journey.

Knowledge has in some cases been enhanced during a process of recognising a gap in capability and dealing with it in a more direct manner:

Threats to the business...We try and look at the big jobs and lessons learned, so what went well, what didn't go well, and what can be done better. We're trying to introduce a continuous improvement culture... the idea is to try and force a process so that we can learn how to learn, to try and get the guys to keep appraising their work to then identify threats.

CEO2's own knowledge and realistic approach to leading the business stems from his personal ethos and approach to risk management. As he explained, "What I've learned is that the business goes where the leader goes; so if you start to relax and get a bit complacent, the business loses. So, you have to keep the pace of drive and determination and it is physically exhausting".

4.2.12 Capabilities and the impact on Business Growth

CEO2 clearly values feedback and uses it to drive the business forward, however cautiously. The recognition that SME2 is a small fish in an ever-increasing pond where giant fish control the waters keeps CEO2 grounded and watchful for new opportunities on which their flexibility and agility can capitalise: "It's very hard to work out the right way, you just got keep trying things, and then work out where you can compete and where you're going to really hit a button with people. So the skills you need are adapting".

CEO2 believes customer feedback and competitor observation are key to adapting the business direction but working within the business capability to maintain stability:

I think that marketplaces don't change suddenly but what we're doing in it evolves in cycles and changes; we're all agitating at each other. So, there's a bit where you've got to just keep going at what you're doing and what your competitors are doing, and then you adapt for them.

He believes that 'churn' is a positive occurrence, because it brings "new ideas, new perspective", because "You look at most high-performing [football] teams and you know they are continually churning because they adapt to over-perform".

SME2 had mixed results in developing some employees by giving them additional responsibility, and CEO2 admits some of these were misguided decisions:

We train people as much as we can to support them. We recruit if we can see a definite gap. We've tried promoting people up a lot and failed miserably because you can over-promote people so it's just a bit of both, a continual appraisal working out what the gap is.

CEO2 described how he had overcome some of their hiring issues by focusing on the specialist skills the business needs, such as data analytics, which has enhanced the services they can offer to their customers (adding value) and developing their knowledge of the market from within: "we took the decision when we're employing people- let's get experts in a subject area, and then we'll teach them about [our business]".

However, CEO2 strongly believes that some people are not adaptable. "I don't think you can grow people too far." Some of his rationale points to struggles with culture fit, especially new staff from large corporates with expectations of a similar structure:

If someone's grown up in a very large corporate... they really struggle in this environment where there isn't a department for everything. They're used to working within a big process... So, we have to continuously appraise the cultural fit with the skills fit.

Researcher observations and reflections: *Recruiting and retaining the right staff continues to be a challenge to the business. While CEO2 concedes some bad decisions, both in hiring and in upgrading existing employees, SME2 continues to develop a successful hiring process.*

CEO2 offered another analogy to football teams:

You look at a team in the Championship that go up to the Premier League. They never survive in the Premier League with the team that got them to the Premier League in the first place- they have to change their team, so adapting the people I don't agree with. I think you often have to refresh the people, or change their roles... So, it's not the people that need to be adaptable, it is the business. The business has to recognise that and be equipped to deal with people.

4.3 Case Study 3: SME3

SME3 is currently located in purpose-built offices in a small village to the west of Cambridge, with ample parking and cycling lock-up, and backing onto wide open fields. The premises were recently expanded to accommodate a growing workforce but are now insufficient for planned growth and no further planning permission can be obtained. The offices are trendy, the atmosphere is relaxed, and the few people who passed by in the spacious reception were friendly and welcoming. Some staff members had already started working from home.

The interview was conducted in a meeting room with coffee machine and biscuits. Customers often meet project teams in the building, so the comfort of the facilities is an important element to the ethos of the company.

CEO3 was clearly very busy but relaxed in his mannerisms and very happy to discuss the journey of his business, seemingly comfortable with the shape the business was in, despite the current fears of what impact Covid-19 might have.

4.3.1 Origins

SME3 was established by the current Joint Managing Director/partner in 1996 following a successful career in technical consultancy and new product development. He graduated from Cambridge University with a MA in Engineering in the early 1980s and successfully acquired his first patent two years later. Initially the business was funded through personal investment, with some cash injections from venture capital in the earlier years.

The business was established predominantly to capitalise on learning from former employment and offer a better service in technology consulting. Rather than leading on technology, they chose to deliver a market- or customer-led service. This has been their Unique Selling Point (USP) from the outset. For the first 10 years, SME3 focused on their current employees' specialism: engineering. This created an income-base from which to facilitate branching out and hiring new people with additional skills, thus creating a multi-disciplinary workforce which continues to grow.

In his current role, CEO3 is jointly responsible for the performance of the business with another managing partner. SME3 employs 150 staff members, the majority of whom are based in the head office just outside Cambridge, plus a small number based in their US office. There are 10 directors (partners) who lead in each of the key operational functions

across the business and who review and agree strategy in quarterly meetings. In addition to this role, the joint MD supports technology start-ups and guest lectures at local academic and scientific institutions.

SME3 has been named as one of the top three agencies in Europe and the Americas for design innovation (Citation and year has been withheld to protect identity). SME3 holds accreditation for ISO 13485 and ISO 9001, and will mark their 25th anniversary in 2021.

Following my interview, CEO3 was heading to a planning meeting for the prospect of a national lockdown to support employees working remotely and safely to serve their customers and continue work on projects. Since the lockdown was announced, the business has continued to win new business projects, but, with a sizable proportion of their customers in healthcare, they have also donated a ventilator to a local hospital and provided new Personal Protective Equipment (PPE) to help combat the national shortage.

4.3.2 Corporate Structure

The business was privately owned by the founder and a handful of director-shareholders, until very recently. In 2018, they became an employee-owned company through a government-sponsored scheme, similar to the John Lewis model. This means all employees own a share of the company, which is managed by a Trust that holds the shares and is required to act in the best interests of the staff. Although employees do not hold the shares personally, they reap the benefits of profit sharing and reinvestment:

[The profit] is allocated in the interest of the staff so we use it in part to pay a bonus back to the staff, and then a large proportion of the rest is used to develop the business and expand the business. So there's no money going out of the business to a third-party shareholder. We're 18 months into this new process and seems to be doing the job.

CEO3 is responsible for the performance of the business as a whole. Strategic decisions are made by the group of 10 partner/directors. Meetings are framed by a corporate plan and integrate discussions held in more frequent management meetings attended by a wider representation of staff and roles to ensure the strategy is informed and realistic.

When we're running the business, we have two sets of meetings. We have a management meeting, which... looks at the plan for the year and says: how are we getting on against that plan? And it monitors spend and profit... the Partners meeting... looks at the strategy. So that's interested in the [current] plan, is that still looking relevant? Are we moving in the right direction?

CEO3 reflected on the misalignment of many of their competitors in terms of corporate structure and the people directly responsible for decisions:

Some of our competitors are run by boards of directors, who are, you know, the finance director, the operations director, and these are simply management jobs, and they don't talk to customers. And in that scenario, what can happen is the whole strategy of the business can sort of disappear away from the market, because it's run by people who are not interested in the customers, they're interested in management.

Researcher observations and reflections: *The business based their corporate structure and processes on 'what not to do' from past experience. This resulted in a consultative approach to business management which ensures each employee has a role to play, a voice, and a channel to share it.*

4.3.3 Business Growth to Date

The original plan for SME3 was not realised for almost 10 years while it established itself in the high-growth technical market that was developing in Cambridge in the 1990s:

When you start, you tend to have people who can do everything, and it was difficult when we started to get the balance of market-focused and engineering people. There was much more money in the engineering side of it, probably for the first 10 years, and we were basically an engineering company with an aspiration to be this other thing.

For the first 10-15 years, growth was steady as SME3 moved from a well-established engineering consultancy into increased product development activity, which carries more risk and requires investment. CEO3 recalled that "In the early days, we focused on doing consulting work, which paid the bills, but trying to develop technologies and products ourselves". The shift in the focus is borne out in the increase in turnover (see Figure 23).

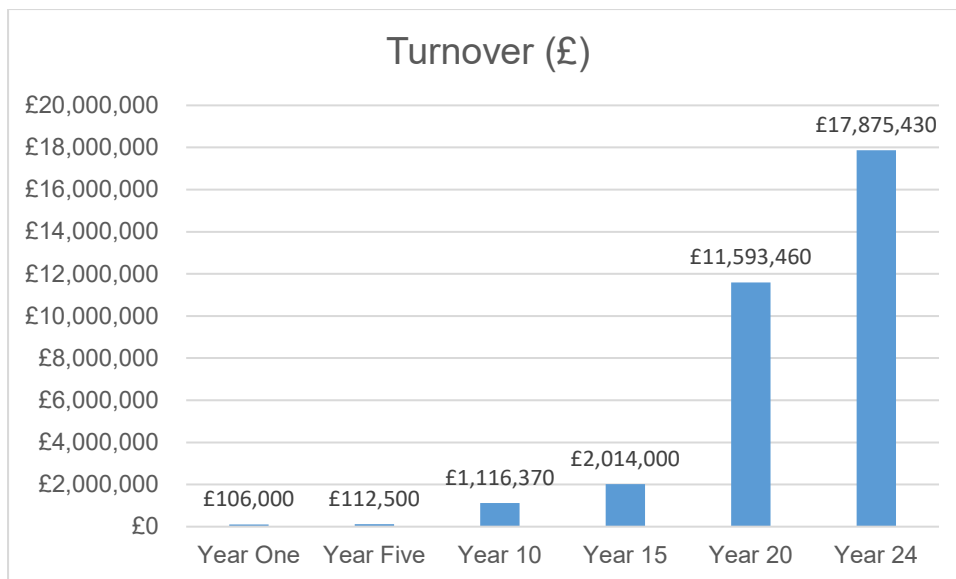


Figure 23: Growth in Turnover for SME3 (Source: Companies House)
NB The most recent accounts available at the time of writing were for Year 24 (2019).

Revenue growth was steady in the first 10 years, with the profitable consulting business shoring up a gradual expansion of customers and staff numbers. From 2011-14, revenue stabilised around £1-2m, with fluctuations according to credit and investment in innovation and machinery. Sales in Year 20 (2015) exceeded expectations and forecasts and injected the cash to recruit the skilled staff needed to service an ever-expanding client base and scale up to meet original aspirations.

CEO3 reflected on how the 1990s witnessed a huge growth in technology start-ups, chiefly brought about by the dot.com boom, which manifested even more in Cambridge, where the technology sector had dominated since the 1960s (Connell & Probert, 2010). The key to market share was doing something different, and SME3 developed their USP through insight and knowledge of their market, which had evolved during the early years of consultancy work:

[Our] approach is a market-led approach. So, what you do is, you go out and find out what the customers' needs are and then you come up with a technology that meets those needs. So that that was our USP for the company.

To achieve this market-led approach, SME3 had to hire new people. This became easier as they grew, reflecting that an earlier challenge was finding the right people to join a small business:

It is difficult to hire people when you're a small company, because there's a certain sort of people who like to work in start-ups... When you start, you tend to have people who can do everything and it was difficult when we started to get the balance of market focused and engineering people... as we got bigger, we could hire more diverse people, and we could then build up a more multidisciplinary business. So we needed the scale really to do it.

As opportunities to attract venture capital diminished, SME3 adapted to self-funding through careful planning of business activities. CEO3 believes the multi-disciplinary approach to business operations has given them an advantage:

We're very adaptable. All our eggs are not in one market sector, so if that sector suddenly gets hit... we'd just move into another sector. So I think that's been a crucial and agile way of working; to be spread across the market has been a good thing.

With business growth comes opportunity. In more recent years, SME3 has actively grown the range and scope of their projects, which has given them the ability to both attract highly skilled individuals, and to keep employees excited and motivated for the future:

We want to be in the bigger scale. So that's why we want to grow and what comes with that is bigger projects, more exciting projects, projects with bigger reach, you know, the global projects at the leading edge of technology. So, there's value in terms of commercial value, but it's also value in terms of the interest of the team; people want to work on the biggest projects, the most glamorous projects. So scale gives us that.

4.3.4 Business Strengths

As the business evolved, capitalising on the experiences of the founder and his team, SME3 closely monitored more established competitors. Through this SME3 identified how they could add value to customers, recognising that, in the right conditions, technology and customer service could work in harmony with each other, rather than at odds with each other, and provide the fully multidisciplinary offer to their customers:

If you're technology-led you have poor capability and understanding in markets. And if you're market-led, you tend to have poor capability and understanding in technology... So, our ambition when we started the company was to set up a company who could do the difficult technology...but had a culture which was really focused on customers. And that didn't exist in the other consultancies.

Finding a satisfactory balance took several years and plenty of trial and error, illustrating why many consultancies are indeed one or the other. Success centred on hiring new people with

the attitude and philosophy sought by SME3. This also served to support SME3's adaptability and agility in the marketplace, although the business still had to work hard to attract new customers who sought very specific expertise:

All the time we're coming up against customers who say they want to hire an expert in the field. So our customers will push you to be specialists. But they always ask: How can you be good at this if you're also doing this, this and this, and we have to explain what we're good at *all of this*.

Growth has been a contributing factor to attracting new customers, and SME3 has increased confidence in its ability to deliver. As the business grew, SME3 hired staff with unique and specialist skills, so that:

We can offer a broad range of things to the customer... now we're in a situation where we've got lots of specialists in the company and we got huge amount of expertise. And that's a scale thing: the bigger you get, the more opportunity you have.

Members of the SME3 team include 'sector leaders' who,

understand exactly what's going on in that sector, who the competitors are, what the products are, and gets what they're looking for commercially immediately... and that's a very important part of the sales process because it allows us to understand immediately what these people want, and we can develop our skills within the business to match the needs of that sector.

SME3 has also kept employees motivated and innovative by securing new and unique projects which require new thinking, breaking through challenges and perceptions, and creativity; "in a company that's supposed to do innovation for its living, to have that challenge all the time is a good thing".

Finally, SME3 has developed a unique process for product innovation, capitalising on market research, which enables each project to be managed in specific phases, planned in advance to ensure it is efficient, meets customer needs, and maximises revenues on completion. As CEO3 observed, "If you've done your job properly in the first place, then you're successful. It sounds very obvious, but it's amazing how many companies don't do it".

4.3.5 Business Weaknesses

The acceleration of growth in the more recent 10 years challenged SME3 to ensure business administration and internal processes grew at the same pace. CEO3 used the example of their purchase order system, which was fit for purpose 10 years ago but needed an overhaul to meet contemporary needs; this itself became an internal project.

Keeping all employees utilised and motivated, and matched to the right projects, is another challenge which CEO3 referred to as 'forward planning'. As the business has grown, this has become a business-critical exercise, especially as new projects are won, and specialist expertise is critical to its success. As CEO3 explained, "So you've got to match people to projects all the time. And we've probably got about hundred current projects. So with 150 people, it's a quite a big logistical challenge to get that right. So we've just developed our own new forward planning system". What is important is having the right processes and mechanisms in place to be in a position to address them. CEO3 has a pragmatic view, and recognises there will always be weaknesses to address: "I like to say that the company is always on the edge of chaos; we're on that fine line of 'can we keep all the plates spinning'?"

4.3.6 Challenges to Business Growth

Initially, the biggest challenge was having the funding to pursue projects that stretched SME3's skills capacity. In later years, despite having the funding, the main challenge was hiring the right skills. This meant the business had to look at growing geographically:

There's a huge lack of trained engineers in the UK and that really is a major problem...We've got a very international workforce because we've got people from all around the world who work for us. And we're hiring those people, because that's the only way to get the skills in the business.

Researcher observations and reflections: *The business has taken a cautious and considered approach to business growth since start-up, with a great deal of time and resource dedicated to modelling, thinking, risk analysis and financial calculation. Decisions to penetrate new markets or areas of specialism have been taken only when the business was ready, hence the risks and potential negative impacts have been minimised. This measured approach has been slowed sometimes due to a lack of skilled workforce which the business is starting to address through international recruitment and apprenticeship engagement. The former is highly likely to be minimal in the next year or two as we recover from a global pandemic which is limiting the movement of skilled workers.*

4.3.7 CEO3's Definition of 'Strategy'

We have strategy on different levels... we've imagined the company in the future, and we've written all of that down ... what's the sort of business we want to be doing, who our customers are going to be, how many staff we are going to need to deliver that, what services are we going to deliver and what management structure we will have in the business... and that sets our vision. So that's our strategy.

4.3.8 Strategic Decision-Making

Following the prescribed future business plan, SME3 works on a year-by-year basis according to an annual budget, and plans the year ahead following the goals set out in the future plan.

Plans and ideas are discussed at two meetings:

- Monthly Management meetings: track progress against the annual plan, and monitors spend and profit, hiring, IT, financial matters.
- Quarterly Partners meetings: the 10 directors review the future plan and identify any irrelevancies or inefficiencies against market developments, competitor activity and technical advancements. Any business strategy is agreed between the group partners at these meetings.

4.3.9 Knowledge Capture

The Trust Committee meets monthly, and its role is to hear and escalate any staff issues through representation at management meetings. This, and an annual staff survey, facilitates the collection of employee ideas, concerns, feedback and suggestions.

Each of the market sectors is represented by a director in the Partners meeting who is actively operational in that sector:

The company is not run by managers who do nothing but manage. Everybody in the management team has an operational role as well. And that's done on purpose to keep the strategy of the business very close to the market, because the people in that meeting, they're all meeting customers, every day or every week, hearing what customers are saying, getting the feedback from the customers. So it's intrinsic in that meeting.

This strengthens SME3's market-focused philosophy. As CEO3 pointed out,

The guys in the sectors know where their sectors are going. So, strategy is just a matter of putting together these ideas, it's going forward, because we're really well connected. And that's been a great success in our business and the reason for that success is keeping really close to our customers.

Researcher observations and reflections: *This is a clear demonstration of how SME3's KM influences strategy development.*

SME3 conducted a customer survey to identify what they were doing right and where they needed to improve. The overarching feedback was that they were "really easy to deal with", which CEO3 ascribed to their multidisciplinary flexible approach, working in partnership with their customers:

We're competing with bigger, corporate companies, they tend to have systematised ways of interacting with customers. Because we work in innovation, every project is different.... our approach to customers is to ask them what they want first, and then to adapt the contract or the way we work or the way we deliver that to what they're asking for. So we don't have any particularly strong processes or procedures, we just deal with every customer differently.

Researcher observations and reflections: *That CEO3 is still surprised by the things the business does well is testimony to his reserved and humble approach, and the value they add. SME3 recognises customer distinctiveness and puts additional effort into understanding their needs and shaping a solution.*

4.3.10 CEO3's Definition of 'Capability'

The way we think about life is we have sectors, which is what our customers are grouped in, and we have capabilities, which are the skills that we can offer our customers that we can sell to our customers, and they can run across all the different market sectors... We have about 100 capabilities that we've currently identified in the company... and how they relate to the business sectors. And as we grow and offer new services, then we have to add on new capabilities.

4.3.11 KM and its Impact on Business Capability

Each of the business sectors are represented at the Partners' meeting where ideas and proposals are discussed. The sector leaders' knowledge, derived from their closeness to the

customers and their marketplace, gives SME3 a competitive edge and demonstrates the benefits of aligning information captured within the business with the capability strategy:

our managers are the people with this information. Actually, they're very...involved in the projects as well... the people who are running the business are setting the strategy of the business and deciding which capabilities we need.

Researcher observations and reflections: *The operational nature of the leaders is a true USP, and unusual for a larger SME, hence the significance of their proximity to real-time market changes and developments and the value it brings to strategy development and implementation.*

The innovation and engineering process developed by SME3 highlights the benefits of a multidisciplinary approach, as does the lengthy in-depth market research the business conducts before it commits to a potentially high-cost, low-revenue project:

Before you do any of the expensive stuff, do the cheap stuff really well. So, work out what the customers want, make sure you've got that absolutely nailed down... we have a whole team of people whose job it is to do that front-end bit of finding out what customers want. And then iterating until we've worked out what is the best possible product to go to market.

CEO3 has identified ten 'Capability Leaders' who are responsible for "the skills that we need within [each business sector], and [they] make sure that we're recruiting the right people and we've got the right training in place". They are responsible for ensuring that SME3 has the appropriate capabilities in a specific grouping (e.g., regulatory, quality, technical, and so on.) so the business is prepared for upcoming projects.

4.3.12 Capabilities and the impact on Business Growth

As SME3 has evolved, it has broadened its capabilities from a flexible, 'we can do anything' approach, to offering a wider range of subject experts to meet market needs:

We have this holistic approach where you have all the different groups within the company working together even though they have very different points of view...Because we've got this multidisciplinary offer, the bigger we are, the more we can have specialists in very narrow sectors within our company. So, you know, we can offer a broad range of things to the customer.

In addition to taking an active role in ensuring capabilities meet current market needs, the Capability Leaders also highlight any missing skills needed to undertake a project, or any skills that prevent the business competing for new opportunities. Although this may reap longer term benefits for SME3, it can result in short term inefficiencies, or shifting the balance away from the multidisciplinary strengths on which the business was built. SME3 now appears to be at a point where it needs to work harder to maintain the balance between flexible, agile working, and the growing number of specialists required for specialist projects or bids who are more rigid in their capabilities:

we have to invest quite a lot in people that we can't immediately sell their time, especially as we become more specialised. In the early days, those people were fairly general, they could turn their hand to a whole number of things. But when they become quite specialised, they can't do that anymore.

However, SME3 now has the advantage of being able to pitch for more exciting, glamorous projects:

Now we're in a situation where we've got lots of specialists in the company and we got huge amount of expertise. And that's a scale thing: the bigger you get, the more opportunity you have. So, by having a bigger company, we can have more of that. So that makes us more competitive in the marketplace.

Researcher observations and reflections: CEO3 talked about the need for scale to attract better people and service bigger, more enticing projects. Through their capability strategy, served by careful thorough knowledge-gathering and planning, SME3 has achieved the scale and the projects they aspired to. The remaining challenge remains in hiring the right specialist skills, to keep SME3 moving in the right direction, despite a sector-wide shortage.

4.4 Researcher Reflections

Many of the themes revealed in my observation notes were common across all three case studies, and several were not (see Table 12). These additional reflections assisted development of the questions asked in the survey.

Themes	SME1	SME2	SME3
Decision-making process	By consensus (senior board) with the involvement of <i>empowered, valued</i> employees; <i>let's give this a try and see what happens</i>	CEO in consultation with Finance Director – CEO has clear vision and plan; decisions are presented to employees to follow; <i>this is what we are going to do this year</i>	Multifaceted processes; thorough modelling and planning; employee-contributory: customers treated as partners; <i>let's create the optimum solution together</i>
Key staff issues	Hiring skills; start-up mentality (short-termism), HR and Finance leadership	Hiring managers (attrition) and productivity (hire to billing duration); attitudes/ cultural fit	Hiring skills; attrition before reaching larger scale; organisational efficiencies
Importance of developing a learning culture	High – provided customer intelligence that shaped the business; the responsibility for knowledge acquisition is shared and its value appreciated	High – to help customers appreciate value; to upskill staff knowledge Challenges in hiring, solved by internal learning	High –customer intelligence shaped the business – focus on research, modelling, planning, prototypes – in pursuit of finance efficiency
Attitude to risk	Played safe with consultancy at the start (survival, adaptive); public sector customers influence attitude to risk; try new ideas and learn from mistakes	Played safe with consultancy and acquisition; CEO maintains a tight hold on business operations and getting it right first time with the customer	Played safe with consultancy; later research; questioning, modelling, planning and analysis mitigates risks of lengthy, unprofitable projects
Involvement of founding CEO	Moderately hands-off, tries to empower staff – favours organic, unstructured approach	Very hands-on without trusted middle managers – <i>they don't know what they don't know</i>	Moderately hands-on; Employee-owned model empowers staff to contribute and take ownership of the business direction
Market intelligence gathering processes	Informal, anecdotal, traditional, research based; learning	Structured, regular internal reporting, customer feedback	Surveys, meetings, managers maintain close ties to customers
Relationship with customers	Partnership; solution-focused	Educational; solution-focused	Partnership; solution-focused
Capability development	Hired skills; act on employee ideas; individuals growing with the business	Hired skills; educating technically skilled people in the business offer	Hired skills; developed multidisciplinary teams to develop new capabilities

Table 12: Common themes emerging from the case studies

4.5 Findings from the Survey

The survey comprised 11 main questions, the first three of which were screening questions to filter out inappropriate responses, thus all respondents were directors/decision-makers working in independent technology SMEs with between 11 and 49 employees. The survey collected 11 responses. The areas of interest covered by the remaining questions were:

- How decisions were reached and who made them
- The involvement of the founder
- The main challenges with employees
- Learning and how this informs strategic decision-making
- The SME's attitude to risk
- How capabilities are developed
- The main challenges faced by the business (ranked in order)
- Whether the SME had remained static in employee numbers, grown or contracted since the beginning of the year.

Q1: How old is the business?

The age of the SMEs surveyed varied as expected (see Figure 24). Eight of the 11 had exceeded the five-year lifespan on which SME survival rates are calculated by BEIS (2020).

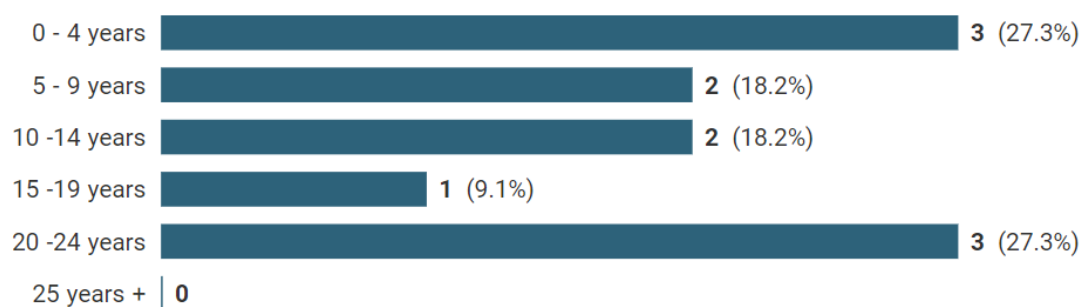


Figure 24: The age of the SMEs surveyed

I correlate this data further with responses to subsequent questions.

4.5.1 Analysis of Survey Responses

Q2: How are strategic decisions reached within the business?

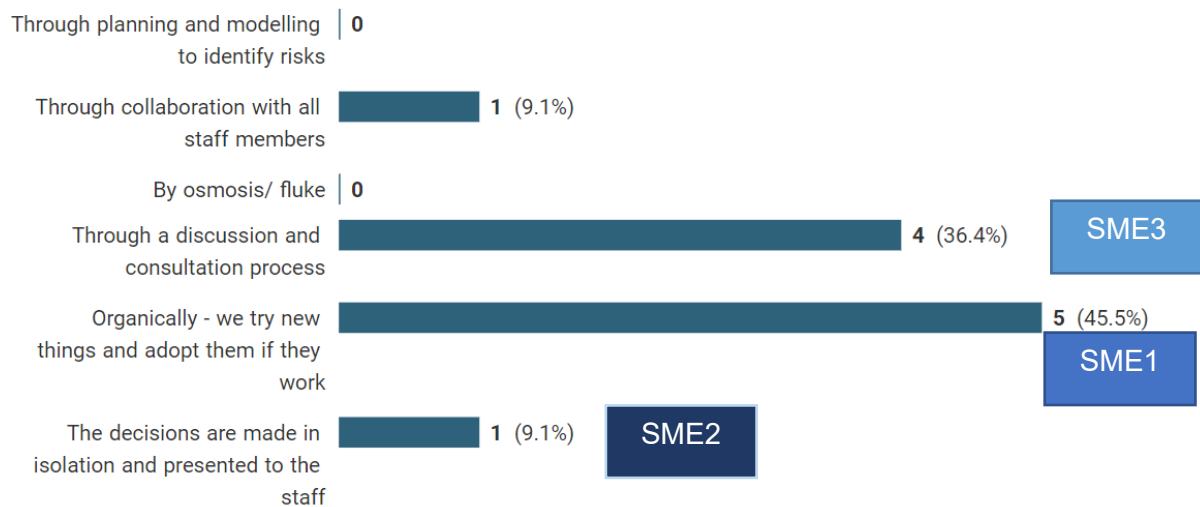


Figure 25: How strategic decisions are reached

Three of the potential answers to this question originated from the CEO responses to the same question in the interviews. The survey responses illustrated in Figure 25 confirm that two methods in particular (1) a ‘discussion and consultation process’ (matching SME3) and (2) ‘we try new things and adopt them if they work’ (as with SME1) represented the majority. Only one survey response corresponded with SME2. It was encouraging that none responded with ‘by osmosis/fluke’, demonstrating potentially ineffective management (Jennings & Beaver, 1997). The method of planning and modelling is more likely undertaken in larger, more established and process-driven complex organisations (Kitsios & Kamariotou, 2019); hence it is not surprising this scored zero with the SMEs surveyed.

Researcher reflection: In hindsight, the response ‘through collaboration with all staff members’ is similar to the ‘discussion and consultation process’ so this could be classed as a fifth match with SME3.

Q3: Who makes the decisions?

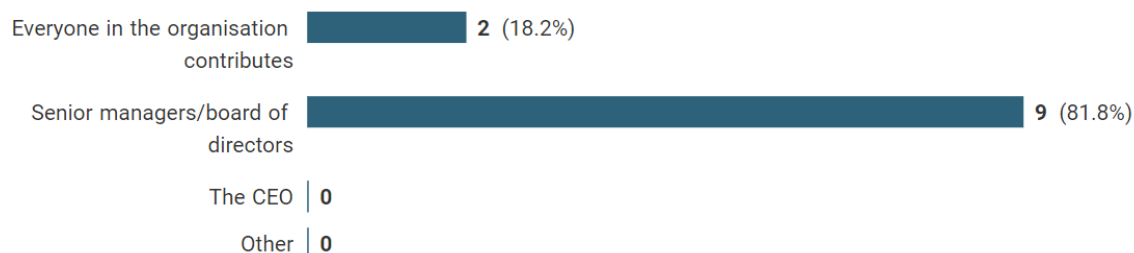


Figure 26: Who makes the decisions?

The majority response of nine was unsurprisingly the senior managers/board of directors, with two SMEs confirming a completely collaborative approach with ‘everyone in the organisation contributes’.

Researcher reflection: On reflection, I should have reworded the sub-question to ‘Who makes the *final* decisions’ as the question might have been ambiguous.

Q4: Which statement most accurately describes the current involvement of the original founder?

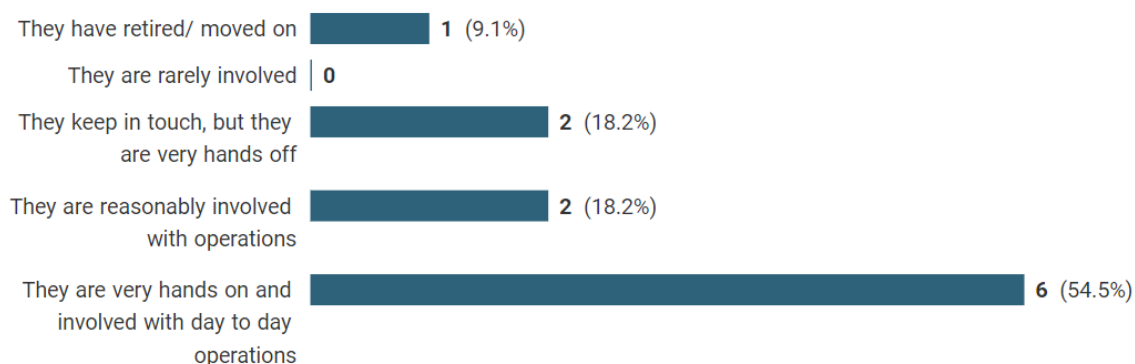


Figure 27: The current involvement of original founder

Eight respondents indicated that the original founder remained involved in one way or another with the business, with a further two reporting that they ‘keep in touch’. The age of the business was an interesting dynamic here and enabled a corresponding analysis to be made between firm age and founder involvement, including the three case studies (see Figure 28).

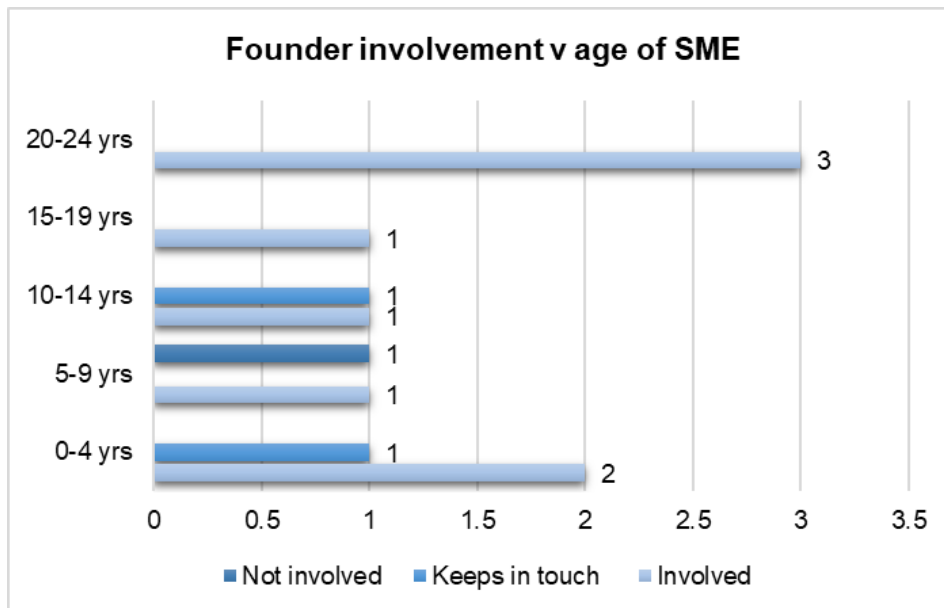


Figure 28: Founder involvement vs age of SME

It was surprising to compare how involved the founders were in the mature SMEs (20-24 years old), (this certainly is the case for SME3), with a hands-off founder in a very young firm, although this could be for any number of reasons. The involvement of the CEO in the more established companies could be explained either by the CEO's success factor not yet being reached, or discredits some of the theories explored in Chapter 2 regarding trust and delegation. There are of course varying degrees of 'involvement', and a founder could simply be the head of a board and entrusts day to day operations to their senior managers, similar to CEO3.

Q5: What is the main challenge the business faces with employees?

Rank value	Option	Count
1	Hiring people with the right skills	5
2	Hiring people with the right attitude	1
3	Retaining good employees	1
4	Competing with pay in this area	3
5	Performance and productivity	1
6	Cultural fit	0
7	Other	0

Figure 29: The main challenge the business faces with employees

Respondents were asked to select one response from a list. Their responses matched the challenges revealed in the case studies, with the standout issue being ‘hiring people with the right skills’, closely followed by the pay competitiveness. This is a common challenge for the area that I will address in the next chapter. The three responses that originated from CEO2’s experience were shared by only one SME in each category – attitude, retention and productivity.

Q6: Please select the statement that closely describes how well you believe your organisation learns from internal and external sources

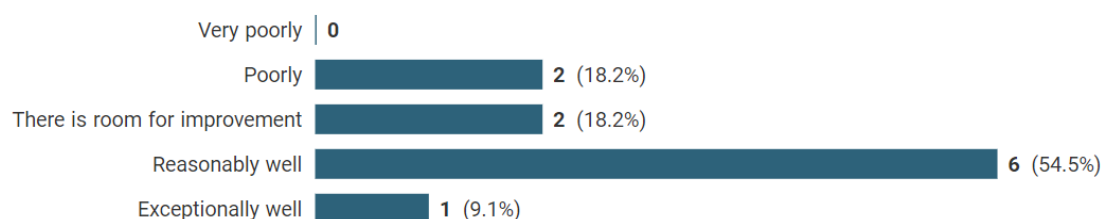


Figure 30: How well the organisation learns from internal and external sources

Earlier in this chapter, I identified how each of the three SMEs captured knowledge from various sources to make strategic decisions. Had they been asked to grade themselves within these parameters, all three may have answered modestly and stated, ‘reasonably well’ or ‘there is room for improvement’. In a truly successful organisation, knowledge and ACAP is constantly evolving and provides the platform for evaluating opportunities and seizing advantages (Dodge & Robbins, 1992; Phelps et al., 2007).

Q7: How often do the following sources provide your business with the most reliable information that influence strategic decision-making?

Source	Never	Rarely	Occasionally	Often	Regularly
Employee feedback/suggestions	0	1	1	6	3
Customer feedback/suggestions	1	1	2	5	2
Customer complaints	3	1	4	2	1
Market research	1	5	2	2	1
Competitors	0	1	6	3	1
Insight from new employees	1	3	3	4	1
Networking/social media	1	3	4	1	2
Business news	3	2	2	3	1
Surveys	4	4	1	1	0
Internal reporting processes	2	3	2	3	1
Company briefings	3	1	5	1	1

Table 13: Sources providing the most reliable information that influence strategic decision-making

I have highlighted the more frequent occurrences for each information source in Table 13 and observed the following:

- Feedback from employees and customers are the most valued and reliable sources
- Competitors and company briefings are a fairly reliable source used by half of the respondents
- Business news, internal reporting and gaining insight from employees are evenly spread between rarely/never used and often used
- Surveys, networking and social media, and market research are the least valuable sources of information to SMEs
- Three SMEs have never used customer complaints as a source – it might be surmised that they have not yet had a complaint from a customer from which they can learn as opposed to it being a deliberate decision to discount the experience.

Q8: Which statement accurately describes the organisation's current attitude to risk?

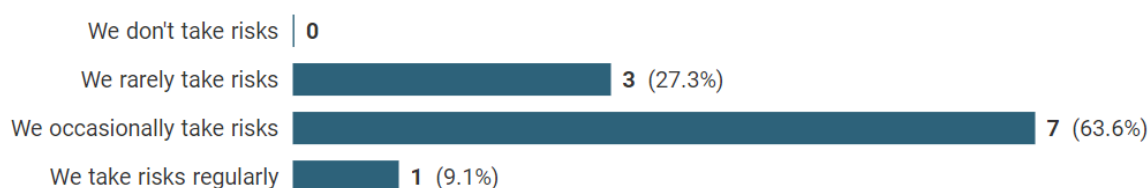


Figure 31: The organisation's current attitude to risk

Miller (1983) discredited the long-held assumption that successful entrepreneurs take risks, asserting that they used their experience, intuition and learning to make decisions that are more considered. Of the six respondents to Q6 who suggested their organisation learns 'reasonably well', four occasionally take risks and one (also one of the youngest SMEs) takes risks regularly, the sixth, rarely. This corresponds with the attitudes to risk of the three case study CEOs.

Q9: Why do you think this is?

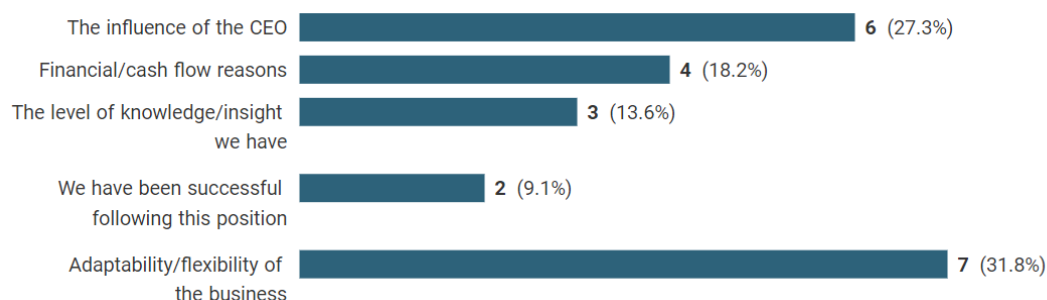


Figure 32: Why the organisation pursues the current attitude to risk

The adaptability of SMEs and the influence of the CEO are clearly highlighted in these responses and reflect the responses from the three case studies.

Q10a: How does the business develop capability to meet challenges?

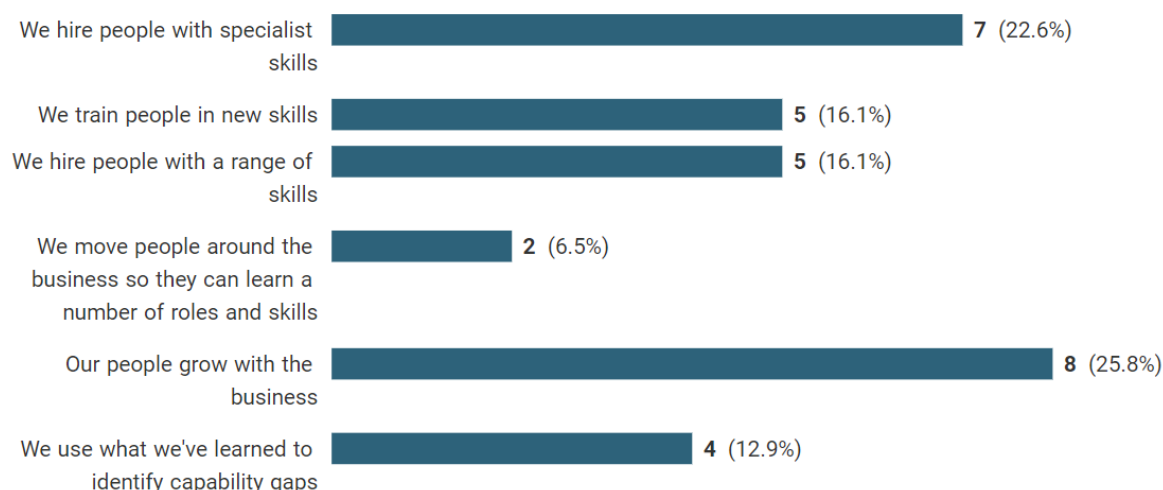


Figure 33: How the business develops capability to meet challenges

This was a multi-answer question, so the responses exceed 11. The most popular answer, 'our people grow with the business', might indicate how the SMEs are doing their best to overcome one of the region's accepted challenges in hiring and retaining skilled people, as bemoaned by the three case studies. The second most popular answer relates to hiring people with specialist skills, which is surprising when five of the seven had previously cited 'hiring people with the right skills' as their single business employment challenge. Several responses reassuringly cited training and identifying capability gaps through learning.

Q10b: What is the single biggest challenge the business has right now in relation to its growth strategy in the near future?

This was a ranking question (10 as the top concern, 1 as the least) with 10 statements. Ordered according to the responses, the challenges causing the greatest concern are:

Rank	Challenge
10	Uncertainty caused by Brexit or Covid-19
9	Lack of skills/ capability
8	Cash flow
7	Competitor activity
6	Technology
5	Securing business investment
4	Productivity/ performance
3	Staff retention
2	Government Strategy in relation to SMEs
1	Securing IP/patents

Table 14: Ranked challenges the business has right now in relation to its growth strategy (high to low)

The highest ranked challenge (placed at 10, 9 or 8) was 'Uncertainty caused by Brexit or Covid-19'. The second and third lowest ranked challenges (after securing IP/ patents) were 'Government Strategy' and 'staff retention'.

4.6 Concluding Remarks: A Reflection on SME Resilience

The final question in the survey was *Using staff numbers as a measure, how have growth plans for the business been affected since the start of 2020?*

The responses from the survey participants were encouraging:

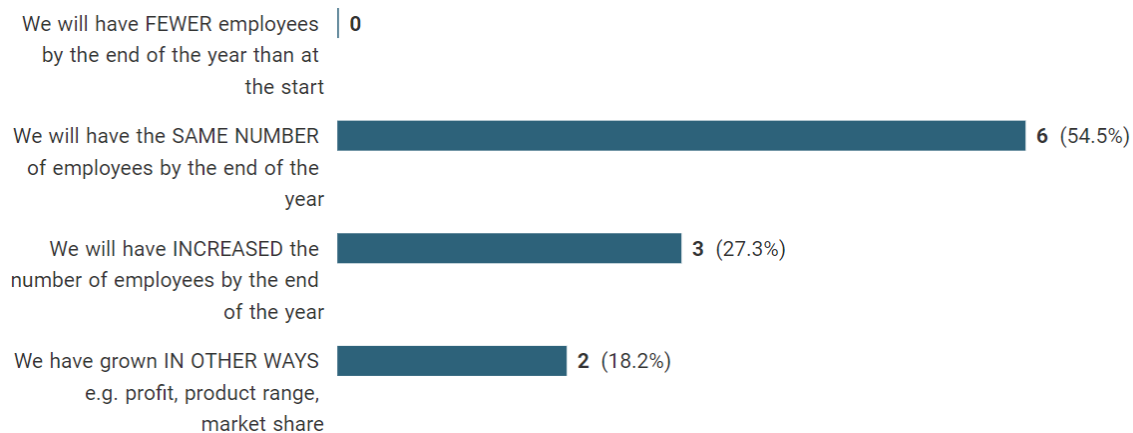


Figure 34: How growth plans for the business have been affected since the start of 2020

Clearly, the events of 2020 have posed challenges that may well have stifled growth, or even reversed it, so the survey responses really highlight the resilience of SMEs in times of crisis. I cannot not fully evaluate the effects of Covid-19 in relation to the resilience of SMEs in this thesis, but it would be remiss of me not to recognise the effects that the pandemic may have, especially on the three SMEs that participated in the case studies. All three were keeping a close eye on the pandemic at the time of their interviews, the consequences of which were still relatively unknown, and were preparing for increased homeworking with technology investment and processes to manage customer projects remotely. Given their age, this was the biggest crisis that all three businesses have faced. Whilst their vulnerability to crisis might be greater due to their size, with restricted finance and resources, it is exactly their size that gave them greater advantage in terms of flexibility and adaptability (Vargo & Seville, 2011).

Resilience capability has been developed in all three case study SMEs and continues to serve them in the present times of uncertainty. In terms of growth, the three SMEs predicted the following in the latest published accounting reports:

SME1: Growth in staff numbers, loss in revenue

SME2: Growth in staff numbers, loss in revenue

SME3: Growth in staff numbers, growth in revenue (*Founding CEO has now retired*)

SME3's main area of expertise is in healthcare innovation and technology, so it is little surprise the business has done so well in a year where healthcare came to the economic forefront. All three SMEs report uncertainty for the first quarter of 2021, as the Brexit deal takes hold, and the new vaccines for the virus are rolled out nationally but maintain optimism as they look ahead to new initiatives and business opportunities. All three cite careful planning and investment, strengthening partnerships with customers, strong communications with remotely based employees, harnessing knowledge of, and exploring, new markets and developing new capabilities as their success factors, with adaptability being a key attribute for all.

At the time of completing this thesis (March 2021), the true impacts of the second UK lockdown for Covid-19 and the post-Brexit trade deal on the three SMEs were still unknown as annual accounts to 31 March 2021 were not available.

Chapter 5: Data Analysis and Discussion

5.0 Introduction to the Chapter

Having presented the three case studies and survey findings in the previous chapter, I now provide a detailed account and analysis of the responses and the themes uncovered, linking my findings with research critiqued in Chapter 2: Literature Review.

The purpose of my research is to understand how SMEs achieve sustained growth. I intend to answer this through the following three subsidiary questions:

- How do SMEs manage KM to inform growth strategies?
- How do SMEs develop OC and use them to expedite growth?
- Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

As described in Chapter 3, I developed three case studies, using primary data in the form of interviews with the founding CEOs, supported by secondary data such as company documents, websites, news artefacts and published accounts. Following the completion of the case studies, I then developed a survey, which focussed on subjects needing further investigation to compare responses against the case studies for accuracy and authenticity.

In this chapter, I discuss and interpret the themes that emerged from analysis of the CEO interview transcripts, and a cross-comparison of the case studies in relation to the literature. I then explore causative themes that emerged from this analysis and the survey responses.

5.1 Approach to Analysis

Following an interpretative ontology (see Chapter 3), the analysis presented in this chapter is driven by my personal interpretation of what I have read, heard, observed, reflected upon and analysed in developing the case studies. The themes have been identified by me; the context and manner in which I present the data are determined by me, thus I become the 'instrument for analysis' (Nowell et al., 2017, p.2), with my role as a subjective researcher being central to the process. This has enabled me to analyse the data flexibly and reflexively, in response to the data and the context in which it sits; a key 'hallmark' of thematic analysis (Clarke, Braun & Hayfield, 2015, p.225). My chosen approach to analysing the data also facilitated the identification of participant perspectives that are both comparable and contrasting, and to reflect on additional themes that are revealed with deeper exploration (Nowell et al., 2017).

I followed Braun and Clarke's (2006) six phases of thematic analysis (see Table 15).

Six phases	My approach
Familiarisation	Listening to audio recordings, transcribing, making observational analytical notes
Coding	Identifying and coding relevant features and patterns, labelling within NVivo
Searching for themes	Identifying relationships between codes to demonstrate key patterns within the data to answer my research questions
Reviewing themes	Reorganising clustering of codes to reduce the number from 300+ to 100 to work with, merging a group of codes into similar themes
Defining and naming themes	Naming and explaining themes for the development of analysis
Writing the report	Producing a narrative that incorporates analysis and interpretation of the data to offer conclusions in relation to the research questions

Table 15: My approach based on Braun and Clarke's (2006) Six-phase approach to Thematic Analysis

I imported the interview transcripts into NVivo and coded words and phrases that were relevant to my research questions, which, after some reorganisation, resulted in 100 semantic themes, specific to the responses elicited in the interviews. As an interpretive researcher, I intended to offer more than just a description of what the CEOs had told me, rather to identify and interpret patterns and relationships between the themes to offer a more in-depth and personal interpretation of them, which resulted in fourteen latent themes (Boyatzis 1998; Braun & Clarke, 2006).

5.2 Trustworthiness

In Chapter 3, I introduced Lincoln and Guba's (1985) criteria for measuring the trustworthiness of qualitative research. I created a table (Table 10) that identified five processes for securing trustworthiness in my research, which I have now updated with those I followed in my analysis (see Table 16).

Qualitative criteria	Meaning	My approach
Credibility	Is the described experience recognisable?	I developed the survey questions from my reflections on the case studies to identify where triangulation in the collection of data could be achieved I have made all attempts to ensure my research lives up to its promise as described in Chapter 1
Transferability	Does the research resonate with other SMEs in a similar situation?	I have identified an SME who has agreed to read the final draft of my thesis to comment on how it resonates with their own business
Dependability	Has the research followed a logical process?	I have kept a rough reflection journal, much of which I have used to annotate Chapter 4
Confirmability	Can the researcher demonstrate how they have reached their interpretations?	I hope the presentation of my interpretations and findings in this chapter will clearly demonstrate they have originated from the data (and that the three previous criteria have been satisfied)

Table 16: Review of my research processes to meet Lincoln & Guba's (1985) criteria for demonstrating trustworthiness in qualitative research

5.3 Scene Setting Questions

To develop the case studies, I interviewed founding partners of three SMEs located in the East of England, all working in the field of technology, but each uniquely specialised. Each interview lasted one hour, covering four areas:

1. 'Scene setting' (questions 1-5)
2. An assessment of the CEOs positions on specific terminology in relation to the literature
3. More in-depth investigation into specific strategic activities relating to my research, including each CEO's approach to 'decisions and actions' (Myers, 2013, p.6)
4. A review of the conceptual model I presented.

The first five questions were designed to establish certain facts relevant to my research and aid my understanding of each SME's context (Myers, 2013). This ensured that I was interviewing the right person from the outset who was familiar with the detailed history of the business from its inauguration, including an intimate knowledge of the decisions taken that had determined each SME's path, and why (see Table 17).

Question	CEO1	CEO2	CEO3
1. What is your job title?	CEO (Founder)	CEO (Founder)	Managing Partner / CEO (Founder)
2. What are your key responsibilities?	Business strategy, investor relations	Business development/growth, statutory compliance	The profitability and performance of the business
3. How many staff does the business currently employ?	80	34	150
4. When the business was first established?	2009	2012	1996
5. How long have you been with the business?	Since start up	Since start up	Since start up

Table 17: Scene setting questions and responses

5.4 Exploring Views on Specific Terminology

I set out the challenges of defining the term 'strategy' in Chapter 2, and several internal and external factors come into play depending on the goals that the business is aiming to achieve; for example, entering a new market, growth of market share, earning profit, or achieving competitive advantage. The 29 interview questions were designed to investigate the lived experiences of each respondent to identify 'what' and 'how', but it was necessary to establish their individual perspectives and understanding of two specific terms, *Strategy* and *Capability*, where my research is focused, before probing any further into each of these topics. By eliciting this information, I was able to tailor subsequent planned questions, or pose *ad hoc* supplementary questions, to ensure both the respondent and I understood each other before continuing, or to tease out any further information that would provide more clarity or context (Carter et al., 2014; Gray, 2018).

5.4.1 Definition of the Term ‘Strategy’

Defining the term ‘strategy’ is challenging, with several versions offered earlier in this thesis in Table 1. The challenge in defining the term is endemic; however, as stated by Mintzberg, Ahlstrand and Lampel, ‘Ask someone to define strategy and you will likely be told that strategy is a plan, or something equivalent – a direction, a guide or course of action into the future, a path to get from here to there’ (2020, p.9). Strategy is essentially about making choices (Gans, Stern & Wu, 2019), or, for SMEs, strategy is simply planning ahead (McCarthy, 2003).

Each CEO described their understanding of the term in their own words:

CEO1	CEO2	CEO3
Strategy is a combination of a longer term, to me, of long-term goals and a broad-brush plan to reach those goals, and I think that the goals are based on maximising opportunities for the business.	We’ve got vision, then we say what our mission is and then our strategy is how we’re going to get there over a period of time. So, it’s a sort of a three-year plan of high-level goals and milestones, so the strategy is the plan.	We have strategy on different levels... we’ve imagined the company in 2025...what’s the sort of business we want to be doing, who our customers are going to be, how many staff we are going to need to deliver that, what services are we going to deliver and what management structure we will have in the business...

Table 18: CEO definitions of the term ‘strategy’

All three respondents were very clear about where their business is going, even though their paths had been diverted in earlier years. Evidently, each CEO was looking firmly ahead at the time of the interview, yet within weeks were suddenly forced to focus attention on business-bolstering strategies that were essential to reconfigure their resources and mitigate the impact of Covid-19 on their business aspirations (Rice et al., 2015). The agility and adaptability of SMEs (Vossen, 1998), as described in Chapter 2, proved to be each SMEs greatest assets during the pandemic.

As I explore in the next section of this chapter, each of the SMEs experienced challenges with their finances initially and needed to focus on instant income generation activities at the expense of their long-term business aspirations. Despite this setback, this proved to be a useful period to further understand and appreciate their markets and their customers’ needs, and therefore to identify their potential ‘unique and valuable position’ (Serrat, 2017, p.503.)

5.4.2 Definition of ‘Capability’

The term ‘Capability’ is often used interchangeably with ‘skills’ in everyday business language. This is unsurprising since the Oxford English Dictionary uses these definitions:

Capability: The quality of being capable in various senses.

Capable: Having general capacity, intelligence, or ability; qualified, gifted, able, competent.

Skills: Capability of accomplishing something with precision and certainty; practical knowledge in combination with ability; cleverness, expertness. Also, an ability to perform a function, acquired or learnt with practice. (OED, 2020)

It is important to distinguish between general definitions presented by the dictionary, and those developed by scholars for the purpose of academic advancement. As described in Chapter 2, OC is defined by Grant as the ‘capacity of a team of resources to perform some task or activity’ (1991, p.119). For Ulrich and Wiersema, it is ‘a firm’s ability to establish internal structures and processes that create firm-specific competencies and enable it to adapt to changing external pressures’ (1989, p.119).

All three CEOs articulated their own understanding of ‘capability’ (see Table 19).

CEO1	CEO2	CEO3
There is definitely a difference between skills and capability. In the business setting, capability is, from a business perspective, if you have a capability in, for example, software development, that comes as a result of many skills coming together across the business. In an individual setting that’s different yet again – you might have specific skills, but you are not capable of applying them, so there is a difference.	So, I have a cycle – development of our capability. We also talked about it as a journey with our customer. Different customers buy different services at different times depending on their understanding. So we talk about a capability cycle of understanding what we do.	The way we think about life is we have sectors, which is what our customers are grouped in, and we have capabilities, which are the skills that we can offer our customers that we can sell to our customers, and they can run across all the different market sectors. And we have about 100 capabilities that we’ve currently identified in the company...as we grow and offer new services, then we have to add on new capabilities.

Table 19: CEO definitions of the term ‘capability’

5.5 Comparative Analysis

I designed the remaining interview questions to uncover the lived experience of strategic decision-making activity relating to KM and OC within the three SMEs. The questions were intentionally open using everyday business terms (as opposed to academic jargon such as *KM* and *OC*) to unearth the information that would support my investigations (Brinkmann & Kvale, 2015). This section analyses the fourteen themes that emerged from the coding, across all three case studies, evaluating both shared and distinctive CEO perspectives and SME experiences. I illustrate in Table 20 how each theme feeds into the research questions.

Theme		Research Question
1	Leadership Capability, Styles and Attitudes to Risk	How do SMEs develop OC and use them to expedite growth?
2	SME Culture	How do SMEs manage KM to inform growth strategies?
3	Early Survival Strategies	How do SMEs achieve sustained growth?
4	Adaptability, Agility and Flexibility	How do SMEs develop OC and use them to expedite growth?
5	Initiating Business Growth	How do SMEs achieve sustained growth?
6	Principal Challenges to the Business	How do SMEs develop OC and use them to expedite growth?
7	Environmental Scanning	How do SMEs manage KM to inform growth strategies?
8	Developing KM Processes	How do SMEs manage KM to inform growth strategies?
9	Readiness to Overcome Challenges	How do SMEs develop OC and use them to expedite growth?
10	Approaches to Strategic Planning	How do SMEs manage KM to inform growth strategies?
11	Sustained Growth through OC	How do SMEs achieve sustained growth?
12	Creating Value for Customers	How do SMEs achieve sustained growth?
13	OC Development and Productivity	How do SMEs develop OC and use them to expedite growth?
14	Contemporary Challenges to SMEs	How do SMEs achieve sustained growth?

Table 20: Latent Themes in relation to the Research Questions

5.5.1 Theme One: Leadership Capability, Styles and Attitudes to Risk

A variety of factors influence an individual's approach to leadership, including their personal goals and aspirations, their capacity for entrepreneurship, their age, background and experience, how much they have personally invested, and the advice they have sought (Jennings & Beaver, 1997; Levy & Powell 2004). Therefore, even if comparing two similar businesses, it is unlikely the leaders' approaches and the path the business pursues will be alike. All three CEOs interviewed came from different backgrounds and brought their individual experiences; beliefs and aspirations to their businesses (see Table 21).

	CEO1	CEO2	CEO3
Age at start-up	Early 30s	Mid 30s	Late 30s
Previous experience	Large company, same specialist skillset	Large company, same market	Medium sized company, same market
Nationality	European	British	British
Original business set-up	Partnership (with friend)	Partnership (with wife)	Partnership (with colleagues)
Highest qualification	MBA	Masters	MEng
Previous manager?	5 years +	10 years +	10 years +

Table 21: Comparison of Case Study Leadership Backgrounds

Focusing first on the similarities, all three CEOs managed in previous roles, have experience in their specialist areas, and are educated to post-graduate level. The latter point is a clear endorsement of previous research asserting that higher educational attainment improved pragmatic knowledge-gathering and informed decision-making in dynamic environments (Wiklund & Shepherd, 2005, Jones & Crompton, 2009, Garcés-Galdeano & García-Olaverri, 2019) and the presence of intellectual capability and cognitive agility (Gray, Saunders & Goregaokar, 2012).

Each CEO had a unique leadership style, however. Figure 35 shows how the three SMEs fit with Hart's (1992) framework for strategy-making processes.

	SME2			SME1	
				SME3	
Descriptors	Command	Symbolic	Rational	Transactive	Generative
Style	<i>Imperial</i> strategy driven by leader or small top team	<i>Cultural</i> strategy driven by mission and a vision of the future	<i>Analytical</i> strategy driven by formal structure and planning systems	<i>Procedural</i> strategy driven by internal process and mutual adjustment	<i>Organic</i> strategy driven by organizational actors' initiative
Role of top management	<i>Commander</i> provide direction	<i>Coach</i> motivate and inspire	<i>Boss</i> evaluate and control	<i>Facilitator</i> empower and enable	<i>Sponsor</i> endorse and sponsor
Role of organizational members	<i>Soldier</i> obey orders	<i>Player</i> respond to challenge	<i>Subordinate</i> follow the system	<i>Participant</i> learn and improve	<i>Entrepreneur</i> experiment and take risks

Figure 35: An Integrative Framework for Strategy-Making Processes (Hart, 1992, p.334)

Hart's (1992) Integrative Framework for Strategy-Making Processes shows connections between the three SMEs and each mode, with CEO2 in the Commander role (and only one of the 11 survey responses). According to Hart, 'At one extreme (command mode), top management prescribes desired behaviour by dictating strategy from the top down, leaving little role for organizational members except as implementers' (1992, p.339). My personal interpretation is that, on one hand, CEO2 is acutely aware that a fair number of his employees are content enough to turn up, follow specified directions, and go home, which he is happy to accommodate. On the other, he has tried to custom-fit some of the processes that worked in his corporate experience into an SME environment, which has not always played out as he might have hoped: "small business offers responsiveness; big business offers structure and stability" (CEO2).

By contrast, CEO1 and CEO3 embody the Facilitator role in Hart's (1992) framework, empowering their employees to make decisions and enhance their performance through learning. Both CEOs delegate day-to-day management of specific functions to competent operational managers and specialist professionals so they can focus on strategic planning and resourcing growth. As CEO3 stated, "our business model has adapted to the environment that we're in".

The terms 'entrepreneur' or 'entrepreneurship' (or any other derivatives for that matter) were limited to just two occurrences in the interviews. This is a reflection of how the CEOs viewed themselves, yet much of their responses clearly indicates a sense of entrepreneurial judgement in their approach (Penrose, 1959). Alternatively, 68 references to related words

and phrases indicated the presence of entrepreneurship, such as reflect, learn, assess, transform, influence, plan, lead, control, judge, recognise, vision, and solve.

In consideration of the higher educational achievements of each CEO, the success in maintaining steady growth further supports previous research by Ratzinger et al. (2018) who found that SMEs lead by CEOs with higher education in their specialist areas (e.g., technology or engineering), or business, are more likely to perform better. This is potentially due to their ability to appreciate the value of new knowledge due to the existence of prior knowledge (Wales, Parida & Patel, 2011). Their business environments are competitive and fast moving, requiring innovation and creative thinking (or “design thinking” as stated by CEO3). Another possibility is the presence of critical thinking, a key skill developed at the higher level of education, and conceptual skills: ‘able to understand how various functions in the organization complement one another, how the organization relates to its environment, and how changes in one part of the organization impact the whole’ (Holmberg-Wright & Hribar, 2016, p.14).

The simple act of setting up a business is a clear indication of each of the CEO’s motivations and individual tolerances to risk (Hvide & Panos, 2014). All three had left well-established and well-paid senior roles, one via an MBA, to build on their professional understanding of their business sector, and branch out independently in pursuit of personal goals, exhibiting typical entrepreneurial characteristics (Kozubíková et al., 2015). By contrast, all three CEOs demonstrated an element of caution in their timing of specific strategies (Brinckmann, Grichnik & Kapsa, 2010), choosing to focus on survival, establishing a market position before putting the future of their business at risk by pursuing ill-timed goals. This is supported by previous studies identifying that the self-employed are less likely to take risks than contracted employees (Stewart & Roth, 2001).

SME2 currently occupies this space. The focus for SME1 and SME3 is learning from employees and customers and using the knowledge gained to inform strategic direction, ensuring they are fully prepared and adequately resourced and structured when presented with opportunities for growth. Reviewing Slater and Narver’s (1995) model for a Learning Organisation in section 2.2 (Figure 8), SME1’s organic structure and SME3’s facilitative leadership, together with their market orientation, have created both climate and culture for organisational learning. The SMEs’ views were further endorsed by the survey responses: six reporting that their SME learnt ‘reasonably well’ from internal and external sources, and seven reporting that risks are taken occasionally.

5.5.2 Theme Two: SME Culture

I reported the unique strengths and weaknesses in each of the case studies in Chapter 4. What struck me in particular was the honesty and reflection the responses drew from each participant. Each acknowledged and was able to reflect pragmatically on their business' shortcomings and challenges. I identified similarities and relationships in their responses, and then coded the references to themes (see Table 22).

Themes	Number of references to Strengths	Number of references to Weaknesses
Capability	4	7
Culture	7	5
Customer relationships	8	0
Finance	3	4
Leadership	0	9
Agility/flexibility	4	0

Table 22: Key Business Strengths and Weaknesses

For Strengths, references to the business culture and customer relationships stood out. Hamdan and Alheet (2020) found a direct correlation between culture and organisational, loyalty, trust and collaboration, knowledge sharing, and innovation, risk-taking and EO. Both CEO1 and CEO3 are immensely proud of the culture and ethos that now exists in their business; SME2's is a work in progress. As relatively young businesses, it is possible these factors are likely to have attracted new staff, even if the salaries were not as competitive as other, established employers in the region.

Notably, CEO1 reflected that their 'no-blame culture', unusual for businesses connected with the public sector, is as much a strength as it is a weakness, in that it allows employees to shirk their responsibilities when things "go off the rails".

From the outset, CEO3 stated, "Our ambition when we started the company was to set up a company who could do the difficult technology, which is the unique thing about [location redacted] companies but had a culture which was really focused on customers. And that didn't exist in the other consultancies". An illuminating comment from CEO3 was that the business culture is "always on the edge of chaos" but it was clear he saw this less as a weakness, more an opportunity for innovation: "in a company that's supposed to do innovation for its living, to have that challenge all the time is a good thing. I think if you stop, people become complacent" (CEO3).

SME2's issues with recruitment and developing a corporate structure may have resulted in a lack of cohesion and shared enthusiasm or motivation for the future of the business. Trust in people and in their ability is key to getting the best from them will improve their productivity. CEO2 spoke at length about the challenges with recruiting management people with the right fit for the culture of the business, and their expectations, but also with attrition. A study into *job embeddedness* by Coetzer et al. (2019) makes a good case for ways in which SMEs can adjust physical and process setups to facilitate team cohesion and address some of these issues. This might have learning implications for the culture and employee engagement activities as SME2 continues to grow.

5.5.3 Theme Three: Early Survival Strategies

I chose three SMEs from a unique area of the technology sector (see Table 23).

	SME1	SME2	SME3
Area of technology	Software engineering and cloud solutions	Energy efficiency and carbon reduction	New product development

Table 23: Areas of Technology represented in the case studies

All three CEOs had founded their businesses based on sector knowledge and expertise derived from former employment, seizing the opportunity to enter the market with offers of improved working practices and services. However, each were forced to initially suspend their original plans temporarily to adapt to financial challenges, and focus on generating income for immediate survival, thereby changing their 'market focus' (Boccardelli & Magnusson, 2006, p.162.) For the three SMEs, the reasons for the deviation were primarily two-fold: challenges with entering the market (being either too early with their innovations or too small) and, inevitably, challenges with cash flow.

Mintzberg and Waters might have called this 'emergent strategy' (1982, p.466), or 'opportunistic' (ibid., p.483), although several scholars more recently have referred to such activity as 'reactive strategy' (cf. Teece, Pisano & Shuen, 1997; Gray, 1999; Eisenhardt & Martin, 2000; van Gelderen, Frese & Thurik, 2000). Jennings and Beaver expanded Mintzberg's (1973) 'adaptive strategy' as a 'process concerned with manipulating a limited amount of resources' (1995, p.186), while Drummond and Chell view it as 'a defensive strategy' and 'a retreat to core operations (1994, p.38). Arguably, these are all *survival strategies* and lead to the same result; by reacting, adapting and defending its position, utilising the knowledge and skills immediately present in the business to sell services, the

three SMEs were able to facilitate a much-needed cash injection to ensure business survival.

Both SME1 and SME2 found they were too early for their markets with their specialised offers, and either needed to adapt their plan to find a workable solution that they could take to the market (SME1) or wait for the market to mature in its readiness (SME2). Both offered consultancy from the outset, yet also sought external funding to shore up their financial status; SME1 for developing software; SME2 to buy an established business, which kept the company afloat until the market caught up.

SME3 had set out to differentiate from their competitors from the outset, but as a start-up, their size restricted their ability to hire the right staff and to offer the services to which they aspired. They reached their desired position of scale organically and over a long period. In recognition of the time it would take, they focused on providing the services they could offer from the start utilising the resources and skills available, and on systematically building the business to realise their plan (see Table 24).

	Original Business Aim	Early Business Activity	Reasons for adaptation
SME1	To become a technology company specialising in public sector management of cloud	Technological strategy consultancy	Market readiness Cash flow
SME2	To establish a business helping people to save energy and save money	Energy consumption consultancy	Market readiness Cash flow
SME3	To establish a multi-disciplinary technology consultancy	Engineering consultancy	High competition in an established market Cash flow

Table 24: Early survival strategies implemented by the three SMEs

As Table 24 illustrates, each SME adapted their initial business operations to focus on the founding teams' existing capabilities (i.e., skills, expertise, and previous customer relationships) to start generating income and provide a foundation for the business to flourish. Boccardelli and Magnusson describe this as 'resource flexibility', whereby 'one specific set of resources can be used in multiple ways, and consequently give rise to different capabilities' (2006, p.171). As Dibrell, Craig and Neubaum point out, 'Planning flexibility can improve agility and help the firm leverage the potential of its key resources' (2014, p.2001).

By focusing on profitable consultancy projects, the SMEs stayed close to their sought-after customers and learned from them. SMEs in highly competitive environments 'may be forced to engage in uncertain, risky and resource-consuming actions to maintain viability. They may also need a greater analytical effort to understand and deal with threats, and a longer-term vision to secure a competitive edge' (Escribá-Esteve, Sánchez-Peinado & Sánchez-Peinado, 2009, p.584). Similarly, 'in high- and medium-technology environments, there are many small companies that face constant innovations and find difficulties to apply new knowledge. For many of these small companies, their main objective, even temporarily, is to survive and adapt to a changing technological environment' (Garcés-Galdeano & García-Olaverri, 2019, p.1088).

Previous studies (Tyebjee, 1983; Hill, Nancarrow, & Tiu Wright, 2002) show how the achievement of sales, not marketing strategies, support SME expansion. A focus on the provision of professional consulting services to drive new business not only helped the three SMEs with immediate income generation, but also provided a route to market intelligence, described by Parry et al. as 'a significant source of innovation' (2012, p.713), which helped each to adapt and refine their business plans. These activities mirror Deakins and Freel's (1998) research illustrating how SME learning influences business development and growth, and their flexibility to adapt (Kim, 1993; Pelham & Wilson, 1996). Initially exploiting existing capabilities and engaging in 'risk taking activities' were short-lived necessities while the SMEs found their niche and refined their strategic planning (Altinay et al., 2016, pp.871-2). When asked if the businesses had grown in the way expected, resoundingly, the answer was no, they had not, yet all three SMEs are now delivering the services they had intended at the outset. Their challenges were comparatively similar, yet their journeys unique.

CEO1: "To some extent, it is very different from where we started, but... we've established essentially a secondary business under the same roof to be more of a technology provider, with the same customer base... So, in some respects, [our growth] has been the growth of two separate businesses under one roof"

CEO2: "At first it was just about saving people money and saving them energy. Now people are interested... and so it's got a bit deeper..."

CEO3: "It was very difficult to make [our original aims] a reality when we started when we were a small company...as we got bigger, we could hire more diverse people, and we could then build up a more multidisciplinary business. So we needed the scale really to do it. I think we underestimated the problem of that when we started off"

Figure 36 illustrates the number of trading years each SME focused on income-generating consultancy, and the point at which they were in a position to move into their specialist fields of technology, and pursue their original business aims.

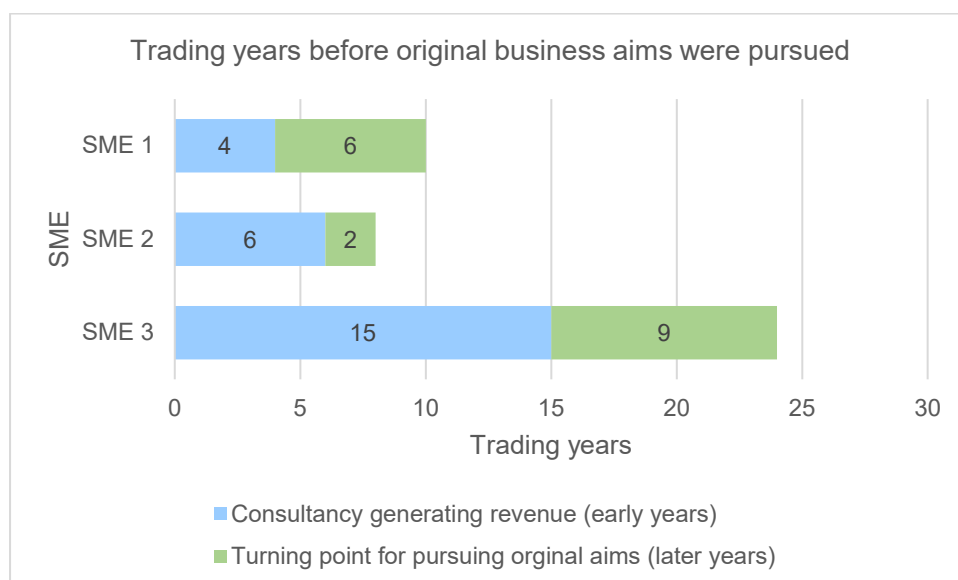


Figure 36: Trading years before original business aims were pursued

The SMEs adaptability was instrumental to their survival. The success of an SME's survival stage determines its future path; whether to exploit new opportunities and expand, or to simply consolidate with enough earnings to maintain the owner's personal income and follow a long-term survival plan until retirement/winding down. In many cases, as annual SME success statistics consistently testify, SMEs that cannot adapt are more likely to fail (Churchill & Lewis, 1983).

All three CEOs had confirmed in advance that they were seeking to grow and were already in various stages of expansion when I made contact. A longitudinal study conducted by van Gelderen, Frese and Thurik (2000) suggested that SMEs following a Reactive Strategy (see Section 5.5.3: Early Survival Strategies) are likely to see a negative effect on business performance, but the experience of the three SMEs contest this theory. My view is that this is due to the educational backgrounds and experiences shared by the three CEOs and their influence on business decisions. Reactive strategy was an early necessity for each, followed by addressing real-time issues with cash flow while they prepared to enter their intended markets, resulting in a delay in the attainment of business growth, but not to any long-lasting detriment to business performance.

5.5.4 Theme Four: Adaptability, Agility and Flexibility

I have explored the SMEs' demonstration of adaptability and flexibility in the early years as they sought to establish the business in the previous section. Specific traits consistent with growth oriented and successful SMEs, such as agility, adaptability and flexibility (Smallbone & Wyer, 2012) recorded 29 references. The presence of three specific capabilities - strategic sensitivity, leadership unity and resource fluidity – imply strategic agility (Doz & Kosonen, 2010). From the survey responses, the highest scoring preference (seven) indicating the key contribution to the SME's attitude for risk taking was the SME's 'adaptability/flexibility'.

The reflections of the CEOs implied these characteristics. For example, CEO2 made direct reference to deliberately playing to the strengths of being an adaptable and flexible SME to gain market share, and indeed feedback from customers had recognised and praised them for these strengths.

CEO1: "the business has grown around the needs and requirements of our customer base"

CEO2: "We're seen as having innovative, we're seen as passionate, and we're seen as a bit agile. So we try to play to an SME's strengths"

CEO3: "Our business model has adapted to the environment that we're in. And I think that another strength of having this multidisciplinary approach is that we can weather the changes in the market as well... that's been a crucial and agile way of working"

Resonant with Shirky's (2008) findings on adaptability, CEO3 also described SME3's flexible approach to working with customers, which has helped them to win business from their larger and more established customers.

Our approach to customers is to ask them what they want first, and then to adapt the contract or the way we work or the way we deliver that to what they're asking for... we don't have any particularly strong processes or procedures, we just deal with every customer differently.

Listening to customers and adapting to their needs to create value was a key characteristic. According to Ulrich and Lake, OC is the 'ability to establish internal structures and processes that influence its members to create organisational-specific competencies and thus enable the business to adapt to changing customer and strategic needs' (1990, p.40). This was more recently endorsed by Weaven et al., 'dynamic capabilities among SMEs are context-specific and often follow flexible courses of action and behaviors' (2021, p. 121).

5.5.5 Theme Five: Initiating Business Growth

All three SMEs confirmed, and provided evidence for, year-on-year growth prior to the interviews. Measurement of their growth drew a consistent response:

- SME1: Revenue
- SME2: Revenue and people
- SME3: Revenue and people

SME1 has two income streams: consulting and software development. The income generated is fairly even between each, but consulting is more profitable per capita.

CEO2 referred to the productivity of their staff several times, indicating its importance to the business. Hiring new employees has a critical impact on revenue, which the CEO monitors closely: “Every new employee takes 12 weeks to turn into cash flow breakeven... In a small business you have to have a really high level of productivity”.

The strategic plans described by CEO3 are based on scalability and so these are interwoven together:

In a consulting business, we sell time. Our turnover and our headcount track together. It is as simple as that... We want to get bigger, because the bigger you are, the bigger the projects you can take on, and the bigger the projects, more profitable the projects are. So there's a huge value in scale in our industry.

Other factors that the CEOs mentioned that were equally important to the future of each SME included:

- SME1: market share and innovation (e.g., software licensing)
- SME2: product range, quality marks and reputation (e.g., *Entrepreneur of the Year*, ISO accreditation [The International Organisation for Standardisation])
- SME3: market share, international expansion and innovation (e.g., IP)

In 2020, SME1 created a wholly owned subsidiary for its cloud consulting business to prepare it for sale and raise further finance to advance the growth of the software development business.


The main drivers for growth fell into three distinct categories, with a fourth unique goal for each SME (see Table 25).

	Capability development	Financial stability	Market share / customer acquisition	Other
CEO1	on the one hand you want to acquire skills you don't have to pursue an opportunity... [but] it's only an opportunity if you have the capability to fulfil it	you need investment, you need customers, and you need money to get there	the business has grown around the needs and requirements of our customer base...we're disrupting an industry	Golden Revenue (software license)
CEO2	whether or not your people can grow with you the way you want, I don't think so... as an SME you haven't got the ability to invest	always in small business cash is king	people's understanding and our ability to create better answers	trying to get a corporate structure
CEO3	there are always opportunities for people to do new things	we were planning to grow at 20% a year	we want to be in the bigger scale to be as competitive as we can	bigger and better projects

Table 25: Main Drivers for Growth in the Case Studies

Early decisions were proactive survival or entrepreneurial strategies designed to cope with the unexpected in the short-term, and keep each business afloat (Coad et al., 2013; Leitch & Volery, 2017; Herbane, 2018). These may have been 'trial and error strategies', but they worked. As observed by Lockett et al.,

There appears to be an emerging consensus that growth-oriented routines evolve as a result of learning from experience and from deliberate experimentation. Repeated use of successful processes, and rejection of unsuccessful ones, provides a foundation for growth capabilities. (2013, p. 17)

The revenue these strategies provided allowed all three SMEs to hire new staff to grow their consultancy business, while knowledge acquisition and planning continued on a smaller scale simultaneously to prepare the SMEs for their next phase. In their second cycle, following 'a pivotal change' (Moreno & Casillas, 2007, p.71), each SME was in the position to push ahead with strategies to pursue their original market offer and rapid growth ensued. The timing of the pivotal turning point was unique for each SME but enabled each to meet their aspirations. Revisiting an earlier illustration (Figure 36), the pivotal change, or tipping point (Phelps, 2007) is marked by  in Figure 37.

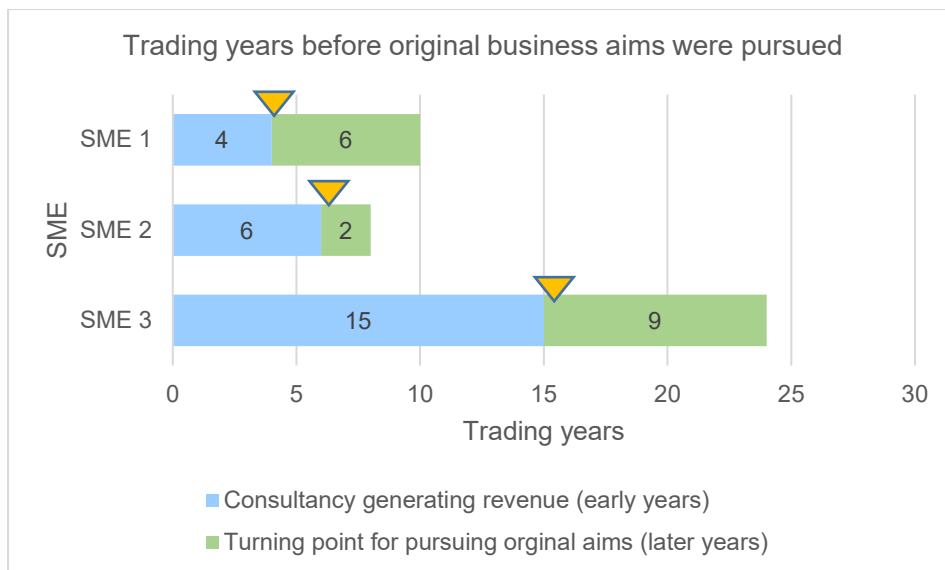


Figure 37: Trading years before the pivotal change

Each SME reached a point where they had both the financial and market confidence, to implement a recovery plan to get them back onto their original track (see Figure 37). In the process, each developed and introduced new resources (SME1: project managers; SME2: business analysts; SME3: capability managers) that contributed to long-term resilience through adaptive and informed strategic planning (Herbane, 2018).

With growth comes the need to recruit new staff to deliver the services, but significant growth, as SME3 has experienced over the past four years, requires new structures, processes and new ways of doing things that no longer work. The new challenge becomes retention, not only of employees, but also of customers.

While building its software division from consulting and listening to their unique client base, SME1's challenge is to grow a skilled staff base who are sensitive to the demands of a very niche market. SME2 recognises their status among huge multinational competitors, focusing instead on delivering a unique information service to help grow business.

SME3 is outgrowing its physical space but is also expanding internationally and attracting the exciting projects it aspired to win years ago. The concept of *scale* takes on new meaning, yet the operational model allows the employees who now own SME3 to play a key role in how the business grows, so that retention, motivation and the encouragement of their personal investment is integral to the strategies adopted.

5.5.6 Theme Six: Principal Challenges to the Business

Referring to Table 22, the key challenges to growing business were the same as the drivers for growth, but issues with 'Finance' (13 references) far outweighed those caused by 'Capability' or the 'Market' (4 references each), especially for SME1 and SME2. In fact, there were 99 references to 'cash', 'cash flow', and 'finance'.

Access to finance supports any SME's growth plans for recruiting or training to enhance capability, thereby facilitating expanding their customer base in pursuit of greater market share. A common theme is the upfront investment required to innovate and offer something unique to a well-established market. Each SME approached this differently; SME1 and SME2 through consultancy and private investment; SME3 through consultancy and what might be described as patience.

CEO1: "I think software businesses are very capital-intensive, and they have a phase where they are very capital inefficient as well, because risk is really high"

CEO2: "Cash. Cash flow, to be specific. Every new employee takes 12 weeks to turn into cash flow breakeven" and "the banks don't really want to work for you"

Conversely, SME3's growth has been frustrated by a lack of an available skilled workforce, exaggerated further by the number of bigger local competitors seeking similar skills who were able to offer more attractive pay and benefits.

Both CEO1 and CEO3 operate in one of the most competitive areas for technological innovation in the country, which is also ranked amongst areas with the highest cost of living (Hemming, 2018). Both experienced challenges in recruiting people with the right skills and attitude to meet their business needs; these employees are simply not widely available. Both have recently engaged digital technology apprentices to try to develop the skills they need through a work-based learning approach; time will tell if this works for either.

5.5.7 Theme Seven: Environmental Scanning

Business strategy in SMEs is 'a personality-driven, opportunistic or instinctive approach, channelled through an emergent planning process. In defining strategy, small business decision makers assimilate information and advice from a wide array of professional, business and personal sources' (Burke & Jarratt, 2004, p.126). In the earlier years, when each of the three SMEs were just a small group working to establish a business that could

generate income, their assumptions, perceptions and opinions would have dominated the decisions taken, therefore they were the business strategy (van Gelderen, Frese & Thurik, 2000).

Karami, Analoui and Kakabadse (2006) discovered that the CEO's awareness of environmental factors was of significant importance to their strategy development processes. The term 'environmental scanning' was defined by Aguilar as 'the process that seeks information about events and relationships in a company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action' (1967, p.1). The three case studies revealed a clear and relatively balanced split in their most reliable information sources for strategy development between external (customer and competitor) sources (10 references) and internal (employee/contractor) sources (eight references). The presence of consultants in each of the three firms provided them with early competitor and market intelligence. CEO research played a smaller role in providing new information (four references). Lybaert states 'the manager's sensitiveness to information, and likewise the firm's sensitiveness, is a function of the person-specific characteristics of the SME owner/manager' (1998, p.171).

CEO2 in particular was keen to embed a learning culture within the business, especially as more opportunities were emanating from customer referrals, indicating they were doing something right:

We try and look at the big jobs and lessons learned, so what went well, what didn't go well, and what can be done better. We're trying to introduce a continuous improvement culture... the idea is to try and force a process so that we can learn how to learn, to try and get the guys to keep appraising their work to then identify threats.

CEO1 recognised the importance of learning from customers, competitors and the market, but also retains his love of research from his academic training: "I do a lot of reading, I do a lot of private research; it just becomes part of the job". However, SME1's early consultancy business proved to be a valuable source of information from customers as they learned about the issues they needed to resolve, and this intelligence undoubtedly influenced the business strategy to help SME1 achieve the market position they now command.

According to Wright et al., 'The nature and diversity of knowledge among the entrepreneurial leadership team also has a positive bearing on growth, both directly and indirectly via

opportunity identification' (2015, p.9). CEO3 made a particular point about the directors staying close to business operations, something their competitors often fail at:

The company is not run by managers who do nothing but manage. Everybody in the management team has an operational role as well. And that's done on purpose to keep the strategy of the business very close to the market, because the people in that meeting, they're all meeting customers, every day or every week, hearing what customers are saying, getting the feedback from the customers.

5.5.8 Theme Eight: Developing KM Processes

All three SMEs have developed unique ways to share knowledge internally, although SME1 manages this less formally than SME2 or SME3, which have more established processes and mechanisms, such as meetings and briefings. SME3 has a much more robust and sophisticated approach to KM while SME1 and 2 might be described more accurately as 'information projects' (Gold, Malhotra, & Segars, 2015, p.186). Those working directly with customers have information they may not recognise as important but could actually be a *golden nugget* of strategic intelligence, hence employees are a source of strategic knowledge (Malecka, 2018) and are encouraged to contribute, thereby cementing commitment and loyalty (Hamdan & Alheet, 2020). All three SMEs recognise this and each attempt to engage their staff in knowledge sharing. As Darroch suggested: 'Internal processes and insights rather than external market prices and cost signals will greatly influence a firm's growth' (2005, p.103).

CEO1: There are examples of somebody doing something that then actually has potential across the wider business.
There is more knowledge within different levels of the business, so you have to trust the people within the hierarchy of the business.

CEO2: Staff have a one to one with their manager every month, so part of that process is to ask those questions and share things with them.
Trying to get people engaged with what's important and what the issues are and what we're trying to fix.

CEO3: We hear any issues from the staff and then collate them and raise them in the management meeting.
All of the guys in the sectors know where their sectors are going.

The success of the CEOs' business strategies is influenced by the way they assess the information they receive, whether as an ensemble of a management board or the CEO as an individual, and how they use or process it - referred to as absorptive capacity (ACAP - see

Section 2.2.1: Absorptive Capacity). In entrepreneurial SMEs, it is likely that this will be largely reflected in the development, experience and motivation of the owner/manager and key staff members' (Ipe, 2003, p.347). Much of this will be down to experience, risk adversity and personal intuition of the decision makers, but also the level of trust that exists within the organisation (Santoro et al., 2020). Mitchell et al. describe this as 'entrepreneurial cognitions... the knowledge structures that people use to make assessments, judgements, or decisions involving opportunity evaluation, venture creation, and growth' (2002, p.97).

According to McKenzie, Winkelen and Grewal, 'Decision making is a knowledge-intensive activity' (2011, p.411). What SMEs learn from this knowledge, and how they use it, is critical to the success of their strategic decisions (Dalkir, 2013). Knowledge gathering is integral to SMEs to understand how their business needs to work flexibly to customer needs, especially to survive earlier years. Learning from experience, as Macpherson and Holt point out, 'provide the knowledge to adapt and grow' (2007, p.178). Each of the SMEs have created a unique learning organisation (Zhang, Macpherson, & Jones, 2006), serving them in customer/market knowledge and understanding where service improvements are required. The interview transcripts included 72 references to 'learning', 'acquiring information', and 'developing organisational knowledge':

CEO1: while we can do much more as a larger organisation, there is lot more complexity and it is much harder to measure the impact of a piece of information and link it to strategy. At the same time, there is more knowledge within different levels of the business, so you have to trust the people within the hierarchy of the business.

CEO2: We try and look at the big jobs and lessons learned, so what went well, what didn't go well, and what can be done better. We're trying to introduce a continuous improvement culture.

CEO3: Everybody in the management team has an operational role as well. And that's done on purpose to keep the strategy of the business very close to the market... strategy is just a matter of putting together these ideas, it's going forward, because we're really well connected.

5.5.9 Theme Nine: Readiness to Overcome Challenges

With the backing of a private investor, and several lessons learned under their belt, SME1 is optimistic about their future growth and overcoming any challenges. Having successfully secured investment in 2018, SME1 has instilled confidence in their investors, which has laid

the foundations for another imminent cash injection: “I think this is one of the key learnings a business can do” (CEO1).

SME3 is equally confident, but for different reasons. Not only do they treat every project differently, with a unique team established around the customer to meet their specific needs, but also because their multi-disciplinary approach allows them to focus on different sectors depending on fluctuations in demand and markets. The very detailed focus on business planning and strategy enables them to flex the business activities as required; “another strength of having this multidisciplinary approach is that we can weather the changes in the market... all our eggs are not in one market sector” (CEO3).

CEO2, however, was nervous about the future, especially in the long term, and worried about being complacent and taking his eye off the ball. This can partly be attributed to the length of time between when contracts are initiated to when they bring in revenue (12-18 months) but also because the business is so heavily reliant on its people and their productivity. The fear of the pandemic was also in his mind: “if 20% of the workforce was out of action as they’re suggesting today, we would be in trouble... Customers... need to understand what we do and how we do it, and see it working” (CEO2).

5.5.10 Theme Ten: Approaches to Strategic Planning

As the case studies have shown, there is general ambiguity around the term ‘strategy’, yet the three CEOs demonstrated their ability to create it in a formal, considered way. Hang and Wang (2012) reported a unique approach in the SME decision-making process that is influenced predominantly by the CEO.

For example, CEO2 tends to make decisions in relative isolation in pursuit of his personal business aspirations and disseminates these plans to the employees, although he tries to take customer and employee views into account. SME1’s executive team make business decisions primarily by consensus, but often these originate from other staff members, for example, when employees demonstrate new practices or ideas that appear to solve a problem. SME3’s decision-making processes are bound within a formal meeting structure that involves a vast majority of the staff, in pursuit of a long-term plan, and appear to be moving to a closer alignment with a strategic planning process.

Each case illustrates an entrepreneurial dimension to business decision-making, with different measures of autonomy, innovation, risk management, proactivity and

competitiveness (Lumpkin & Dess, 1996). My own interpretation of these approaches is that they are analogous with the leadership styles of the founders of SME1 and SME2, and reflective of the employee-led partnership structure that SME3 has become, thereby honouring their duty to capture information at all levels to ensure the business is on track with their plan.

According to Wright et al., 'the acquisition and exploitation of new knowledge lie at the heart of growth' (2015, p.8). All three CEOs started their business from a position of market expertise, with a team of former colleagues to support them and contribute to existing knowledge. Their leadership capability in continuing to acquire new knowledge, and know what to do with it, plays a critical role identifying opportunities for growth. The Diamond-E strategy-development model offered by Crossan, Fry and Killing (2004) in section 2.1.3 is typified by all three SMEs through their reassessment of strategy according to the new knowledge acquired. As expected, half of the new knowledge is accrued from each SME's employees (i.e., what they hear and read) and half from their customers (i.e., what they are looking for, what competitors are offering and/or telling them, and how their services or products are better or worse).

CEO1 believes that potential risk is more influential in making strategic decisions, although in the formative years, he was avidly following developments in the market and identifying where there might be opportunities for the business. "You try to talk about the future obviously – strategy is forward-looking – so it's not so much about being informed about your own business, to me it's always been how optimistic or pessimistic you are and what's your risk profile, so that's the trade-off really".

CEO2 follows a more controlled approach to planning and developing strategy, not only a demonstration of the CEO's intimacy with business operations and the market, but also a likely imitation of the approaches learned in his previous employment experiences with large corporates.

For CEO3, understanding the market and the customer, and focusing on modelling and viability assessments early in the development phase, was the foundation of successful projects, with all employees and customers contributing to the gathering of information to ensure the resulting product truly met the needs:

"this holistic approach where you have all the different groups within the company working together even though they have very different points of

view...when customers come to us, they meet somebody who understands exactly what's going on in that sector, who the competitors are, what the products are, and gets what they're looking for commercially immediately...So work out what the customers want, make sure you've got that absolutely nailed down"

Strong management capability and processes facilitate growth, central to which is intellectual capability (see Section 5.5.1: Leadership Capability, Styles and Attitudes to Risk). All three CEOs were motivated to grow their business. Their business aspirations, structure and approach to strategic planning, however tenuous or robust, are a clear indication of their intentions and commitment to this. However, each CEO takes a unique approach to defining the strategies that will enable their business to grow.

Management capability is reasonably strong for each of the three CEOs, each having held management roles in previous employments, but individual leadership styles is the clear distinction between them. As Wright et al. stated, 'Leaders need to be both willing and able to grow their firms' (2015, p.9), and there is evidence from the case studies that this is true for all three CEOs. Although all three have attained master's level education (MBA, MA, MEng), they display varying degrees of EO and are mindful of how even the smallest risks can make a sizeable impact on the business, but their attitudes towards learning and appreciating their operating markets was unequivocal, demonstrated by the early survival strategies they pursued.

CEO1 admits to having a fairly loose board structure, where consensus decisions are made. He admitted that financial capability has been rarely present at Board level, although venture capital investment has required a stronger focus on finance more recently. Employees suggest ideas across the business; the inference is that they are discussed, 'kicked about' by senior managers, and then strategies that fall emerge from this process are tested, with the expectation that some will fail, and some will fly. Arguably, this experimentation strategy (Lockett et al., 2013) is not causing the business too much of a disservice as SME1 continues to grow in both revenue and profitability, despite Covid-19:

The business is now changing and separating so we are spinning out two divisions and breaking it up into two because the companies have quite different futures...Our growth will come from new sales, from efficiencies we implement, and ultimately the quality of our solutions and the value they bring to our customers. (CEO1)

By contrast, CEO2 followed his corporate roots and has a very structured approach to developing strategy, with team leaders' reports and case notes, and customer feedback

contributing to the annual reshaping of the business plan, which is presented to staff in company briefings. As SME2's CEO stated, "if I've got a plan, I know where my business is going". Mintzberg would deem CEO2's 'specific intentions' to be deliberate strategic planning (1994, p.25): demonstrating how ongoing learning informs the strategy.

SME3's reformation as an employee-owned business required the adoption of a new governance structure, which then required a review of processes and planning mechanisms. Simultaneously, the business experienced its sharpest growth period, so processes quickly became unworkable as the business scaled up, presenting new but expected challenges. A pyramid of meetings keeps the business focussed on their long-term plan, with employees at all levels encouraged to contribute to strategic decisions, providing they meet the business plan and aspirations. The partners, who are ultimately accountable for the success and profitability of the business, make the final decisions.

The difference between the three SMEs is the location of the decision-making responsibility within the business. Both SME1 and 3 are decentralised and participative (Verreynne et al., 2016) with boards acting as facilitators and decisions are partly based on input from employees, which suits a dynamic, creative environment (O'Regan et al., 2005). By contrast, SME2 is more centralised, and decisions are made by the CEO and passed down to the staff. He does however consider information passed up from customers and employees. In his analysis of the effect of strategic decision-making on performance, Andersen noted:

'distribution of strategic decision power is associated with higher performance in dynamic environments... effective organizations not only decentralize strategic decision making but also engage in integrative strategic planning processes' (2004, p.1290)

5.5.11 Theme Eleven: Sustained Growth through OC

The case studies exposed some of the challenges experienced by the SMEs in the development of OC to serve the business in terms of both performance and growth. Interestingly, for weaknesses, references to Capability and Leadership were the most dominant themes across the three cases (see Table 22). 'Capability' covered a multitude of challenges; recruitment of key skills (SME1 and SME3); productivity and motivation (SME2); accountability (SME1); experience/age relating to attitude and passion for the business (SME1 and SME2) and specific management capabilities (SME1: HR and Finance; SME2: middle management; SME3: administration and processes).

Greer, Carr and Hipp stated that, 'Staffing success or failure in even one position can enhance a small firm's performance or threaten its very existence' (2016, p.741).

Fortunately, neither SME1 nor SME3 seemed to be adversely affected in the long term by their deficiencies, apparently either adapting to manage these challenges, or simply working around them.

Zahra and George stated that, 'the four organizational capabilities of knowledge acquisition, assimilation, transformation, and exploitation build on each other to yield ACAP [Absorptive Capacity] – a dynamic capability that influences the firm's ability to create and deploy the knowledge necessary to build other organizational capabilities' (2002, p.188).

Whilst the academic perspective on dynamic OC is clear, these are the *lived experiences* of OC for the three CEOs:

CEO1: something that "comes as a result of many skills coming together across the business", (similar to Grant's definition (1996a))

CEO2: (summarised) something that's necessary to integrate the business and develop the offer to the customer (corresponding to Ulrich and Wiersema (1989))

CEO3: a collection of "the skills that we can offer our customers that we can sell to our customers" (exemplifying Miocevic and Morgan (2018)).

By their own definitions, each CEO confirmed their acknowledgement of the strategic nature of OC, and the company-wide importance of using what they have learned to identify where they need to adapt and to reconfigure teams around the customer, a clear demonstration of ACAP, facilitating the creation of both value in their customer offer, and in dynamic OC.

Continuous environmental scanning puts the CEOs in control of fluctuations and changes to which they need to adapt.

CEO1 reflected that to achieve growth, the business had to either develop or hire new capability:

Our original approach was to design, so design thinking and telling customers: *it doesn't really matter what you do, we can design it better*, and it worked to some extent. The key gap that we were missing was subject matter expertise. So we've hired a lot of subject matter expertise.

SME1 excelled in exploiting their unique position, repositioning themselves to their customer base and filling the evident gap in services needed, and have since attracted new customers

with their value proposition as a result, proving Heikkilä, Bouwman, and Heikkilä's (2018) theory.

Corroborating innovation theory in growing SMEs advocated by Corsi, Principe and Capriotti (2019), CEO3 described the strategic process SME3 has developed for cost effective product innovation, in terms of research, modelling, costing and evaluating the process to ensure nothing has been forgotten: "So we have a whole team of people whose job it is to do that front-end bit of finding out what customers want, and then iterating until we've worked out what is the best possible product to go to market".

CEO2 explained a new technical cloud they had recently launched, which had won an award: "we're talking to people about our service; how do we get the people ready for what they need? How do we manage it? How do we have enough capability that we can show it... it's not the people that need to be adaptable, it is the business. The business has to recognise that and be equipped to deal with people".

All three SMEs' capability weaknesses are synchronous with their leadership challenges. Processes become a challenge when they no longer serve their purpose in a growing business, as CEO3 reflected: "all the time in a growing business, business processes are running out of steam". Operational efficiency is a new capability SME3 needs to acquire, and they are making good progress towards this.

SME2 experiences an ongoing challenge with hiring middle managers and creating a working corporate structure, which continues to frustrate CEO2's desire to delegate some of his responsibilities to focus on business growth strategy: "the business goes where the leader goes; so if you start to relax and get a bit complacent, the business loses".

SME1's challenges with employee accountability are likely to continue until they find a solution to embedding HR and Finance capability in their leadership team. As CEO1 reflected, the feedback they receive from customers gives them a critical steer and sense check that they are doing well and the contributions from the team keep help resolve any issues:

We now have a professional who looks after the projects and keeps them on track, so we don't miss anything. People are saying 'we're missing this, and this' and the managers come up with as solution. The business develops new ideas for fixing problems and developing internal capability as we go.

The development of OC for each SME has taken a different path, first at foundation level, (Helfat & Peteraf 2003) where the resources available for exploitation were limited, to an organisation level where capabilities are progressively aligned to the markets of each SME. As the SMEs have grown and pursued specific customer-oriented activities, their skills base needed to expand simultaneously. CEO1 mentioned the success of hiring project managers, which supported the business in keeping projects “on track”.

SME1 and SME3 needed to bring in specialist skills to compete with their larger rivals and align their business to customer needs. On one hand, the specialists allow them to expand the services they offer to add value to customers. On the other, specialists are less adaptable than those who joined earlier and became used to juggling several roles at once. As CEO3 recalled, “In the early days, those people were fairly general, they could turn their hand to a whole number of things. But when they become quite specialised, they can’t do that anymore”. This presents an interesting perspective relating to the dynamism of capabilities, indicating a decline in resource adaptability as the business aligns closer to its customers. CEO1 echoed this sentiment:

“The strength in the capability of a start-up is that you can apply particular individuals towards solving specific problems and thus generating value, so we have done and continue to do a fair amount of that. As the business, and especially the developed products and services, become more rigid, as the business grows then products and services are essentially an expression of capability within the business” (CEO1)

SME3 has overcome their challenges by bringing teams with a range of capabilities together:

“As we got bigger, we could hire more diverse people, and we could then build up more multidisciplinary business... now we’re in a situation where we’ve got lots of specialists in the company and we got huge amount of expertise... we’ve stuck to our guns of saying...a general approach is a better one. And I think, long term, it’s put us in good stead” (CEO3)

Although growth in the number employees might have been stymied, CEO2 has successfully trialled a new approach to developing capabilities by hiring subject matter experts in analytics and educating them in SME2’s sector to support the growth of a new service to customers. CEO2 also positively viewed SME2’s issues with recruitment and retention:

You want churn, particularly in a small business because it brings new ideas, it brings perspective... That’s much more important for small business; small business offers responsiveness.

SME1's process for identifying skills and capabilities is organic and borne from conversation and feedback; SME2 has a clear process that identifies the skills they look for in future roles, and SME3 is guided by their embedded and collaborative corporate strategy. The main influences on capability development for both SME1 and SME3 are their customers, while SME2 is focused more on the productivity and performance of their employees.

CEO1 referred to identifying gaps in capabilities through their close relationship with customers and learning from their employees, stating "People are saying 'we're missing this, and this' and the managers come up with as solution. The business develops new ideas for fixing problems and developing internal capability as we go".

CEO3 also indicated that the customer relationship was the key factor in identifying developing new capabilities, akin to Shirky's (2008) assertions. "We have about 100 capabilities that we've currently identified in the company... and how they relate into the business sectors. And as we grow and offer new services, then we have to add on new capabilities" (CEO3).

CEO2 takes an alternative approach in the form of an internal review to identify if gaps are likely to affect future business, mindful of finding their competitive edge: "It's very hard to work out the right way, you just got keep trying things, and then work out where you can compete and where you're going to really hit a button with people. So the skills you need are adapting". This resonates with the findings of Arbussa, Bikfalvi and Marquès, in that 'different underlying capabilities are needed at different strategic stages' (2017, p.290). The challenges for SME2 are the emergence of the eco-market and expectations for staff performance. The recognition that new employees can be taught the intricacies of the new market has allowed the business to concentrate on skills gaps and build internal organisational capabilities to support customer acquisition and business growth.

Teece and Pisano identified that 'firms that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences' exhibited dynamic capabilities (1994, p.538). The adaptability and flexibility of each SME in this study supports them in their ability to strategically realign capabilities and shore up areas that are lacking or missing so they can *dynamically* meet sudden changes in customer needs or market developments, which are ever more accentuated in the fields of technology. SME3 exemplify this with their forward planning strategies (Orser, Hogarth-Scott & Riding, 2000). As Wright et al. assert,

‘capability development is a mediator of the relationship between dynamic capabilities and firm performance’ (2015, p.9).

For the three SMEs, OC manifests for each as:

SME	OC
SME1	Sector expertise Sensitivity to customers’ ethos Innovation and IP generation Project Management
SME2	Sector knowledge New service innovation Business energy analysis
SME3	Potential realised approach to projects Customer partnerships Multidisciplinary approach Innovation modelling and conceptualisation

Table 26: OC specific to each SME

A common theme to the three case studies is innovation, which is not surprising given the sector within which each SME operates. Nelson suggested, ‘To be successful for any length of time, a firm must innovate’ (1991, p.68). Eklund reported the positive impact of ‘innovation capabilities’ influenced by KM processes on SME growth (2020, p.701): ‘one of the most important dynamics that enables SMEs to achieve a high level of competitiveness’ (Saunila, 2016, p.163).

Motivation, productivity and retention enhance business performance (Kemelgor & Meek, 2008). In the absence of any formal HR presence or processes during the early stages of business growth, the culture of the business, fashioned by its employees, influences the attraction and retention of new staff. The first employees are often known to the founding CEO. Indeed, CEO1 and CEO3 each brought with them people with whom they had previously worked, therefore they are likely to have mirrored or complimented the founding CEO’s own philosophies and ethics. CEO1 and CEO3 were excited and passionate about their businesses, and advocate for employee engagement and empowerment, seeking to ensure their staff have opportunities to be innovative and make a full contribution to the business. OC followed as a result for each, as illustrated in Table 26. Despite the lack of a formal HR presence, HR *practices* manifest through business leadership and culture to create a platform for growth strategies (Greer, Carr & Hipp, 2016) and the early development of dynamic OC that has secured sustained growth for each SME.

The cultures that have emerged in SME1 and SME3 promote open communication, the empowerment of their employees, active seeking of feedback, innovation and ideas, strong team-working ethos, flexible working practices, direct access to managers and customers, harmonious environments that are solution-focused, and immediate contribution to the business output, thereby feeling valued. These cultural factors could be classed as organisational capabilities, as it is highly likely they facilitate effective communications and innovation that serve customer aspirations for both SME1 and SME3. In addition, 'the fact that small firms offer lower earnings than larger firms suggests that the convenient of location and generally the non-material satisfaction of working in them more than outweigh any financial sacrifice involved' (Storey, 1994, p.186). The harmonious alignment of SME1 and SME3's cultures with their strategies has resulted in innovation, which has subsequently prompted business growth (Wu et al., 2019).

5.5.12 Theme Twelve: Creating Value for Customers

All three CEOs referred to customer relationships as a strength, and the most recent financial reports refer to repeat business (SME1) and a significant increase in international business (SME3). Positive terms used by the respondents were 'respected', 'easy to work with', 'customer service', 'partnership', and 'offering solutions'. Customers are an important source of external knowledge (Chen et al., 2006), as each CEO confirmed. Successful business performance relies on 'creating and maintaining value for customers' (Sirmon, Hitt & Ireland, 2007, p.273). All three SMEs demonstrate customer-orientation, with their customers and their customers' technological needs central to business strategy development. Appiah-Adu and Singh (1998) note that:

A combination involving customer orientation and an innovation strategy exerts a positive impact upon new product success which, in turn, enhances sales growth. There is a link between customer orientation and product quality, which, in turn, influences performance. Delivering consistently high-quality products and services to customers should enable an SME to achieve a sustainable competitive advantage in the marketplace (1998, p.391)

Creating value for customers was a key theme that emerged from the NVivo coding of the interview transcripts, with 153 references across the four codes. Despite initially being survival strategies, the SMEs retained the consultancy services as legitimate income streams. In late 2020, SME1 was offering their consultancy business for sale to raise funds for software development, which indicates a new confidence in their 'willingness to change' direction (Calantone, Cavusgil & Zhao, 2002, p.517), an exhibition of innovation capability, especially since the consultancy was more profitable.

Our growth is closely linked to the value we generate to those customers... The needs and strategic plans of the customers are known because they are published in the tender documents. Our growth will come from new sales, from efficiencies we implement, and ultimately the quality of our solutions and the value they bring to our customers (CEO1)

For SME2, the consultancy business has given them vital opportunities to listen to customers and identify where their real opportunities lie, thereby repurposing acquired knowledge to focus on educating customers in the value of their technology:

We're looking at how the markets are buying and what they're influenced by plus what can we offer and what do we understand. The breadth of understanding what they want us to do will be different for every customer, but knowing the relationship between these things, and making sure that our people internally know that, is quite important (CEO2)

For SME3, their unique approach to developing a multi-disciplinary consultancy set them apart from their competitors and has become one of their most valuable USPs:

Because we're multicultural in terms of science and arts, those people naturally work together as a team to deliver projects, and that thinking then spills over to our customers. So, we try not to think of our customers as customers and but to just integrate them into our team, as a partnership. And I think that's something our customers really value, and we didn't realise it was so important (CEO3)

Creating value in the market is important to each SME, which ultimately drives business performance and growth (Anderson, Narus, & van Rossum, 2006). The SMEs demonstrate their understanding of the importance of feedback to business success (Simpson, Padmore & Newman, 2012) and their ability to learn through market developments and customer feedback by repurposing resources, innovating, and creating value in their sectors, epitomising Moreno and Casillas' (2008) conceptual framework.

Importantly, the value the SMEs bring to their customers creates a motivating and exciting work environment, and creates a sense of employee equity (Cardy, 2007) where a strong connection with the aims, values, and ethos of the SMEs 'yields loyalty, satisfaction, and retention' (Cardy & Lengnick-Hall, 2011, p.214).

Whilst these attractive factors improve recruitment and retention (Kemelgor & Meek, 2008), it is the resultant retention of knowledge that will have further-reaching benefits for these businesses (Nelson & Winter, 1982). As Grant points out, 'the essence of [OC] is the

integration of individuals' 'specialised knowledge'; knowledge has emerged as the firm's 'most strategically-significant resource' (Grant, 1996a, p.375) (see Chapter 2: Literature Review). The combination of customer-focused consultants and highly skilled technical staff working together in an environment that fosters freedom in sharing ideas, innovation and information offers vast opportunities for a growing business. Calvo-Mora et al. observed that KM is enhanced in SMEs since they have 'greater proximity, contact and knowledge with customers' (2016, p.670). Joining these features with responsiveness and adaptability to respond to new challenges also allows the SME to achieve growth driven by its (organisational) capabilities. The dynamicity of these capabilities in fast-changing environments is therefore already present (Teece, Pisano & Shuen, 1997).

Although his definition of capability might have been slightly vague, CEO2's opinion that his business needed to adapt to the market, not the people, is undeniably clear, and indicated that he did not see his business as being the collection of people he employed, but something separate, almost unconnected.

5.5.13 Theme Thirteen: OC Development and Productivity

There were three specific issues relating to employees:

1. Hiring and retention was a real challenge in specific skills – HR and Finance (SME1); management (SME2); technical (SME1 and SME3).
2. A *start-up mentality* that affected recruitment success (SME1 and SME3).
3. Concerns relating to productivity (SME2).

Hiring skills:

Lee (2014) reported that high-growth firms perceived recruitment to be a major challenge to firm growth. All three SMEs encountered difficulty in hiring the right skills as the business expanded, a challenge shared by approximately 30% of SMEs (Nesta, 2017). This was reinforced by the survey responses (10 of 11). As CEO3 lamented, their biggest issue by far is, "People. Getting people. There's a huge lack of trained engineers in the UK and that really is a major problem".

The geographical location of the three SMEs also contributed to challenges with hiring technical staff. As Nesta explains, 85.9% of respondents to his survey confirmed that recruiting staff was the biggest barrier to growing their business in the East of England, and

70.2% confirmed a shortage of the skills they needed in the external labour market (2017, p.41). SMEs feel the financial pain of recruitment more than their larger competitors, who can invest in more innovative means of locating new prospects and attracting them with incentivised pay and benefits.

Start-up mentality:

One of the surprising revelations from the interviews was the notion of *start-up attraction*. This was commented on by both CEO1 and CEO3:

CEO1: “we’re particularly exposed to people who don’t feel a passion about the business and just want an easy ride. Our assumption had been that people don’t really join start-ups without it, but it turns out that some do.”

CEO3: “It’s difficult to hire people when you’re a small company, because there’s a certain sort of people who like to work in start-ups. But that’s a limited population of all the people you could hire.”

While both CEOs could cite the names of employees who had joined at start-up and remained with the business, they admitted that there is a certain type of worker who is attracted to the start-up phase but will seek a new adventure after the business has advanced to a more established phase. A limited amount of research in this area (Kickul, 2001; Kemelgor & Meek, 2008; Schlosser, 2015) suggests that individuals exist who are uniquely attracted to start-up situations, predominantly lured by their flexibility, lack of ‘corporate’ structure and processes, organic and possibly somewhat unconventional approaches to getting ‘the job done’ (Schlosser, 2015, p.39). They tend to be ‘multi-skilled’ and can ‘showcase special talents’ (Kemelgor & Meek, 2008, p.77), and often share the CEOs’ attitude to risk-taking and chasing a dream (Tuchman, 2009).

This could be related to the age of the worker, and their need to experience a variety of environments before they settle into a longer-term career. Ouimet and Zarutskie (2014), for example, found that start-ups employ younger workers: 27% between the ages of 25-34, and over 70% under the age of 40. They suggest that younger workers are more recently educated, and offer the most up-to-date technical skills, are relatively more mobile and independent, without mortgage or dependencies, and therefore more ‘risk tolerant’ (2014, p.387).

These *start-up seekers* ‘place less emphasis on salary and job security than employees in established firms, and instead place a higher value on responsibility, innovation, and challenges’ (Block, Fisch, & Van Praag, 2018, p.579). Their reasons for becoming dispassionate when the business grows beyond its embryonic stage might be explained by the introduction of more formal structures and HR processes, or because opportunities for career development or increased responsibility have been diluted by a growing number of employees. The challenge for SMEs is to hire a balance of both innovative, creative ‘can-do’

individuals with flexible attitudes and motivations, but also reliable, skilled employees who are safe pairs of hands to provide stability to the business as it grows – potentially ‘hidden gems’ (Schlosser, 2015, p.39).

Productivity:

CEO2 clearly struggles with the issue of productivity, noting how “In a small business you have to have a really high level of productivity and that’s really quite hard because you’re constantly confronting issues”. The ‘trial and error’ approach to recruitment that currently prevails fortunately appears to be having little if any negative effects on business growth, but SME2’s employees have been recently subjected to major changes including a strategic move away from the construction sector, and a restructure of roles and responsibilities. Keeping staff informed and giving them regular feedback, especially in their individual performance, is recognised to improve commitment and therefore productivity (Kemelgor & Meek, 2008). SME2 follows this approach, despite CEO2’s acceptance that a proportion of their employees simply “want a job, get paid for a job and they want to get home” (CEO2). The flexibility of existing staff and their satisfaction with the working environment will increase productivity and may result in the responsiveness to which he refers as staff fit and compatibility with the business ethos enhances staff performance (Greer, Carr & Hipp, 2016).

Nesta’s (2017) report noted that the total value of output per head in SMEs had barely increased in nine years, but again SME size and ability to compete with more efficient processes and structures found in larger business compounds the issue. The report also revealed that the productivity in East of England SMEs was below the UK national average, and technical services ranked tenth in productivity in 17 business sectors.

5.5.14 Theme Fourteen: Contemporary Challenges to SMEs

The greatest challenge for SME1 and SME3 is hiring specialist skills, and for SME2 it is hiring middle managers. The second most frequent response to the survey question: ‘What is the single biggest challenge the business has right now in relation to its growth strategy in the near future?’ was ‘Lack of skills/capability’. Both SME1 and SME 3 are based in a UK city which has grown at a considerable rate in a short time, where the rise in the cost of living has yet to be offset by improved infrastructure (Gale, 2019), putting an additional strain on hiring essential skills.

The highest rating response to the same survey question however was 'Uncertainty caused by Brexit', and 60% of the 193 SMEs surveyed by TechUK in 2019 blamed chaotic planning and poor communication from the government, and the failure to clearly identify the potential outcomes of Brexit (Ross, 2019). TechUK's survey revealed that SMEs believed the UK government failed to listen to their concerns, and that the solutions sought by SMEs were at odds with Government policy. Government officials have admitted that they need to develop their understanding, but 'engaging with [SMEs] is particularly challenging' (Kelly, 2019, unpagued) on several fronts. A panel-reviewed report from the Department for Business, Energy and Industrial Strategy (BEIS) in 2018 revealed that, while there had been a range of initiatives proposed and implemented to support SMEs with their productivity and growth, SMEs found them 'difficult to navigate' (2018, p.3). The panel also recommended that any future schemes should be 'adequately stress-tested before they are introduced so that they are more likely to endure, which will improve SME confidence in them' (BEIS, 2018, p.18). Clearly, a critical divide exists between SMEs and the government and more needs to be done to encourage SMEs to guide officials in their understanding to improve the support offered and focus on where it is most needed.

5.6 A Review of my Conceptual Model

The final questions posed in the interviews related to the model I had developed as a result of the literature review (see section 2.4: A Conceptual Model for Growing SMEs), which none of the CEOs had seen prior to their interview. Before presenting the model, I provided each of the CEOs with my own definitions of KM and OC to provide context:

KM: Knowledge Management describes the process by which a firm acquires, shares, interprets and uses information, from both internal and external sources, to inform strategic decision making that results in a planned, positive outcome.

OC: The process by which a firm can implement strategies that adapt, repurpose or acquire resources and capabilities to create new opportunities for growth, competitive advantage or profit.

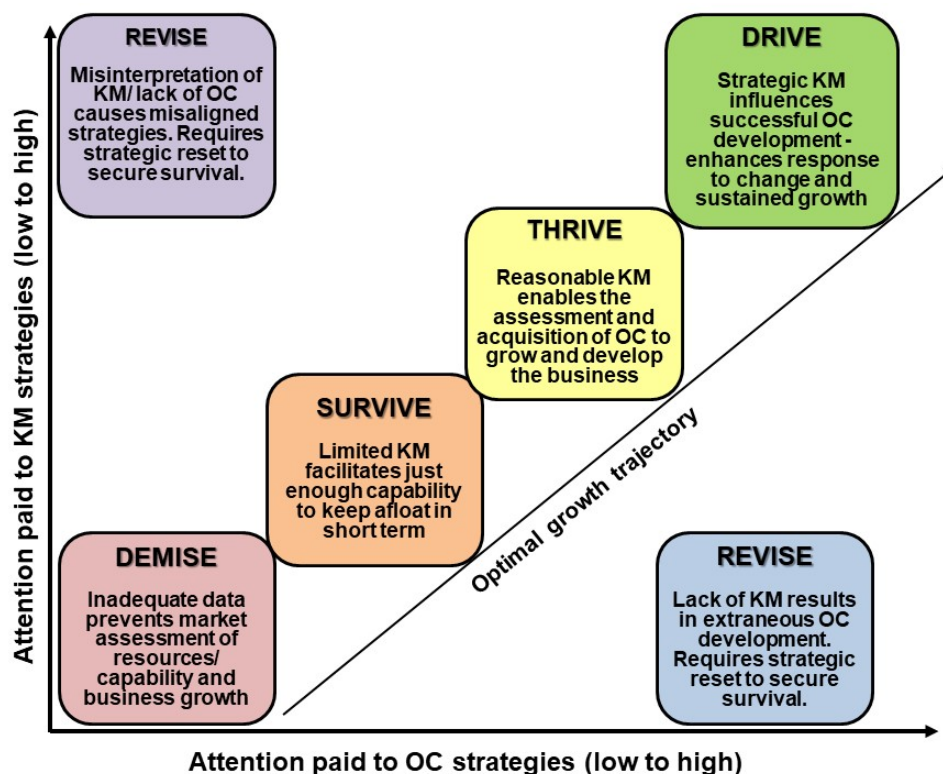


Figure 38: A conceptual model to illustrate the potential consequences of KM and OC Strategies in relation to SME growth (Webber, 2018)

The model in Figure 38 identifies potential outcomes for SMEs depending on how much attention they had paid to acquiring, sharing, discussing, disseminating, and using KM on the

Y axis, and how much attention they had paid to assessing, identifying, developing, adapting and acquiring new OC on the X axis.

5.6.1 Plotting the Case Study SMEs on the Conceptual Model

The CEOs were each asked to review the model, identify where they believed their SME might sit on the trajectory, if at all, and make suggestions for improvements.

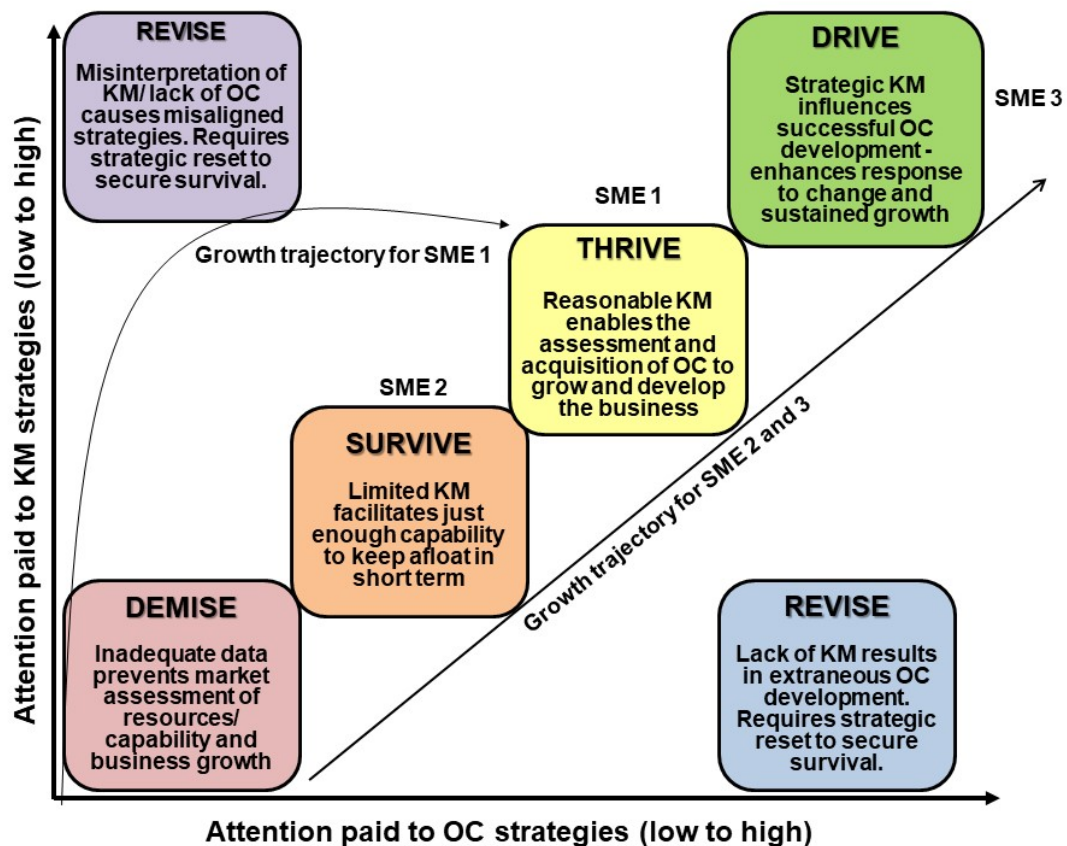


Figure 39: Identifying each SME's Growth Experience in relation to my Model

CEO1 reflected on the time he and his founding colleagues had dedicated to learning about their customers' needs and expectations, from which they refined and adapted their offer: "It is much easier to learn about the market than to develop your own capabilities, so most businesses will have curve, and the development of knowledge serves the development of your capability". This collective approach to KM acquisition is synchronous with Marqués and Simóns (2006) findings in how KM contributes to developing value-creation opportunities. CEO1 plotted his business on the model in an arc that took them high up the Y-axis (see Figure 39), indicating how they ensured they were fully aware of the market needs before they focused on how the business might serve them. This resulted in the strategic reset of the services SME1 offered to customers and the delayed launch of their software business.

CEO1 had shared his views regarding the importance of information in relation to his belief that following gut feel and being prepared to take risks was more important. This may explain SME1's steep curve in developing knowledge, and paying less attention to developing capabilities, but this would also reflect SME1's strategic delay in pursuing software development. Since SME1 was more focussed on professional consultancy in the early years, the capabilities to deliver this service to customers were already present.

Reflecting on the distractions and highly operational role he continued to play, CEO2 saw his business on a "band of survival; we're actually trying to move there ([to 'Thrive'] but stuff gets in your way. You're always looking across there but it's very hard to grow." But again, he was sceptical about the human factor: "I'd say that the knowledge bit is really important. Whether or not your people can grow with you the way you want, I don't think so". Nevertheless, CEO2 had recently experienced the benefits of hiring people with specific (analytics) skills that benefitted their customers, and developing their sector knowledge internally, e.g., merging existing capabilities through new learning (Bryant, 2003) thereby contradicting his own theory. From a lifecycle perspective, Churchill and Lewis' view is that, while in survival mode, employees might be supervised, but they all carry out 'well-defined orders of the owner' (1983, p.34), which is a fairly accurate description of CEO2's leadership style.

CEO3 agreed SME3 had been following the optimal growth trajectory, acknowledging how one can greatly influence the other, and was satisfied with their successful attainment of market position, OC and value for their customers. Referring to OC and KM, CEO3 stated,

I guess to start with you just don't split them up. And I think that's probably what we did – making sure the people who are running the business are setting the strategy of the business and deciding which capabilities we need. So, it's sort of built in. And that was the intention...

The smaller steps in growth made by SME3 in the first 15 years demonstrated how they used the knowledge gathered to adjust and adapt to the market as they tried to achieve the scale they needed (evidencing Moustaghfir's (2009) theory), preparing them serve their customers better in their unique, multidisciplinary way.

5.6.2 Recommendations for Enhancement of the Conceptual model

CEO1 was the only one to volunteer suggestions for improvement, having plotted SME1's growth trajectory differently to the others. He suggested plotting the lifecycle of an SME onto the grid in recognition that all start-ups will start from the bottom left corner, "but they will not all follow a linear process". He also observed that the model does not allow for other factors that impact on a firm's performance, such as injections of investment, increased complexities in income streams and structure, so perhaps a future consideration for scenario-building.

On reflection of this feedback, and in consideration of the notion that the passages of each SME will be unique, as illustrated by the case studies, and either nonlinear or curvilinear (Josefy et al., 2017) I have removed the line labelled 'optimal growth trajectory', as illustrated in Figure 40:

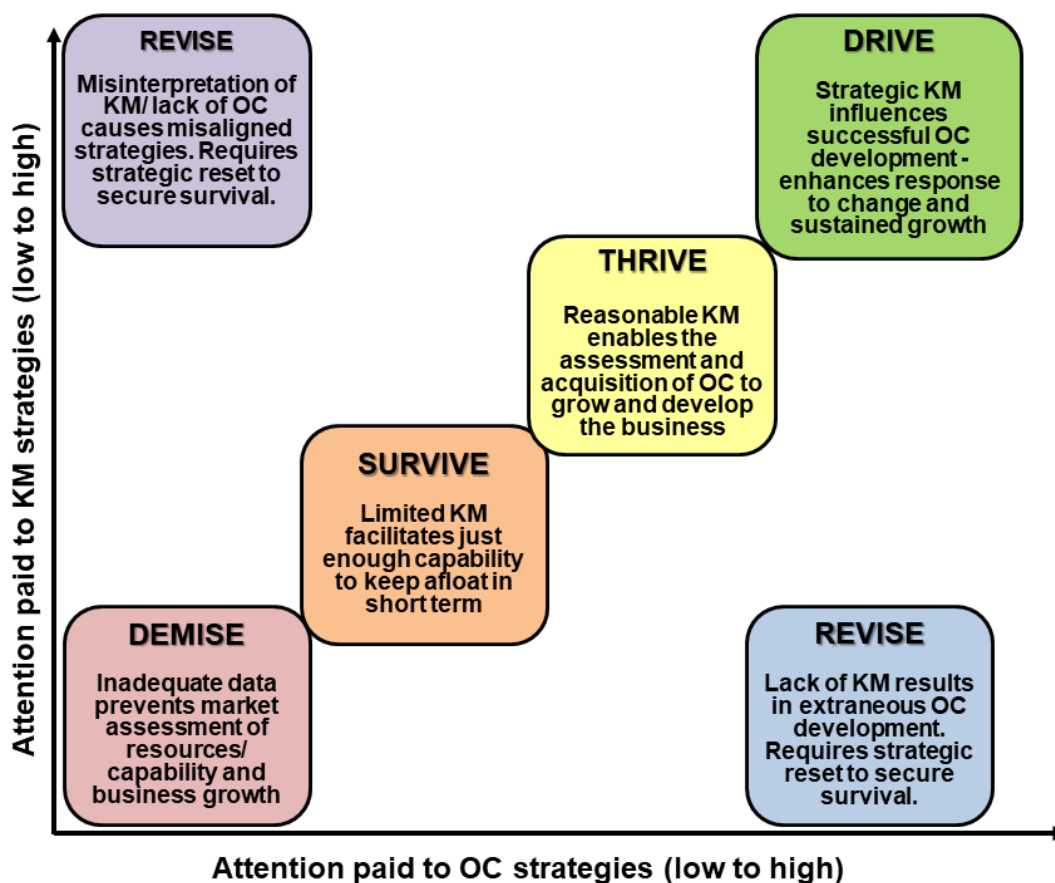


Figure 40: Six potential effects of KM and OC Strategies on SME Growth (Webber, 2018, revised February 2021)

5.7 Discussion

SME strategy requires innovation, an element of risk-taking and seizing new opportunities to sustain growth and improve performance. These are the three key parameters of entrepreneurial orientation (EO), as introduced in section 2.0.2: A Review of the term 'Strategy'. The three case studies illustrate how EO can manifest in different ways according to the challenges presented at the time.

I have identified that each of the three founding CEOs have some similar characteristics: educational attainment, age at the start of business (late 30s), previous leadership experience with larger companies, passion for their area of expertise, and a desire to offer their customers a better service. I contend that these characteristics have had a profound effect on each CEO's strategic orientation (SO); first in securing the SME's survival and then in the growth strategies each SME has pursued. Each CEO recognised when the business needed to adapt to the present market, and consequently reflected on how they could operate flexibly with their limited existing resources in the short term. This pragmatic approach allowed them to develop the knowledge to appreciate their business environment (demonstrating learning orientation (LO)) and the opportunities it presented in respect of their customer's needs (short-term customer orientation (CO)) to create a foot holding in the market from which to build for the future (longer-term market orientation (MO)).

The early manifestations of these strategic orientations from start-up provided a solid platform from which the CEOs could leverage long-term growth through EO. In the founding years, leadership for survival proved to be a necessary course of action for each CEO when presented with the choice of securing success, or accepting failure, using their existing knowledge and experience. They recognised that the pursuit of their initial business goals was simply not practical at the time, evidencing Brinckmann, Grichnik and Kapsa's (2010) findings. For SME1, the target customers were not clear about their own requirements and therefore were not ready for SME1's solutions; for SME2, the market was primed from a global perspective, but unprepared locally to value their services. For SME3, they were simply not big enough to compete with any real credibility. In crude terms, each was on the cusp of failure and at risk of joining the 42% of SMEs that fail due to 'no market need' (See Section 2.0.1: Factors that determine success or failure in SMEs).

To overcome this, each CEO had to exercise caution and proactivity, navigating their SMEs through these early challenges by strategically exploiting existing capabilities to generate income from which to build, all the while, learning and building their knowledge. These

survival strategies limited the risk to the business, as posited by Choi and Shepherd (2016), as the capabilities were already present. I contend that such Survival Orientation (Casillas, Moreno & Barbero, 2010, p.29) is an antecedent to EO in that the leader must exhibit innovation, manage risk and seize opportunities that enable the SME to withstand these early challenges. For example, SME3 patiently assembled the building blocks of their now flourishing, employee-owned, medium-sized business for 15 years before their first major peak of growth. SME3 now leads within their market with their multidisciplinary, flexible and innovative approach to partnering customers both in the UK and abroad.

Once the business had established its market potential, growth strategies emerged from improved KM, highlighting its critical importance for strategy development, from which OC aligned to the opportunities developed, and innovation through EO followed: software development (SME1), analytics services (SME2) and product development (SME3). The three SMEs forged their own success and growth through strategic EO, growing in staff numbers and revenue. The SMEs have improved processes in capturing knowledge to identify market opportunities, and their decision-making methodologies have advanced and matured, resulting in OC.

The conceptual model I presented illustrates how CEOs can successfully align KM and OC strategies, even on unique growth trajectories, to achieve success in growth in their market. The development of OC has been an ongoing strategic intention for each of the SMEs, albeit through their own unique approaches and challenges. According to Fernandes et al. (2017) it is these capabilities that set successful businesses apart from their failing competitors in highly competitive environments. Since people are their most valuable resource, from where organisational knowledge, ideas and innovations stem and flourish, I interpret this is the basis of the SME's *operational* OC. Despite CEO2's belief, human resources *can* adapt and change in as much as skills and expertise can be developed, acquired and enhanced, but they need the intervention of business strategy to signpost what, when and how these changes are required and how they align to market opportunities to enable growth. It is my view that, in the same way that decisions require people to make them (Adner & Helfat, 2003), capabilities require direction from leaders to adapt and change. OC has evolved over time as each business expanded its resource base to align simultaneously with customer and market opportunities, based on the knowledge acquired and the enhancement of ACAP in the business, thereby I propose that OC progresses to a strategic level.

Most SMEs operate within a dynamic environment daily, as proven by the three case studies. Entrepreneurs start firms when they perceive an opportunity (whether it is truly there

or not), as all three CEOs did, even if the pursuit of these opportunities needed to be delayed temporarily. Once established, however robust their business planning might have been, the navigation of further challenges caused by the unpredictability of unique environments relating to recruitment and retention, investment and IP, and finding a niche in the market amongst more established competitors, has been necessary. Through KM processes, whether formal or informal, the SMEs adapted in the tide of change to survive. In addition, each CEO developed strategies that directed their SME towards a path of success, and enabled each to disrupt their markets, to various degrees: a dynamic capability in itself, according to McKelvie and Davidsson (2009).

Reflecting on the case studies, the SMEs, in their embryonic stages, demonstrated how it is possible for an SME with regular capabilities but with highly superior problem-solving skills (Winter, 2003) to be successful in adapting to environmental challenges. In my view, this suggests the presence of dynamic entrepreneurial leadership. Faced with possible early demise, each CEO made strategic decisions that resulted in the SME repurposing their available, if limited, OC to improve the chances of success, so their resources are highly valuable, proving Barney's (1991) RBV theory, but also exhibiting strategic flexibility (Brinckmann, Grichnik & Kapsa, 2010). All three SMEs have developed internal and external, informal and formal, KM processes to identify and build OC that add value to the services they offer to their customers.

In the case of CEO1 and CEO3, the value of their employees' input in their approach to KM is irrefutable. For example, as stated by CEO1, 'You can really engage your people in identifying where we can improve and by adopting their ideas... that becomes our best practice and capability'. Empowerment of their staff has proved to be an invaluable leadership capability for SMEs 1 and 3 in that they clearly value what they learn from individuals (Wolff, Pett & Ring, 2015) and are willing to incorporate this knowledge into their strategic decision-making.

5.7.1 Three Dynamic Phases of SME Growth

As each of the SMEs have grown, they have clearly passed through life stages. Life stages (e.g., birth, fledgling, establishing, maturing, declining, death or rebirth) are not necessarily growth stages, merely 'development steps' (Sternad & Mödritscher, 2020, p.7), and some firms remain fixed in one of these stages for many years: for SME3, almost 15 years. A business does not have to grow to be successful, and, indeed, I would argue that SME3 played a cautious long game, working on projects and generating income as the business prepared to scale up for later years.

According to Levie and Lichtenstein's (2010) Dynamic States theory, a desire to exploit opportunities that create value for customers being central to growth strategy, and an SME's ability to align internal resources to external potential, will promote growth. Exploiting opportunities dynamically can disrupt markets as McKelvie and Davidsson (2009) suggested. Sternad and Mödritscher improved this theory further in their recognition of an entrepreneurial approach, one that was not simply aligning resources to opportunities, but manipulating them in some way that triggers change in the environment:

Entrepreneurial intentions shift from maintaining a fit between the business model and the existing market potential (in dynamic states) to deliberately changing key elements of the business model (in entrepreneurial leaps). Growth processes can thus also be seen as a sequence of changing entrepreneurial intentions regarding either maintaining or reconfiguring the match between the business model and market potential (2020, p.27)

This illustrates the adaptability of SMEs as they grow and recognises that major changes or crises in the environment may cause the business to restructure/realign on occasions as markets/products mature and new innovations emerge. Thus, the key factor is the firm's response to these changes, and their CO/MO, based on the reliability of knowledge and the adaptability of both the firm's capabilities and its strategies for aligning to the external market. Heikklä, Bouwman and Heikklä's (2018) identified a growth-oriented approach from start-up in alignment with their customers from relationships to partnerships, as SMEs 1 and 3 demonstrate.

From the development of each of the case studies, it became apparent to me that there are three dynamic phases of growth.

- (1) Initial growth that is a survival necessity, ultimately to generate income and keep the business afloat. Customer-driven projects, predominantly in consultancy, were seized by each SME while they learned how they could differentiate for their customers and establish themselves in their market, exploiting each SMEs existing capabilities.
- (2) Growth driven by a formal planning process where capabilities serve market demand. Proactive, environment-scanning knowledge capture, facilitated by a strategic capability review and realignment that creates a value-offer for current, new and prospective customers, informs the strategy. This is the growth pattern pursued by the three case studies in their later years beyond their pivotal change (as illustrated in Figure 37). A strategic response to market opportunities prompts this growth.
- (3) Growth fuelled by innovation and market leadership; the (now) medium-sized firm drives the market through strategic customer partnerships and superior capabilities.

These phases are illustrated in Figure 41.

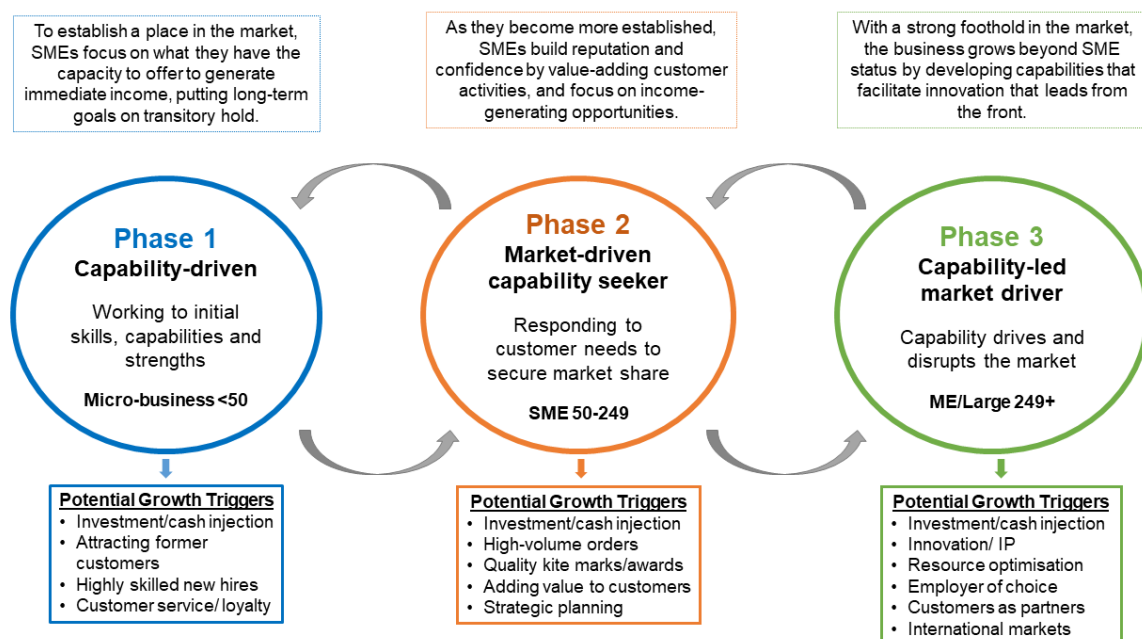


Figure 41: Three Dynamic Phases of SME Growth (Author's Own Model)

Phase 1: Capability-driven

*Helping the business to “anchor itself”;
“it’s only an opportunity if you have the capability to fulfil it” (CEO1).*

All three SMEs had initial business aims and aspirations, but cash and investment prevented each from pursuing these early aims. To generate income, each SME opted to pursue projects that were in keeping with the founding team’s skills sets. Only when the income generated from this ‘capability-driven’ business had given them a strong base were they able to consider strategies for meeting their initial business aspirations. SME1 relied on consultancy before they were able to pursue riskier and investment-driven software development four years later, delayed mostly in part to their inability to hire the right skills. SME2 had focused on delivering simple customer services but were on the brink of securing larger projects and growth measures in 2020, eight years from initial set up. This was delayed mostly in part to their inability to hire middle management. SME3 had also focused on consultancy, building on knowledge taken from former employment settings, and worked on projects from a highly customer-focused perspective. This created new opportunities from loyal customers who sought partnerships for innovation and thus set SME3 on its intended design and innovation trajectory 15 years later.

Phase 2: Market-driven Capability-seeker

*Building on initial success to realign business aims:
“keeping really close to our customers” (CEO3) to create “better answers” (CEO2).*

As they became more established and the client base grew, the opportunities and projects presented to the SMEs enabled them to hire new expertise and develop their capability to meet customer’s needs and pursue initial business goals. This is analogous to the pivotal points illustrated in Figure 37. For SME1, this was the opportunity to capitalise on their earnings from consultancy work and finally grow their software development business. SME2 has not yet reached this stage, although their intended recruitment strategy could support them in reaching their goals by 2023. SME3 developed their trademark approach to innovation, and this has generated new business development and company growth.

Phase 3: Capability-led Market-Driver

*Optimising capability to drive business growth:
“Our growth will come from new sales, from efficiencies we implement,
and ultimately the quality of our solutions
and the value they bring to our customers” (CEO1).*

SME1 and SME3 show strong indications of capability development. Even with enforced home-working and social distancing during the Covid-19 pandemic, both were able to continue with business operations remotely, and deliver their customer projects with some adjustments to delivery times. In such unprecedented situations, the capabilities of both SMEs in adapting to the challenges brought on by their enforced remote working environments proved to be their strength and the base on which they will continue to grow.

A working and continuously improving approach to KM is clearly essential for survival and growth from the very beginning. The three CEOs were unanimous in their view that understanding the environment, where the business can make an immediate contribution to start generating income, was critical to their early survival. This early adaptability and ‘strategic flexibility’ strengthened the foundations on which their businesses could then build towards longer-term value-creating aspirations (Wakkee, Groen & Heerink, 2007, p.323).

There is no contention that long term strategic planning is essential for survival (Stonehouse & Pemberton, 2002). Equally, focussing exclusively on long-term ambitions at the expense of income generation and short-term modifications to business operations can threaten survival (Done, Voss & Rytter, 2011). As CEO1 admitted: “we were looking to the future a lot more, and not focussing on present day, so there were a lot of plans and a lot of forward-looking strategies which came probably at the cost of getting things done”. Without significant and ongoing focus on KM, these businesses will struggle to generate income.

The three stages (or sequences) can be further enhanced to illustrate the critical, ongoing importance of KM as the business continues to exploit opportunities (see Figure 42).

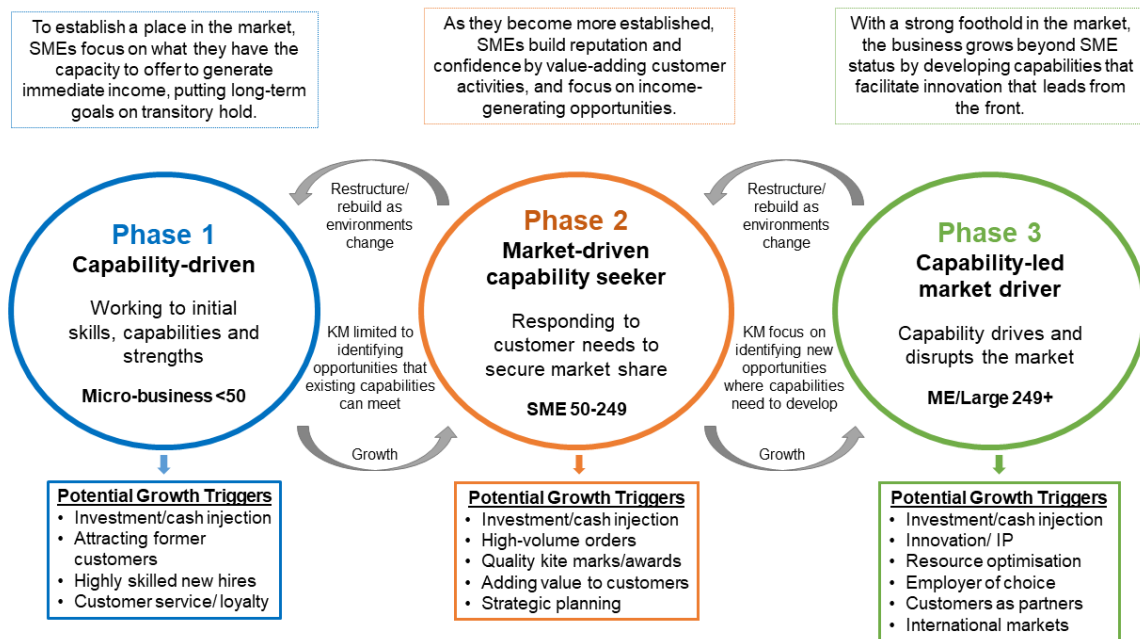


Figure 42: Three Dynamic Phases of SME Growth through Successful KM and OC Strategies (Author's Own Model)

At start-up, knowledge is limited to the scope and experiences of the founders. To first survive and then achieve growth, the SME's KM activities must succeed in identifying opportunities that are easily achievable with existing resources and capabilities. As CEO1 stated: "the strength in the capability of a start-up is that you can apply particular individuals towards solving specific problems and thus generating value". By developing customer relations to create new business, the SMEs demonstrated how they accelerated KM activities to identify new opportunities where OC did not yet exist. By accomplishing new OC, business growth can be realised through market leadership and innovation. Inevitably, the effect of demand fluctuations, market repositioning or diversification (Josefy et al., 2017), and economic crises may result in some oscillations between the phases; a strategic focus on KM will maintain a course of survival even in more turbulent times (Williams et al., 2017).

SME2 currently rests at Phase 1, as they are still developing operational OC. Growth is steady and risks are minimised, and the spotlight on global sustainability issues and the gradual development of customer knowledge support growth aspirations. The business is now being recognised for its contribution within the marketplace and Phase 2 is potentially 12-24 months away. SME1 and SME3 are in Phase 2, having optimised operational OC to pursue their growth plans. Current strategic planning is well-informed and considered, with a strong focus on listening and responding to both customer needs and on employee feedback and suggestions, and on identifying where OC might enhance customer opportunities at a strategic level, either for immediate projects, or in the future.

5.8 Concluding Remarks

In very simple terms, a firm that does not understand its market, and does not attempt to rectify this, cannot succeed. Despite what might seem to be such an obvious probability, this will be the likely outcome for at least 40% of UK start-ups this year. The three CEOs who participated in the case studies could have told very different stories had their business strategies not succeeded. Each of their start-ups were at risk of early failure in the first years on the basis that what they offered did not match their markets. What secured the future for each SME was the CEO's dynamic leadership: an early recognition of a mismatched business offer, a rational, considered approach to working with what they had while they listened, learned, consulted and improved knowledge, and an astuteness to exercise patience, minimise risk, and suspend longer-term aspirations in favour of short-term financial gains, creating a financial safety net, stability and the beginnings of a business reputation.

This thesis intended to answer the research question: how SMEs achieve sustained growth, through three subsidiary questions:

- How do SMEs manage KM to inform growth strategies?
- How do SMEs develop OC and use them to expedite growth?
- Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

How do SMEs manage KM to inform growth strategies?

From start-up, KM exists in a casual form through direct exchanges of personal insight, customer feedback and shared experiences between founding officers and employees. The directness of the information from source to recipient in an SME suggests the information is up-to-date and reliable, and therefore easier to evaluate and exploit. As SMEs grow, a more process-driven KM emerges, with formal methods of capturing feedback from customers, employees, and competitor activities featuring as the most productive. The value assigned to organisational KM and the presence of EO determine the extent to which KM successfully influences growth strategy.

How do SMEs develop OC and use them to expedite growth?

I focused the term 'capabilities' to mean human capabilities in this thesis to ensure commonality and consistency in my analysis. With the acceptance of recruitment challenges in the East of England for technical skills, it is clear that SMEs try a number of methods to enhance their capabilities - predominantly through training and development and recruitment. However, 11 of the responses from the 14 SMEs (eight from the survey and all three case study SMEs) referred to people growing with the business, again highlighting the adaptable, fluid and flexible nature of SMEs and their approach to aligning resources to output. What is clear from the case studies is the importance they assign to customer relationships from an early stage, and their recognition of how dynamic capabilities can serve growth through adding value to their customer proposition, starting at an operational level, and advancing towards strategic OC as the SME grows.

Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

The feedback from the CEOs was that they appreciated how their own approaches to learning and developing knowledge and using this knowledge to manage resources to develop capabilities and growth strategies had influenced growth. Each CEO identified their trajectory and current position on the model as illustrated in Figure 43.

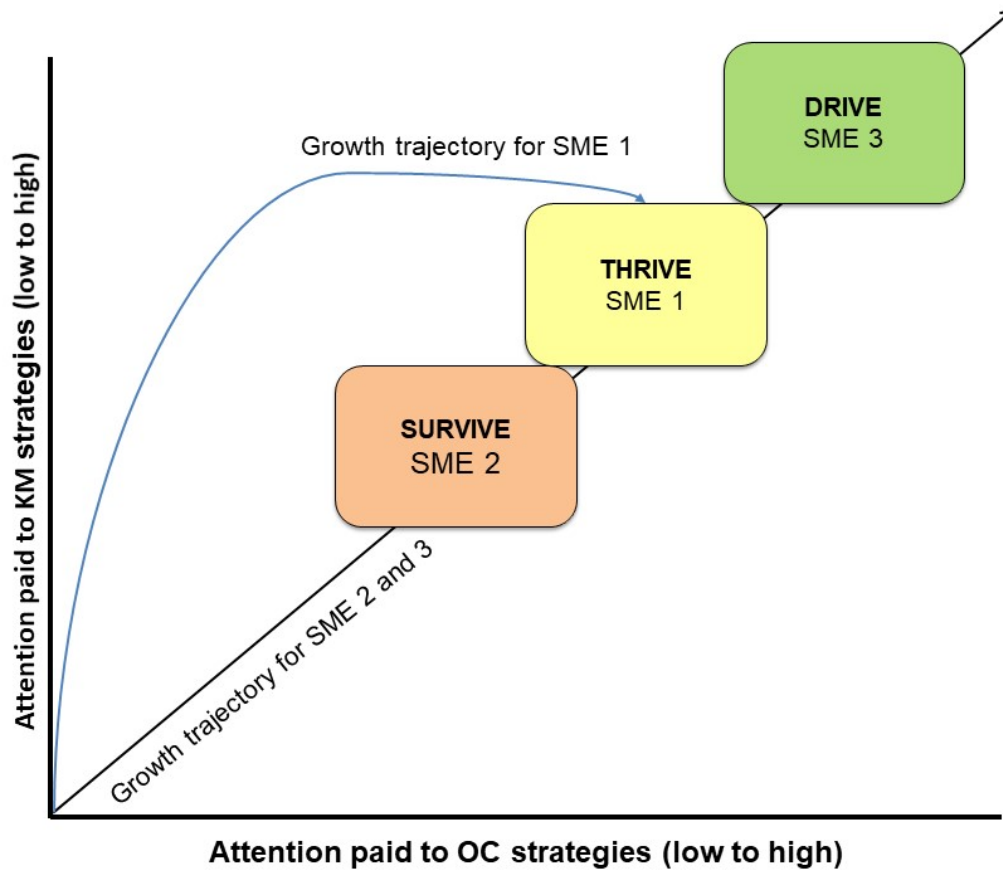


Figure 43: How the Three CEOs Plotted their SME on the Model

SME growth is influenced by its dynamic state in relation to its size, financial liquidity and current strategic alignment (resources to market opportunities). The knowledge the SME has developed will reveal where capability challenges exist, and the options the CEO has available to address these challenges. The model identifies where KM and OC strategies might be improved to secure sustained growth, depending on their existing capability alignment. Revisiting Figure 42, SMEs in Phase 1 are more likely to grow by optimising current resources, and SMEs in Phase 2 are more likely to grow by acquiring new capabilities to make necessary strategic advancements.

Chapter 6: Thesis Conclusion

6.0 Chapter Overview

In the introduction to this thesis, I stated my aspirations were to add to existing knowledge, but also to offer a practical, useful tool, model or methodology that will be helpful to SMEs looking to grow. I set out to answer the research question: how do SMEs achieve sustained growth? through three subsidiary questions:

- How do SMEs manage KM to inform growth strategies?
- How do SMEs develop OC and use them to expedite growth?
- Does my proposed conceptual model resonate with SMEs and provide the opportunity for situational analysis and a review of strategic direction?

I detail the contributions I believe I have made in three areas - knowledge, practical application, and government policy - in this chapter.

Personal reflection has been a constant feature throughout this thesis which has given me the opportunity to both improve as a researcher, through reading, revisiting and developing my work further as I uncovered more connecting themes and theories in both desk and active research, and to identify the real contribution my work may have made. The spread of the Covid-19 pandemic in the final months of my research restricted access to participants, who were already hard to recruit due to time constraints. This required a flexible approach to maintain the integrity and authenticity of my research, including adjusting my research design, and using personal reflection to enhance the development of the case studies, and identifying the themes on which the survey should focus.

Finally, I offer my views on the limitations of my research, and implications for further research in this field.

6.1 Trustworthiness

I described how trustworthiness might be demonstrated in Chapter 3 according to Lincoln and Guba's (1985) criteria. Table 27 shows my approaches to achieving trustworthiness.

Qualitative criteria	Meaning	My approach
Credibility	Is the described experience recognisable?	I developed the survey questions from my reflections on the case studies to identify where triangulation in the collection of data could be achieved.
Transferability	Does my research resonate with other SMEs in a similar situation?	A critical friend (director for a local technology SME) comments on this thesis below to demonstrate the authenticity and trustworthiness of my research.
Dependability	Has the research followed a logical process?	I have kept a rough reflection journal, much of which I have used to annotate the case studies in Chapter 4 and to enhance my analysis in Chapter 5.
Confirmability	Can I demonstrate how I have reached my interpretations?	I hope the presentation of my interpretations and findings in this thesis clearly demonstrate they have originated from the data (and that the three previous criteria have been satisfied).

Table 27: My approach to demonstrating trustworthiness

Critical review from the director of a technology SME specialising in scientific instruments:

I can identify with the stories presented by CEOs/SMEs 1 & 3; these broadly reflect the approach/structure and philosophies of my own organisation. I can corroborate the challenges of recruiting sufficiently skilled individuals, there's definitely a deficit in this region and probably across the UK - particularly in science/engineering disciplines.

Your analysis is clearly much more rigorous than my subjective opinion, but the challenges SME2 have with recruitment and the attitude towards staff that I pick up rings alarm bells for me and I would have thought would particularly challenge their ability to think strategically in an internal context, and leverage OC in a way that promotes growth.

You correctly identify that it can be difficult to separate the 'real-world' and 'day-to-day operations' from deliberate strategic decision making. CEO1 accurately sums up the conflict between formal strategy and reality.

SMEs can be quick to adapt to leverage the strategies discussed. Formalising the implementation of strategy does tend to get easier with scale, or at least it's more easily distinguished as a deliberate action rather than the 'gut-feeling' of the founder(s). I would suggest that remaining in or returning to the survive category is hazardous for the long-term prospects of the company. Even in the early days you need to 'behave' as if you are thriving. Through some combination of determination and adaptability SMEs have to forge their own success. The Three Dynamic Phase model could be a starting point for some more positive statements about the broader applicability of your work.

(Identity protected, 2021)

6.2 Contribution

I contend that this thesis makes five specific contributions:

- a) I have advanced theory relating to dynamic capability development.
- b) I have advanced theory relating to SME growth strategies.
- c) I have developed a practical diagnostic tool.
- d) I have advanced my model to define three dynamic growth phases.
- e) A focus for future government policy for SMEs.

6.2.1 Theory relating to Dynamic Capabilities

I have shown that dynamic capabilities are present at start-up, and progress from operational level to organisational level as the SME grows, through knowledge acquisition. This view diverges from Teece's (2019) view of ordinary capabilities. Zahra, Sapienza and Davidsson (2006) asserted that KM is the underlying factor determining dynamism. Resource capabilities at start-up are dynamic when leaders of adaptive, flexible, and agile SMEs direct them to capitalise on existing opportunities (Moustaghfir, 2009). This expands Helfat and Peteraf's (2003) proposition that dynamic capabilities in SMEs evolve from founding resources and supports Boccardelli and Magnusson's (2006) call for a reworking of existing frameworks in support of early capability development. This thesis reveals that as the CEO learns and adapts, and the SME grows, the presence of critical dynamic capabilities transfers from resources at an operational level to strategic decision making at an organisational level. This finding not only operationalises Barreto's (2010) definition of dynamic capability, but advances both Wilden et al.'s (2013) contentions that firm performance is linked to the internal and external contexts in which dynamic capabilities are deployed, and the influences of resource flexibility, strategic agility, and CEO characteristics that were reported by Arbussa, Bikfalvi and Marquès (2017).

6.2.2 Theory Relating to SME Growth Strategies

In addition, I have broadened out Simpson, Padmore and Newman's (2012) theory in critical success factors, by evidencing how SMEs learn from feedback and the impact of their decisions to improve future strategy, and answered Yang, Fang and Lin's (2010) call for demonstrating how knowledge influences strategy, advancing theory in ACAP within the KM-based view by synthesising existing theories and using them as underpinning tools to unearth how SMEs exhibiting LO and ACAP from an early stage through successful KM, to

create dynamic OC strategies leading to CO/MO and growth. Aldrich and Martinez (2017) argued that too little is known about how SMEs learn from the outcomes of the strategies they implement. Through continuous review and appraisal of their strategic alignment to the external environment, guided by both employee and customer feedback, my research has uncovered how SMEs in my case studies have demonstrated how KM shapes improved strategies and processes for future growth, progressing from survival orientation to EO. SMEs will grow through the implementation of successful OC strategies, informed by KM, within an engaged workforce that values knowledge from top to bottom, and aligned to market opportunities.

6.2.3 The Development of a Practical Diagnostic Tool (PDT) for SMEs

Keiser and Leiner asked, 'is it appropriate for management science to strive for practical solutions?' (2009, p.528). My response is emphatically, yes. My conceptualisation of a PDT can be used to inform and develop guidance for SMEs in their development of strategies that overcome deficiencies in KM processes or OC development. As the SME aligns to its external environment and customers through relevant and timely KM, the output becomes tailored and specialised, and therefore the strategies developed by the CEO become more dynamic, enhanced by attuned internal structure and processes, within both strategic EO and entrepreneurial capability.

This tool bridges the gap between academic theory and business application in response to Wiklund, Wright and Zahra's (2019) counsel that research findings offer a practical, relevant use for business stakeholders in that I have shown how it can assist SMEs in their assessment of the possible outcomes of strategic actions. Each CEO acknowledged their position using the tool, and reflected to acknowledge their own growth experiences and challenges being represented in relation to how they captured and exploited KM, and how this influenced OC.

6.2.4 A New Model Defining Dynamic Growth Phases

From my in-depth study of three successful SMEs, I have also advanced my diagnostic tool further to identify three phases for growth-oriented SMEs that illustrate the intrinsic relationship between KM and OC to achieve growth. By operationalising KM, I also show how growth-oriented SMEs review and realign their internal structures and OC with their external environment. Changes in the external environment can cause firms to temporarily adjust or reorganise as they grow, resulting in progression, or contraction, and potentially

bringing periods of regression while they reset and rebuild. This develops Levie and Lichtenstein's (2010) Dynamic States theory in that it identifies how SMEs adapt their capabilities to fit with their environment and growth aspirations. It also further extends Heikklä, Bouwman and Heikklä's (2018) theory on critical success factors by elevating the importance of customer relationships and adding value for growth-oriented SMEs.

6.2.5 A Contribution to Future Policy

I discussed the disparity between government policies towards start-up/SME support and the relevance of these policies as seen through the eyes of SME decision-makers in Chapter 5: Section 5.5.14. Governments have in the past preferred to use surveys and quantitative data analysis to assess the needs of SMEs, yet, as my research shows:

- (1) These do not offer the means to capture a deep and true appreciation of the lived experience of SME decision-makers or the real challenges they face.
- (2) Surveys requiring the input of resource-limited SMEs do not yield a high number of responses. If the resulting policies from these surveys are indeed so incongruous with the real needs of SMEs, it prompts the inquiry into whether either;
 - (a) Policymakers are collecting the most useful data, as the human factor is omitted in quantitative research, or
 - (b) Only the loudest voices are being heard, thereby masking more common issues.

It would certainly appear that Government advisors need to adopt more workable and wide-ranging data collection methods to properly research SME requirements for support.

6.3 Limitations of my Research

The employee voice might have provided a different perspective on KM activities and its contributions to strategy within for each of the SMEs investigated. The survey itself was developed from the themes emerging from the case studies to allow further validation of the case study analysis, but the number of responses was disappointing. It was also an unsuitable method from which to elicit further feedback on the conceptual model due to confidentiality and IP concerns.

It is also worth noting that many tech firms in the East of England are backed by incubator investments or venture capitalists/business angels. Their boards frequently comprise non-executive directors with relatively little grasp of, or exposure to, business operations (as

observed by CEO3), therefore my findings may not fully represent their experiences. Furthermore, this thesis has not addressed the issues of financing for new or young SMEs, even though this was ranked the third highest concern by the survey respondents and referenced 13 times in the interview transcripts. CEO1 commented on the difficulties in raising investment in the UK tech sector, innovation requiring high investment with often minimal returns, therefore high risk. The challenge in 'securing business investment' was ranked at the halfway point in the corresponding survey question. SME1 has secured finance recently as the result of a long and thorough a learning process.

6.4 Implications for Future Research

The PDT was tested by three CEOs who were reasonably well established in their markets and were both committed to, and had shown, consecutive annual growth. A larger sample of SMEs, especially those that are struggling to grow, and in alternative markets, would increase the robustness of the research.

My model, *The Three Dynamic Stages of SME Growth through successful KM and OC Strategies*, was developed through reflection and rereading of earlier chapters as I completed my analysis. It is yet to be fully tested within the business community.

6.5 Final Personal Reflections

I found that a reflective approach to writing this thesis was highly beneficial, as it has allowed me to immerse myself in the research, revisit chapters, and expand whole sections as new themes have emerged. I can state with some considerable confidence that I am a more adept researcher than when I started. Despite a lack of published SME research, I recognise the value of highly rated journals and leading researchers in this field and have developed 'special agent' skills in locating journals and articles that are not available through my library.

I would like to publish my PDT and the three-stage theory, and I intend to find the means and support in achieving this after I graduate. I approached this thesis with the aspiration to deliver a practical tool that SMEs might apply to support their growth strategies. To achieve this, I need to publish and promote my research within both the academic and the business communities, to test and develop the models from a theoretical perspective, and to enhance their usefulness and currency on a practical level.

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Appendix A: Epigeum Research Ethics Certificate



Appendix B: Participant Information Sheet

Section A: The Research Project

1. Title of project

In Pursuit of Dynamic Organisational Capability Strategies that Promote Growth in SMEs

2. Brief summary of research

A typical challenge for Small to Medium-sized Enterprises (SMEs) is to identify the capabilities required to respond to market fluctuations and developments, and these will be different depending on where the SME is in both life-cycle and current market position. From my preliminary research activities, I have developed a model that helps SMEs identify their position in relation to their potential market opportunities in the real world. I am now seeking to enhance, test and operationalise the model I have created by investigating the perceptions, motivations and decision-making processes of SME strategists/decision-makers, through 1:1 interviews.

3. Purpose of the study

This research forms part of my Doctorate in Business Administration (DBA) at Anglia Ruskin University.

4. Names of supervisors

Dr Rob Willis, Anglia Ruskin University and Dr David Arkell, Anglia Ruskin University.

5. Why have I been asked to participate?

I have invited you to participate because I seek your opinions relating to business survival and growth, and your observations on the model I have created.

6. How many people will be asked to participate?

I am conducting interviews with senior managers/directors at between 3-10 SME organisations, making a total of 10 people.

7. What are the likely benefits of taking part?

There may be no direct benefit to you as a result of your participation. It may result in new internal discussions or the introduction of new approaches in the sharing and management of information within your organisation. Personally, from the information provided by each of the participants, I hope to develop my understanding of the challenges SMEs need to overcome to grow, how knowledge management can contribute to the strategies developed, and how my model can be enhanced to provide a practical tool for SMEs in the future.

8. Can I refuse to take part?

Yes, your participation in this project is entirely voluntary. If you do not wish to participate in this research you may refuse without giving a reason.

9. Does the study have ethical approval?

Yes, this research has been granted ethical approval from an ethics committee at Anglia Ruskin University.

10. Has the organisation where you are carrying out the research given permission?

Yes, your employers have given me permission to carry out this research. However, this does not mean that you have to participate. Please tell me if you do not wish to participate, and I will not contact you further.

11. What will happen to the results of the study?

The findings of this project will be written up for my DBA thesis, published in journals, and presented at conferences.

12. Contact for further information

Please contact Clare Webber for further information:

[Personal contact details redacted]

Section B: Your Participation in the Research Project

1. What will I be asked to do?

I would like to interview you on a one to one basis, for approximately one hour, at your place of work. I will be asking questions about your perceptions relating to the growth and success of the organisation, your experiences of information/knowledge collection and sharing within the organisation, and how it is used to develop strategies that lead to business survival and growth. I will also present the model I have created and invite your views and comments.

2. Will my participation in the study be kept confidential?

I will not be collecting any personal data from you that will enable future identification under Data Protection Legislation. I will treat all data collected from you as confidential. By this I mean that I will not publicly disclose any information to your organisation or any other third party under any circumstances (unless required by a court order). All data collected will be summarised and anonymised. You will be assigned a random ID number in my dissemination and write up which will be known only to me. The only other people who will have access to my data will be my first and second supervisor, and they will only have access to the anonymised transcripts.

Should you agree to participate in this research, I will need to record some demographic details for comparison purposes (e.g. number of years employed in this organisation, and your current position). These data will, however, be aggregated and/or used separately so that individual participants remain anonymous (e.g. I will not refer to a director with six years tenure from a Scientific Tech organisation in the Cambridge Science Park). Nevertheless, although the results will be written up in anonymised format, and I will make every attempt to ensure anonymity, I may not be able to guarantee complete anonymity. Due to the nature of the project, it is possible that you may be identified by your colleagues or peers.

I intend to use illustrative quotes from the interview transcript in my DBA thesis and any associated papers and presentations. I will remove any and all identifying information from any quotes to ensure anonymity both for you and your organisation. I will provide you with a copy of the anonymised transcript of the interview if you would like one.

I will be recording and transcribing the interview to enable me to capture all of your comments and views. The resulting files, both audio and text, will be stored on a password-protected computer. As stated above, I will provide you with a copy of the anonymised transcript of the interview if you would like to request one.

3. Will I be reimbursed travel expenses?

I will conduct the interview on a day when you are usually at work, in your usual workplace, so there is no requirement for you to travel elsewhere to participate.

4. Are there any possible disadvantages or risks to taking part?

I do not anticipate any possible disadvantages or risks. However, should you experience boredom or fatigue, or should you become ill or distressed, you may request a rest break, or ask to terminate the interview.

While, as noted above, there is a small chance that you might be identifiable from published material, the risk is minimal and I will take all possible steps to avoid it. Your agreement to participate in this study does not affect your legal rights.

5. Can I withdraw at any time, and how?

You can withdraw from the study at any time without giving a reason. If you decide to withdraw, please email me to let me know. Please also let me know whether or not you are prepared to allow me to use any anonymised data I have collected from you up to that point. Please note that I will not be able to remove any data from any published articles or from my submitted thesis.

You do not have to answer any questions that you do not wish to. If you tell me any information that I would need to disclose to someone else (e.g. if I believe you are at risk, or if you reveal anything of an illegal or unprofessional nature) I will be obliged to bring this to the attention of the relevant bodies.

6. What will happen to any information/data that are collected from you?

All electronic data will be held securely on a password-protected computer. Data will be destroyed no more than five years after I have completed my DBA. Personal identifiable information (e.g. consent forms) will be kept separately from the data in a locked filing cabinet. You will be assigned a code number and identifying information will be separated from the data at the earliest opportunity.

7. Contact details for complaints

If you have any complaints about this study, you should raise them with my supervisor in the first instance: Dr Rob Willis (rob.willis@anglia.ac.uk)

Should you wish to take it further please address your complaint to Anglia Ruskin University at:

Postal address: Office of the Secretary and Clerk, Anglia Ruskin University, Bishop Hall Lane, Chelmsford, Essex, CM1 1SQ.

Email address: complaints@anglia.ac.uk

Version control

Your participant information sheet, consent form and other documents should have a version number and date. This is in order that should any changes be required by the ethics committee, it is clear which documentation has ethical approval.

**YOU WILL RECEIVE A COPY OF THIS INFORMATION SHEET TO
KEEP,
TOGETHER WITH A COPY OF THE CONSENT FORM**

Appendix C: Participant Consent Form

Name of Participant: (print) _____

Title of the project:

In Pursuit of Dynamic Organisational Capability Strategies that Promote Growth in SMEs

Main investigator and contact details:

Clare Webber [personal contact details redacted]

I confirm that I give permission for you to carry out research at our organisation for the purposes of your Doctorate in Business Administration (DBA) at Anglia Ruskin University.

I understand that the interview will be recorded.

I understand that by giving this permission I am granting you the use and ownership of data collected. I acknowledge that the data being collected is not personal data that can compromise my identity, either directly or indirectly, as defined in the Data Protection Legislation.

I understand that you may disseminate findings at Anglia Ruskin University and elsewhere, including for publication.

I understand that our organisation will not be named in dissemination and every attempt will be made to ensure anonymity. I also understand that although every attempt will be made to do this, Anglia Ruskin University is unable to completely guarantee that the organisation could not be identified by any party.

I do/do not wish to see a summary of the findings prior to dissemination.

I have read the Participant Information Sheet for the study. I understand what my role will be in this research, and all my questions have been answered to my satisfaction.

I understand that I am free to ask any questions at any time before and during the study, and to withdraw from the research at any time, without giving a reason.

Signed by participant:

Date:

Email: _____

IF YOU WISH TO WITHDRAW FROM THIS STUDY:

In Pursuit of Dynamic Organisational Capability Strategies that Promote Growth in SMEs

If you wish to withdraw from the research, please let me know on [personal contact details redacted]

You are not required to give a reason for withdrawing.

Please let me know whether you are/are not happy for me to use any data that has been collected from you to date in my write up and dissemination of the research.

Appendix D: Themes and Codes created using NVivo

Overarching Theme	Codes	Total codes	References
Adaptability, Agility and Flexibility		6	35
	Adaptability		24
	Agile		2
	Diversification		2
	Flexibility		3
	Flexibility, efficiency and agility		4
	How the business has adapted to meet original aims		3
Approaches to Strategic Planning		7	39
	Being informed to make strategic decisions		2
	Through customers		6
	Through employees		5
	Through looking ahead		3
	How strategic decisions are made		9
	By committee or board		9
	By the CEO		5
Contemporary Challenges to SMEs		4	25
	Capability		4
	Challenges to growing the business		4
	Financial		13
	The market		4
Creating Value for Customers		4	153
	Customer relationships		8
	Customer Service		135
	Customer-driven		4
	Market caught up		6
Define the term 'capability'		3	4
Define the term 'strategy'		3	3
Developing KM Processes		4	27
	Sharing mechanisms		3
	Through customers		8
	Through employees		10
	Through research and discussion		6

Overarching Theme	Codes	Total codes	References
Early Survival Strategies		3	110
	Adapting original business aims		4
	Early challenges for survival		7
	Overcoming financial concerns		99
Environmental Scanning		5	96
	How opportunities or threats are identified		3
	Through customers or external sources		10
	Through internal processes		8
	Through research		3
	Learning processes/ acquiring knowledge		72
Initiating Business Growth		3	10
	Financial or status		4
	Successes		1
	Skills -based revenue generation		5
Leadership Capability, Styles and Attitudes to Risk		15	122
	Entrepreneurship		1
	Consulting		6
	Control		5
	Influence		6
	Judge		2
	Lead		7
	Learn		6
	Plan		18
	Recognise		4
	Reflect		3
	Solve		2
	Vision		7
	Entrepreneurialism		66
	Experience		6
	Key leadership responsibilities		3

Overarching Theme	Codes	Total codes	References
OC Development and Productivity		9	33
	Capability		4
	How capability is managed		3
	Opportunity-focussed		5
	Recruitment-focussed		4
	Retention-focussed		2
	Strategic		7
	Trial and error		2
	Performance and motivation		3
	Recruitment		3
Principal Challenges to the Business		6	40
	Business weaknesses		3
	Ongoing challenges		2
	Challenges related to capability		7
	Challenges related to culture		5
	Challenges related to finance		4
Readiness to Overcome Challenges		6	23
	Equipped in meeting new challenges		4
	Experience		5
	Multidisciplined approach		4
	Outlook		4
	Planning		5
	Responsiveness		1
Review of the model presented		3	3
SME Culture		9	233
	Business strengths		3
	Challenge		29
	Change		22
	Culture		21
	Coping with growth		53
	Looking ahead		12
	Opportunity		17
	Small		21
	Understanding the market		26

Overarching Theme	Codes	Total codes	References
Sustained Growth through OC		10	50
	Capability development		6
	Employee-led		8
	Forward-looking		4
	Recent growth		1
	Growth metrics		6
	Customer accounts		5
	Headcount		5
	Revenue		4
	Market growth and customer acquisition		5
	Market or project led		6