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Strategy in action: Case studies of strategy, planning and innovation in Australian SMEs

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ABSTRACT

Small to medium sized enterprises (SMEs) comprise the majority of firms in most economies and have been recognised as important sources of innovation. Yet, theory on how leaders of entrepreneurial firms manage growth is lacking. This paper contributes to this gap using a strategy framework for small firms developed by Mazzarol (2005) to evaluate five case studies of entrepreneurial SMEs. The analysis includes entrepreneurship (as measured by the firm's leaders), innovation, strategic networking, the product–market growth vector, opportunity recognition, and management of the strategic triangle (strategy, structure, resources). The findings provide insights into the role of entrepreneurial leadership including the willingness to embrace innovation take calculated risks and leverage strategic networks to follow a growth strategy best described as emergent rather than deliberate in nature. The importance of successfully matching products to customer needs, and managing limited resources to exploit opportunities are demonstrated.

Keywords: entrepreneurial leadership, growth, innovation, SMEs, strategy, case studies

Introduction

Small to medium sized enterprises (SMEs), defined as firms with fewer than 250 employees, comprise the majority of firms in most economies and have been recognised as important sources of innovation (OECD, 2010). The field of entrepreneurship has devoted much attention to the process of new venture creation and the 'individual–opportunity nexus' (Shane, 2003). However, it has not devoted as much attention to the process of how entrepreneurial firms are managed (Zachary & Mishra, 2011; Shane 2012). Achieving sustainable and manageable growth of small entrepreneurial ventures is a major challenge for owner-managers and leaders of small firms. This paper draws upon five case studies to explore how leaders of entrepreneurial SMEs manage growth.

An important issue for research into SME growth has been the role played by strategic planning, how formal such planning should be, the role of outsiders and what contingency factors might influence the need for and success of strategic planning (Robinson & Pearce, 1984). Despite the fact that research into strategy and planning within small, entrepreneurial firms has been a focus of studies since at least the 1970s, there remain many unanswered questions. These include the nature and type of planning, where such planning should be focused within the firm and the relationship between planning and performance. Formal systematic planning seems to be beneficial to small business owners, yet there is a need to remain flexible in highly uncertain environments (Brinckmann, Grishnik & Kapsa, 2010). This paper examines the behaviour of high growth SMEs from the perspectives of five CEOs who were founders of their firms. It uses a framework of strategic management within small entrepreneurial firms first proposed by Mazzarol (2005) to guide the analysis.

Strategy in small firms

While historically most strategic management theory and models have been developed from studies of large corporations, there is also a stream of research which examines strategy and planning in SMEs (Robinson & Pearce, 1984; Gibb & Scott, 1985; Fletcher & Harris, 2002; Woods & Joyce, 2003; Mazzarol, 2005; Mazzarol & Reboud, 2009; Brinckmann, Grishnik, & Kapsa, 2010). Strategy scholars typically examine the key question 'why do some firms outperform others?' with a focus on superior performance and sources of competitive advantages. Yet, the focus for many SMEs is more often on short-term performance, survival and growth (Churchill & Lewis, 1983; d'Amboise & Muldowney, 1988; Wiklund, Patzelt & Shepherd, 2009).

In the context of a dynamic competitive business environment, a strategic approach provides a clear sense of purpose and direction which serves as a focus and guide for decision making. Strategic leadership provides consistency of positioning and enhances responsiveness, flexibility and foresight (Finkelstein, Hambrick, & Cannella, 2009). Strategic management ensures that there is strong alignment between the strategy, structure, systems, staffing, skills, style of leadership and culture (shared values) of the firm which improves performance.[1] Strategic analysis includes regularly monitoring trends and changes in the politico-legal, economic, socio-cultural, technological and environmental context, as well as keeping track of industry activities, competitors and customers (Hitt, Ireland & Hoskisson, 2010). A holistic approach of strategic thinking can also be valuable for managers to maintain a future focus (Bonn, 2001).

Owner-managers and leaders of small firms generally make strategic decisions based more on pragmatic intuition than academic principles (Ennis, 1998). Informal processes of planning for specific projects, rather than the whole company, can lead to blind alleys without a strong sense of strategic awareness and commitment by owner-managers (Gibb & Scott, 1985). A strategic plan has been advocated for success of small firms to outline the strategic direction, coordinate action and assist in achieving goals (Sandberg, Robinson & Pearce, 2001). Longitudinal research has found that failure rates among small firms that engage in formal strategic planning behaviour is lower than those that do not (Sexton & van Auken, 1985). It appears that what is important to the small firm is the sophistication of the strategic management practice it undertakes, rather than whether or not the firm's owner manager has a plan or engages in planning (Rue & Ibrahim, 1998). Higher growth rates have been found among owner-managers who adopt more sophisticated strategic management behaviour than those with a more informal or intuitive approach (Lyles, Baird, Orris & Kuratko, 1993). The use of strategic tools has also been shown to support the growth of small firms (Woods & Joyce, 2003).

[1] McKinsey 7S model, which was introduced by Peters and Waterman (1980) shows the importance of alignment between these seven core elements of an organisation for effective performance.

For this study, the strategic management framework for small entrepreneurial firms developed by Mazzarol (2005) and examined further in Mazzarol and Reboud (2009) is adopted. The key components of this framework included: i) the entrepreneurial character of the firm's leadership team; ii) the use of innovation to provide a foundation for growth; iii) the use of strategic networking to secure access to resources and markets; iv) the identification of a product–market growth vector; and v) the management team's ability to balance the 'strategic triangle' of strategy, structure and resources. These components will be briefly discussed as they provide the units of analysis for this study of managing growth in entrepreneurial SMEs. At the heart of the model is the entrepreneurial process of opportunity identification, resource accumulation and capacity building. The key outcomes or measures of success for an entrepreneurial venture are sustainable growth over time which can be measured by quantitative indicators such as annual turnover, number of employees, size of assets under management or equity within the firm's balance sheet, market share and profitability.

Entrepreneurial leadership

Entrepreneurial growth requires actions and leadership of individuals who find or create opportunities (Schumpeter, 1954; Alvarez & Barney, 2007). There has been extensive research undertaken into the characteristics and attributes of entrepreneurs and how they differ from other managers (Carland, Hoy, Boulton & Carland, 1984; Brockhaus, 1987; Busenitz & Barney, 1997). According to Sexton and Bowman (1985) entrepreneurs tend to be: i) tolerant of ambiguous situations; ii) prefer autonomy (described as self-reliance, dominance, and independence); iii) resist conformity; iv) interpersonally aloof yet socially adroit; v) enjoy risk-taking; vi) adapt readily to change; and vii) have a low need for support. These traits contribute to the psychological make-up of a person who is likely to initiate change either through a new venture or within a corporate environment. In contrast, owner-managers tend to be highly task focussed hands on, and committed to achieving personal goals within a venture that consumes all their time and is essentially an extension of their own personality (Carland, Hoy, Boulton & Carland, 1984).

To achieve entrepreneurial growth, the firm needs leadership of individuals with vision who are focussed on growth and profit maximisation as principal goals. Miller (1983) defined an entrepreneurial firm as one that 'engages in product–market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch'. Drawing upon this and strategy process research, Lumpkin and Dess (1996) clarified the entrepreneurial orientation of the firm in terms of five dimensions – autonomy, innovativeness, risk taking, proactivity, and competitive aggressiveness. Research into the performance of strategy making processes and styles of firms that engage in entrepreneurial activities also considered the variation in environmental conditions and organisational factors (Lumpkin & Dess, 1996: Lumpkin & Dess, 2001; Miller, 2011). For example, Madsen (2007) found that SMEs maintaining or increasing their entrepreneurial orientation over time experienced a faster employment growth, than firms with low or decreasing entrepreneurial orientation. Firms with limited access to financial capital and an environment where new opportunities are rare can benefit from being innovative, proactive, and pursuing risky new initiatives (Wiklund & Shepherd, 2005). In addition, how entrepreneurs obtain resources to exploit market opportunities and organize firms in risky and uncertain environments has been examined (Alvarez & Barney, 2004; Alvarez & Barney, 2005; Alvarez, 2007). While aspirations for growth have an impact on actual performance, access to the necessary resources and opportunities is critical for small firms (Wiklund & Shepherd, 2003; Wiklund, Patzelt & Shepherd, 2009).

The role of innovation

For small entrepreneurial firms, innovation involves changes that will potentially maintain or improve competitiveness by securing a point of difference within its chosen market (Porter & Stern, 2001). Innovation is associated with the creation of changes to existing products or processes that can improve the firm's ability to offer superior value to its customers (Tushman & Nadler, 1986). The scope of these changes includes new and better ways of doing things, which span all aspects of the business – from products and processes, to new markets and organisational innovations (Schumpeter, 1934). The OECD's (2009) *Oslo Manual* defines four major types of innovation – product, process, and marketing and organisational.

While most innovation is incremental in nature, the commercially valuable innovations are often those that create significant changes or enhancements to existing technologies, products or services. This can be done either through a synthesis of existing ideas and technologies in creative ways to produce new products and processes, or radical 'discontinuous' innovations involving major shifts in technology (Tushman & Nadler, 1986). Such radical innovations require two necessary conditions: a significant change to the core concept of the product, and a major change in the way in which the core components of the product are configured (Henderson & Clark, 1990). Radical innovations which are disruptive of the technological norms in an industry or sector, may lead to new business models, new markets or new firms (Markides, 1997; Johnson, Christensen & Kagermann, 2008). Sustainable innovations that lead to major shifts in technology and dominant designs in products or service deliveries are less common among small firms, although when they do occur they are particularly noteworthy. Furthermore, the need for adaptation and change, the lack of bureaucracy, the multi-disciplinary nature of the work environment and the closeness of owner-managers to customers and employees, all contribute to increasing the likelihood of innovation in small firms (Vossen, 1998).

Although OECD (2010) data shows that SMEs innovate less than larger firms, changes in the environment such as increased incomes, more 'niched' market demands, the knowledge economy, changing technology, globalisation, and shifts into non-technological innovations have increased the importance of SME innovations. New firms and SMEs do not innovate alone, but rather in collaboration with others including their suppliers and customers, and with universities and research organisations. Collaboration enables innovative SMEs to overcome some of the barriers they face including limited funding, lack of management resources, technological competencies, and adequate time to invest in a long-term strategy (Winters & Stam, 2007; OECD, 2010; Mazzarol & Reboud, 2011).

Opportunity recognition

Within the field of entrepreneurship, there is general agreement that entrepreneurs exploit market opportunities to create economic wealth. However, the nature of opportunities and the processes by which they are identified and exploited has recently emerged as a key issue for further research and debate (McMullen & Shepherd, 2006; Alvarez & Barney, 2007; Alvarez, Barney & Anderson, 2013). There are now two specific theories which can be adopted to understand how entrepreneurial opportunities are formed and exploited (Alvarez & Barney, 2007; Alvarez, Barney & Anderson, 2013).

Entrepreneurial discovery theory assumes that opportunities are formed by exogenous shocks to pre-existing markets and then discovered and exploited by entrepreneurs. These opportunities are identified primarily by *search* processes which involve systematically scanning the environment to discover opportunities to produce new products or services (Alvarez & Barney, 2007). Exogenous shocks may include technological changes, political and regulatory changes, and social and demographic changes that disrupt the competitive equilibrium that exists in a market or industry to form opportunities (Shane, 2003). Entrepreneurs use local searches to *find* modest opportunities to produce new products and services and/or global searches to *find* more substantial opportunities (Levinthal, 1997). The entrepreneurs who discover these types of opportunities are significantly different from others – as outlined by Kirzner (1973) in terms of *alertness* – which may include information asymmetries, different risk preferences, cognitive differences etc. (Shane, 2003).

Entrepreneurial creation theory assumes that opportunities are created endogenously by the actions of entrepreneurs that seek to exploit them. These opportunities are *created* by the *actions, reactions and enactment* of entrepreneurs exploring new ways to produce new products or services (Alvarez & Barney, 2007). Entrepreneurs actions form these opportunities (Baker & Nelson, 2005; Bhide, 1999; Sarasvarthy, 2001) using iterative *enactment* processes (Berger & Luckmann, 1967; Weick, 1979). As creation opportunities are socially constructed they incorporate the entrepreneur's beliefs, observations, and decisions which may change over time to reflect additional knowledge and information. Hence these opportunities *emerge* via a path-dependent learning process (Arrow, 1974; Arthur, 1989).

Strategic networking

Small firms operate within a wider network of actors including customers, suppliers, financial institutions, government agencies, local authorities, employees, other firms and stakeholders (Jennings & Beaver, 1997; Gulati, Nohia & Zaheer, 2000; Shaw, 2006). The entrepreneurial manager can leverage such networks to secure resources that they do not possess within their own organisation with resulting competitive advantages (Ostgaard & Birley, 1994). In addition, strategic alliances, networks or partnerships can be formalised with other players to assist business development, survival and growth (Street & Cameron, 2007; Alvarez, Ireland & Reuer, 2006).

Strategic network relationships operate on three broad levels or embedded layers (Holmlund & Tornroos, 1997). The first of these is the *production network layer* which consists of the vertical supply-chain relationships flowing through a particular business activity system. Critical actors here are the key suppliers and lead customers. Key suppliers are those firms who offer critical inputs to the firm and who could degrade the firm's competitiveness if they allowed their own quality or efficiency to degrade. Lead customers are typically dominant in their own industries and have above average levels of competitiveness. They assist the firm to benchmark its quality to the highest levels and consistently drive up performance standards. Lead customers offer firms access to new markets and increased sales; they also serve as a source of new ideas and often collaborate with their suppliers to foster innovation (AMC, 1994).

The strategic network also consists of a *resource network layer* and a *social network layer* (Holmlund & Tornroos, 1997). The actors who control resources necessary for the production process (which the firm does not possess themselves) include financial institutions (e.g. banks, venture capital firms), insurance providers, transport, storage and communication industries, education and training institutions. It may also include research centres or firms in other industries that can provide complementary goods and services or transfers of technology (e.g. packing technology). The resource network layer thus consists of more actors than the production network layer and is more difficult to delimit, because of the many different types of resource actors included. The third layer incorporates the social interaction that takes place between personnel from the firms within the network. Social interaction can be both formal and informal in nature and has been shown to be an important source of innovation due to the sharing of knowledge that takes place (Hogberg & Edvinsson, 1998).

The role of strategic alliances is to assist the firm to accumulate the necessary resources for the entrepreneurial venture's activities. Small firms are likely to enter into networks as a result of their owner-manager's perception that they offer access to new markets, build existing capabilities or assist in defending existing market position. Close associations with leading customers and key suppliers can assist with development of new products and markets e.g. by providing access to new technologies, enhancing quality and reputation. Networks, particularly within the resource layer, help to build existing business capability by accessing financial resources, knowledge and skills, or sourcing physical capital or information. Alternatively, the network may serve to help the firm defend its market position through joint promotion, the establishment of barriers to new market entrants or protection against substitutes (Jarrett, 1998). In addition, the personal social network of the owner-manager/entrepreneur is a valuable source of knowledge and ideas and can assist with strategic decision making (Hogberg & Edvinsson, 1998). Entrepreneurial managers can search for resources from their direct ties or from indirect ties (Aldrich & Kim, 2007).

The growth vector

For a small entrepreneurial firm to grow it is important to manage an expanding portfolio of products and markets. Ansoff (1965) developed a framework for the different types of product–market options (growth vector), which provide a basis for sales growth and this seminal matrix continues to serve as a valuable structure for strategic decision making. Firms can launch into new markets with their existing products; e.g., exporting to new geographic markets or using new distribution channels such as e-commerce. To adopt this market development strategy is more risky than simply increasing sales in current markets (market penetration) and requires due diligence on the new markets before making additional investment to scale up distribution. However, this option may still be more cost effective than developing new products to sell in current markets. Although a product development strategy may require new competencies, R&D and innovation, this approach is likely to be suitable where products need to be differentiated to remain competitive.

When a firm launches a new product in a new market, this is a diversification strategy. This approach has a higher level of potential risk as the firm is operating outside its known boundaries. As part of the decision making, firms need to look for product–market combinations that will achieve synergy. This requires a detailed understanding of the customer needs, product or service technology, and competitor analysis in order to be competitive and increase performance (Ansoff, 1987). Small firms can seek growth more readily via product or market development, rather than diversification because of the resources required and the risks involved (Watts, Cope & Hulme, 1998). Further, it is important for them to check feasibility and not over stretch internal resources.

Strategy triangle process

The process of strategic management within the entrepreneurial venture is likened to a triangle with three key elements: i) strategy, ii) structure, and iii) the resources required to achieve strategic goals (Mazzarol, 2005; Mazzarol & Reboud, 2009). The strategic triangle fits with Chandler's (1962) original theory about the importance of alignment between strategy and structure. In addition, it recognises the importance of resources for strategy making which aligns with the resource-based view of the firm (Barney, 1991; Barney & Clark, 2007). Identifying potential sources of superior performance and competitive advantage is a key step in the strategy process. In terms of the VRIO model, sources of competitive advantage are commercially valuable, rare in the industry, not easily substituted by customers or copied by competitors, and exploited by the organisation.

As an entrepreneurial venture develops and grows, revisiting these key areas of the strategic triangle will be important. Resource constraints may initially impede the firm's ability to achieve its strategic goals, but as it grows strategic analysis will assist with decisions on resource acquisition, e.g., protecting unique resources. In terms of organisational structure, it can be challenging for the owner-manager/entrepreneur to recognise when to make changes in the managerial structure as the firm grows. Successful growth will typically involve continuous juggling of these three strategic elements and the need to keep the strategic triangle in equilibrium. While strategy making in entrepreneurial firms is subtle, complex and multi-faceted, growth firms integrate the formality of the planning process, with the more intuitive emergent approach, as appropriate (Fletcher & Harris, 2002).

Research methodology

A qualitative study of SMEs was conducted using a case study approach to investigate the over-riding research question: How do leaders of entrepreneurial SMEs manage growth? As recommended by Eisenhardt (1989) the case studies were selected using a purposeful, theoretical sampling logic rather than a random sampling approach. Criteria for selection included entrepreneurial leadership, SME size and experience with substantial growth. A case study protocol was developed to guide the data collection process and a pilot case undertaken (Yin, 1989). A series of specific research questions were considered including:

- What are the personal characteristics of entrepreneurs who manage fast growth entrepreneurial ventures and is there a pattern to be found?
- What are the characteristics associated with innovations as found among fast growth entrepreneurial ventures and is there a pattern that defines them?
- What are the key features of strategic networking by entrepreneurs within fast growth entrepreneurial ventures across the production, resource and social network layers, and what is the strategic intent of such strategic networking?
- What are the key pathways to growth (e.g., growth vectors) adopted by fast growth entrepreneurial ventures and is there a pattern?
- What is the pattern of strategic management within fast growth entrepreneurial ventures in relation to the strategic triangle?

Data collection involved in-depth interviews over several hours with the founding entrepreneur of the business who was still in the role of Managing Director or CEO. In some cases multiple interviews were undertaken where there was more than one senior leadership team member. Data coding was initially undertaken manually by two independent researchers, and subsequently examined using NVivo software. NVivo was used to undertake the final examination of the data drawing on the previous coding structure to develop initial within case and cross-case analysis addressing the research questions associated with the conceptual model (Hoover & Koerber, 2011).

The case studies

The research study initially drew on a larger number of cases that had been collected as part of an earlier investigation into strategy and innovation in small firms (Mazzarol & Reboud, 2009). From this database five cases were selected for this analysis. Their selection was based on their growth, innovation and entrepreneurial leadership. Table 1 lists these businesses and provides a brief description of each. For the purposes of anonymity we have called these firms AIRCO, PRINTCO, RENTCO, PROMOCO and ROADWORKS.

Each of these five companies were from different industries such as manufacturing (e.g., AIRCO, PRINTCO), financial services retailing (e.g., RENTCO), communication and marketing (e.g., PROMOCO), and construction (e.g., ROADWORKS). What they had in common were that all had experienced significant growth and at the time of interview were continuing to grow. Their management teams were small and lead by one or two entrepreneurial managers who had founded the companies usually after working in the industry with another company and feeling that the 'way of doing business' in that sector could be significantly improved. They were also characterised by management teams with a team-focus even though there was typically a single dominant entrepreneur.

Other noticeable attributes of these five companies were their need to manage the relatively rapid

TABLE 1: THE CASES GENERAL DESCRIPTION

AIRCO	Design and manufacturer of air-conditioning systems founded by a husband and wife team who migrated to Australia from South Africa in the mid-1990s and had been running the business for around 8 years at the time of interview. The company had grown rapidly and had operations in Australia and South Africa with annual turnover of A$30m. The company was employing around 230 people on full and part time contracts.
PRINTCO	Printing company that was founded by a husband and wife team in the late 1980s as a type setting business that co-located with a printer. However, the printer ran into cash flow problems and debt and the type-setting industry was facing decline due to digital technologies. In the 1990s the founder owner took on new partners with backgrounds in information technology and transitioned the company into printing by purchasing an existing printing business in 1997. At time of interview the business was turning over around A$18.5m and employed approximately 87 people.
RENTCO	Founded in 1996 this business provides a financial services system for retailers and banks to offer point of sale financing for small business owners seeking to purchase computer and related office equipment. The company was founded by a former sales manager from within the financial services industry. At time of interview the company had grown strongly across Australia and the UK with new operations in Europe.
PROMOCO	Established in the 1980s by a former sound engineering, this company specialises in audio visual marketing communications and promotions for larger corporations. At time of interview the company was employing 120 people in Australia and South East Asia with an annual turnover of more than A$13 million and customers in 18 countries.
ROADWORKS	Founded in 1997 this business is engaged in road management and maintenance systems and contracts to state and local government under competitive tendering. It was founded by an owner who had previously worked within a similar company as a key manager and helped to build it up from 4 staff and 3 old vehicles to over 35 full time employees. However, an attempt to buy the company from the owners failed, triggering a decision to set up a rival business. At time of interview the firm had an annual turnover of A$4m and around 80 employees.

growth that they had experienced and their struggle to identify suitable opportunities for innovation, partnering or networking and the charting of a suitable 'growth vector'. As outlined below these five firms provide evidence to support the conceptual model proposed by Mazzarol (2005).

CASE STUDY ANALYSIS

The main units of analysis for this study were the key elements of the conceptual framework and the transcripts were coded to focus on: entrepreneurship (as measured by the firm's leaders); innovation; strategic networking; the growth vector; opportunity recognition; and the management of the strategic triangle.

Entrepreneurial leadership

All five firms had strong, entrepreneurial leaders although they also showed quite marked contrasts in their background and personalities. While the CEOs from AIRCO and PRINTCO had university educations and professional backgrounds prior to establishing their companies, those from RENTCO, ROADWORKS and PROMOCO were less well educated. The PROMOCO CEO had a skilled vocational background (e.g., audio engineer) and had worked within television stations. The other two CEOs had been senior sales and marketing professionals working in large insurance (RENTCO), or oil companies (ROADWORKS). What was a common experience for all of them was the need to essentially learn on the job how to establish, operate and grow a small entrepreneurial company.

As shown in Table 2 the CEOs from PROMOCO and RENTCO were characterised as having being strongly driven, charismatic and visionary. By contrast the CEOs from the other three firms were more subdued personalities, but equally driven and visionary. As the quotes from some of the interviews suggest, there were common patterns of these individuals taking action to

TABLE 2: ENTREPRENEURIAL LEADERSHIP

Units of analysis	Vignettes	Representative data example
Creativity Achievement focused Autonomous Risk taking propensity Competitively aggressive Self-motivation	PROMOCO CEO – charismatic, visionary with strong sense of purpose. Flamboyant, 'loud, congratulating and a little dictatorial at times'.	'The thrill is in the chase, it's not getting there. There is no satisfaction for me sitting back and saying, right, now I've got what I want, I'm just going to make all this money off the top and sit around in my office and do nothing. I'd rather be pushing myself every day and I quite like the thrill of that. I like the ability to impact people and certainly what we do here gives us the chance to wow people, and I like the theatrics of what they are doing and the emotional side of it.' (CEO, PROMOCO).
Overview: All five CEOs were strong leaders displaying these attributes.	RENTCO CEO – driven, charismatic and visionary. Used strong board of directors to help him manage strategic growth.	'... there's only one entrepreneur in this business and by that I mean there must be a single minded vision for the business that everyone is aligned to from Board down and typically that is my role to provide that vision.' (CEO RENTCO).
	AIRCO, PRINTCO & ROADWORKS CEOs – more reserved characters but equally driven and visionary. Able to see the future trends in technology and their industries.	'First thing in '92 I realised, which was a strategic revelation, that typesetting was going to become pre-press that included the colour scans with fully laid-out pages....Technology. I mean, I have always been a huge reader. I'd just read vast amounts of stuff and a lot of it you say, 'I don't think it's going to work like this.' But by and large, I was right.' I just thought I was like everyone else. I thought everyone was more or less the same. My science training made me quite analytical. I come down to never many more than 10 bullet points. I'd work through the pros and cons and sort out the money and make a decision. And almost everything we did over the past 14 years has been overwhelmingly obvious to me.' (CEO PRINTCO).

achieve their goals, applying creative thinking and backing their judgement, with help from other directors, but where the final decision vested in their hands.

The attributes of entrepreneurial leadership were displayed with all five CEOs. This included transformational leadership style behaviours, dissatisfaction with the status quo and a capacity to take calculated risks within uncertain environments. A common feature of these CEOs was their ability to assess their market environments in a strategic way, sensing key trends or changes in technology or market conditions, or identifying gaps that could be exploited by their firm. Other common patterns that emerged from these cases in relation to entrepreneurial leadership was that all the firms had team leadership models with a dominant CEO who had a clear vision for the firm and a willingness to bring into their boardroom fellow directors who the felt added complementary skills.

Opportunity recognition

All five cases demonstrated strong opportunity recognition that was often triggered by an experience involving a business failure or tension with another owner. Table 3 summarises the key findings from the cases in relation to opportunity recognition.

The factors that triggered the foundation of these firms were either a dispute between the CEO and the managers of other businesses that they had been involved with, or the loss of their full-time job. In each case these events triggered their change of circumstance and led them to focus on launching a new venture. In the case of

TABLE 3: OPPORTUNITY FORMATION AND EXPLOITATION

Units of analysis	Vignettes	Representative data example
Discovery opportunity Creation opportunity *Overview:* All five cases demonstrated strong opportunity recognition often triggered by a key event e.g. business failure or tensions with others.	ROADWORKS CEO – Had worked for small firm and helped it to grow from 'four employees and three old trucks' to 35 employees. Yet owner was poor at financial control. He gave up, left and set up ROADWORKS.	'Unfortunately, the chap was spending more money than he was making, I approached him and put it to him that I would like him to step aside, whilst he owned the business I wanted him to step aside and continue to draw the salary he was drawing and allow me to turn the business around so it was profitable. He said he'd get back to me, but he never did…and that went on a few months. Whilst the business had a lot of opportunities out there, my concern was that a lot of the clients we had thought it was my business because I was passionate about things when I'm working.' (CEO ROADWORKS).
	PRINTCO – had been in a type setting business but saw that technology would force change. Partnered with another printer but they were poor at financial management. So left to start up his business.	'Money was like heroin. It would just go straight through their fingers. The more they got, the more they needed and I became quite concerned when a tow truck hooked up his new car. I had an old bomb. I didn't know at this stage it was to be repossessed. And I just thought, 'this is the kind of guy I don't need in business'; 'This is too hard, I want out.' (CEO PRINTCO).
	AIRCO CEO – Had been partner in another air-conditioning firm but caught in a dispute with the other owners forcing him to leave and set up his own business.	'No it wasn't a strategic decision at all. It was an opportunity that was given to us, and we took it and ran with it. I think some things were strategic reasons, but often the very biggest things are actually things that happen and then you strategically make them work.' (CEO, AIRCO).
	PROMOCO CEO – Started up his business after losing his full time job. Did little formal strategic planning before its launch.	'I did some homework on it and it was pretty simple. That solved the problem and then I went out and told a few people that this was a great idea, and I got one client who said yes. Then I got another client and another client, and then we had about 9,900 of these systems around the Asia-Pacific. So that was the short answer of how it got started.' (CEO, PROMOCO).
	RENTCO CEO – Had been involved in another business that he helped create, but was then shut out and got so angry he set up his firm in a hurry to get even. Believes his ability to screen opportunity as a key strength.	'If you try to go into a new industry or territory or market then gathering as much information as you can is critical to effective decision making and the success of the venture. When you go into a new market place, it can be perceived as a risk, but the degree of the risk is mitigated by the level of information you have gathered prior to that step. Information allows you to minimise exposure. We can recognise the exposure and the opportunity. There must be risk or there is no upside. The trick is to get the balance right so that the risk you take is not life threatening to the business but has significant upside if it succeeds.' (CEO RENTCO).

ROADWORKS, RENTCO and AIRCO the CEOs had been working with other firms and had left as a result of disputes over strategic direction or financial management. The process of opportunity recognition was therefore a combination of seeing strategic trends in industries and reacting to the unforeseen events such as financial distress of partners or the loss of employment.

The type of opportunity (e.g., discovery or creation) varied by business.

PRINTCO's CEO saw the technological changes (exogenous shocks) that were driving change through the typesetting and printing industries. His response was to invest in new technology plus process and marketing innovations. AIRCO and ROADCO also saw opportunities for entry into established and relatively mature markets with product/service offerings that were simply better managed than most of their competitors. However, they soon demonstrated that by working with lead customers they could exploit opportunities. In the case of AIRCO this included both new product technologies and also the enhanced services they offered to corporate clients. These were more discovery opportunities driven by entrepreneurial alertness but as the businesses grew they took the form of creation opportunities. Both PROMOCO and RENTCO demonstrated more evidence of a creation opportunity approach. In these cases the businesses required the development of a largely new business model with the need to use marketing as a key element in their ultimate success. Significant alliance building to achieve market growth was a feature of all firms, but particularly PROMOCO and RENTCO.

Using innovation

All five firms engaged in some form of innovation to help secure their growth. Table 4 provides a summary of the cases. In all cases there was evidence of the use of new products and services, plus the need to apply innovation in technological process and marketing activities. In the case of PRINTCO the CEO viewed his investment in the education of the management team as a form of innovation, which given the relative lack of such investment in the printing industry seems justified.

The overall pattern that emerges from these cases in relation to innovation is that all firms were engaged in a constant quest to find new ways to generate value for customers and gain a market advantage. They also worked closely with lead customers and key suppliers to create these innovations. Whether it was through new product development, market innovations or a restructuring of their business models, they were generally challenging the industry status-quo. In doing so they were seeking to secure and retain new business using approaches that other competitors had failed to recognise.

Strategic alliances and networking

The success of these firms was also characterised by their active engagement in the formation of strategic alliances supported by active networking. As shown in Table 5 there was evidence of these firms engaging with lead customers and/or key suppliers as well as third-party 'resource network' actors such as banks, universities and accounting firms to help them implement their strategies.

RENTCO had grown its business through the firm's ability to secure strategic alliances with banks as suppliers of money and retail computer equipment stores as suppliers of customers. The firm negotiated a range of deals within Australia during the first phase of its growth. However, it was the ability of the CEO to secure a major agreement to establish a joint venture in the United Kingdom that really enhanced its international expansion. For PROMOCO and AIRCO the most important alliances were those they formed with their lead customers and key suppliers. PROMOCO's first major market breakthrough occurred when it secured a major contract with a leading fashion retail chain early in its growth cycle. AIRCO had a similar experience in its early years, but with key suppliers who backed the firm as a local sales and distribution agent for its products. Over time the two firms learnt the importance of securing close working and strategic relationships with lead customers and key suppliers. For PRINTCO and ROADWORKS the other major network relationships were in their 'resource network layer'. This included banks and accounting firms, as well as universities. Overall the firms relied upon their lead customers, key suppliers and specific partners in the resource network layer to secure many of the resources they required to facilitate their growth. They also leveraged these networks for market information including knowledge of new technologies and trends.

Strategic growth and the process of managing the 'strategic triangle'

Each firm followed a different approach to finding their strategic growth vector and all engaged in a

TABLE 4: INNOVATION

Units of analysis	Vignettes	Representative data example
New products/services New processes Incremental or radical *Overview:* All five cases engaged in some form of innovation to help secure growth.	RENTCO – Business model built around innovative marketing and credit management system using point of sale and financing. AIRCO – Major investor in R&D for new air-conditioning systems with strong design team. Also focused on service innovation such as storage and handling for major industrial projects.	'So we went to some of the biggest companies and said: 'look what your warehouse is costing you, look what your installers are complaining about, the store person. We will take all of that on; we'll charge you the same price as what you're getting. But we will deliver each thing to site, plus you will pay $25.00 delivery charge, but when you work out the cost plus the frustration'…In other words, if anything is wrong, we'll sort it out, and so that is what we did. The only thing we really had to offer was huge commitment to getting it right way more than anybody else.' (CEO, AIRCO).
	PROMOCO – Innovative business idea offering in-store pre-programmed music systems in the 1980s. Later developed into telephone call waiting systems and then corporate videos. Also very innovative at marketing and advertising campaigns.	'One of the big things is that we have spent a lot of money developing more high-tech products, such as sensors in each room…and we have also spent a lot of money advertising those products and educating the market that these things do exist, creating a demand for them but also for the brand.' (CEO, AIRCO).
	PRINTCO – Made significant use of advanced process technologies and then used innovative marketing and sales approaches to win new business while retaining existing customers. Also saw the value of educating the management team.	'In the old way I had to sell them the audio production and systems and in three months' time if they said yes we want update the recording, I'd have to go and sell them another production and it's always hard selling again. You want people sold once and then be contracted…we got hooked on this big up-front cash payment which made us very rich, and that obviously left us with this tremendous liability that we had to do this audio production in the future. If we stopped selling new contracts today, we still had all this work that we had to do. So that was a bit of a worry.' (CEO, PROMOCO).
	ROADWORKS – Innovation focused on employees and management systems to get the best from a blue collar outdoor workforce.	'The biggest innovation I think, and I'm proud of this, is sending the guys to uni. I feel proud. (The ones that go to uni) don't buy the discipline of having to be right. And I was seriously disappointed, personally, when a couple of them just pulled out this year. Then when Murray went on, with 7s or 8s in his two units, I sort of thought, 'You beauty.' I know he's got the brain. I see that as innovative. (CEO PRINTCO).

delicate balancing act to keep their 'strategic triangle' in shape. The need to focus on the management of resources, particularly money and cash flow plus finding and keeping quality managers were all common patterns of behaviour found across the cases. Table 6 summarises these findings.

The growth path followed by the cases highlighted the need for the firms to continuously evolve their business models. For example, AIRCO started life as an agent for manufacturers and a business model that offered value to customers via enhanced services and bundled supplies. It then shifted into the design and manufacture and moved backwards and forwards in the supply chain playing the role of retailer, wholesaler, manufacturer and then retailer over its growth cycle. Its initial attempt at expanding internationally failed due to a 'clash of personalities, cultures, how to do business, everything' (CEO AIRCO).

TABLE 5: STRATEGIC ALLIANCES AND NETWORKS

Units of analysis	Vignettes	Representative data example
Production network Resource network Social network	RENTCO – Business grew through the firm's ability to form alliances with major retailers and financial institutions both in Australia, the UK and Europe.	too big, and we thought the better way to minimise exposure is to joint venture…So you reduce the risk from the outset, but it allows us now as a footprint to go on to the rest of Europe with limited exposure .' (CEO RENTCO).
Benefits: Creating value Building capability Defending market space	AIRCO and PROMOCO – Most important alliances were with lead customers and key suppliers. Both firms sought close working relationships with them.	'Our supplier at the moment is very good, because they come up with new technology, which allows us to do different things. We can now get audio into Singapore within five minutes of recording here, whereas in the past we couldn't. So that was a drawback to our entering Singapore.' (CEO, PROMOCO).
Overview: All cases demonstrated success via alliances, partnering and networking.	PRINTCO and ROADWORKS – Most important networks were their 'resource network' partners such as banks and accounting firms or even local universities. 'What we did in the UK was we thought the exposure was	'We have since gone through a few different levels of bank managers now and we have a very good network. My network extends beyond just those kinds of people. I like to develop relationships with our suppliers as well, that's critical, it's all very well and good to treat people and to work with people in a nice manner that you want something from, people seem to forget that without suppliers, the business isn't going to run. Ringing up and being dogmatic and nasty to them because they are suppliers. Why not reverse it? Because everybody is nasty to them, everybody treats them as subordinates, reverse that and show them some respect and you will get the world.' (CEO ROADWORKS).

For RENTCO the growth trajectory was to secure a dominant position in its domestic market in Australia, then form a joint venture with a larger firm in the UK that expanded it nationally there before moving into Europe. The key to growth for PROMOCO was the ability to expand their market by securing customers with national and international operations that took the firm across thousands of sites within eleven countries. PROMOCO also developed a concept known as 'ambush marketing' whereby they place their brand name prominently in the line of TV cameras at major events and undertook other 'stunts' to secure attention.

PRINTCO's growth was built on a combination of investment in new technologies and equipment, investment in its people and a proactive approach to marketing. They created a sales team, comprising mostly young attractive women, and sent them out to canvass for new business and manage existing accounts. This was the idea of the firm's marketing manager who was the co-director and owner. With most printing firms being male dominated in the sales teams this was a major point of differentiation. PRINTCO's CEO developed a formal vision and mission statement and posted them on the walls throughout the building and even printed its 'strategic intent' statement on its business cards. However, resource management was a major issue as it was for all firms. This involved changes to these companies' boards and senior management teams, and the need to adjust strategy to keep pace with the almost constant lack of resources.

DISCUSSION AND CONCLUSIONS

The five cases provide support for the conceptual model originally proposed by Mazzarol (2005) as being a useful framework to help understand the conditions that drive and shape growth within entrepreneurial SMEs. Of particular importance is the role of entrepreneurial leadership that is willing to embrace innovation, take calculated

TABLE 6: STRATEGIC GROWTH VECTOR AND STRATEGIC TRIANGLE

Units of analysis	Vignettes	Representative data example
Growth Vector: Existing product/market Existing product/new market Existing market/new product Diversification Strategic Triangle: Strategy Structure Resources	Each case followed a different path or 'vector' to growth. Depending on the cycle of their firm's development. New product or market strategies were adapted in response to opportunities. Resource management was a constant issue for all firms. Particularly money, cash flow and the ability to secure good managers. Human resource planning and the growth and development of their leadership team were the key challenges as their businesses grew. Learning to delegate to others was a key issue for the CEOs. The CEOs of these firms found that they had to actively engage in formal strategic planning as their businesses grew in size and complexity.	I very seldom stop thinking about this stuff. If we go on holiday for two weeks, even though I'm lying at the pool doing nothing, I've learned that I actually have to get a pen and paper and spend the first week just writing out pages and pages and think about how to do something better. Once my brain has cleared all that, then I can get on with relaxing.' (CEO, AIRCO). 'My interpretation of a general manager, is that I keep an what every division is doing, every section is doing, just holistically, bird's eyeish, you know I spend time with operations and find out what they need in order to succeed in their roles…sales, planning, go out on the road…I have high level contact with our customers…at a board level or general management level. But I'm also in charge of strategic development I believe for the company I have to have a strategic focus and my job is to grow it strategically, not ad hoc. I put in place the plans and I take those plans to the owners of the board or whoever it is that I need to report to, generally as a general manager that's what I do. I'm not specifically managing anything, but I'm overall managing everything.' (GM ROADWORKS) So my strength, I suppose, is that I can make something happen from nothing and see the opportunities and work out a way and plan and scheme and get something done. But once I've conquered that or I feel that it's worked out and the challenge is over, also because I'm a big picture person, and not an attention to detail person; I need other people to come and actually realise the potential.' (CEO, AIRCO). 'We have meetings every Monday and we have once or twice a year a getaway for staff where we just go out and have a team-building day, do exercises and have fun. And once a year we have a future planning day for the company where all the managers get together and we plan and chart the next five years.' (CEO, PROMOCO).

risks and leverage their strategic networks to follow a growth strategy best described as emergent rather than deliberate in nature. There were some marked differences in the personalities of the five CEOs (e.g., flamboyant and extrovert in the case of PROMOCO CEO, but more subdued and introverted in the cases of the CEOs of AIRCO and PRINTCO). However, all five CEOs displayed the key qualities of visionary leadership, self-reliance, resistance to conformity, willingness to take calculated risks and a tolerance for ambiguity and uncertainty that are associated with entrepreneurial leaders (Sexton and Bowman, 1985; Lumpkin and Dess, 1996).

The ability to successfully match product to customer needs, and manage limited resources to exploit opportunities were illustrated. This process of 'balancing the strategic triangle' is highlighted by the cases, which is consistent with existing theories of the entrepreneurial firm (Alvarez & Barney, 2004; 2005; Alvarez, 2006; Alvarez, Ireland & Reuer, 2006). Their successful growth appears to be a result of dedication and commitment, but also their ability to identify a niche in the market for a value added offer utilising innovation in process and product. The entrepreneurs leading these firms were committed to finding ways to identify and deliver customer value and a constant quest for improvements in product and service quality. Their investment in technological product and process innovations helped to boost their ability to follow a differentiation strategy. They also invested strongly in their employees encouraging training and education as well as delegation of responsibility at all levels. The firms were also characterised by strong sales and marketing competencies, with the creation of strong brands in their markets.

Another common pattern emerging from these cases was the role played by strategic partnerships with a range of parties. They had also taken steps to build up their management teams with dedicated and competent people. All the firms relied strongly on leading customers and key suppliers to assist their business growth. The customers were a main source of enhancing their market access, as well as assisting with innovation and the testing of new products and ideas. Their suppliers assisted in the provision of technologies that allowed them to secure competitive advantage in the market. As these firms moved through their growth cycles they launched new products but focused primarily on targeting new markets with existing products and services.

The growth strategies followed by these firms were more 'emergent' than 'deliberate' in nature (Mintzberg, 1984), and focused on the exploitation of 'discovery' rather than 'creation' opportunities (Alvarez and Barney, 2007). This is unsurprising given that most entrepreneurial firms are likely to follow emergent strategies and discovery opportunities are the most common. However, the cases of RENTCO and PROMOCO illustrated creation opportunities that highlighted the importance of strategic networking and alliance formation as well as the need for innovative marketing techniques.

According to Brinckmann, Grichnik and Kapsa (2010) although there has been substantial research into the strategic planning behaviour of SMEs the field of research remains 'fragmented and contradictory'. Their meta-analysis of empirical research into planning and performance in SMEs found that business planning benefits established firms more than start-ups and that performance is influenced by how a manager plans. Of more value than the formal plan is the manager's flexibility, and ability to adapt and learn. Formal planning seems to work more effectively for small business managers than entrepreneurs seeking to create new or growing ventures. This is due to the need for reliable information upon which to base plans.

This study's findings are consistent with those generated by Brinckmann et al. (2010) but offer direct evidence of how these processes work at the firm level. An important contribution of this study is its ability to provide rich contextual information on the process of strategic management of entrepreneurial SMEs. Rather than seeking to measure the cause–effect relationships between strategic planning and performance, the study offers insights into the factors that must work together in order for an SME to successfully achieve growth. As suggested by Mazzarol (2005) there needs to be an interplay between the five key factors of entrepreneurial leadership, innovation, strategic networking and alliance building, the selection of a 'growth vector' and the ability of the firm's management to balance the 'strategic triangle'. The case studies illustrate the way in which these dynamic forces are actively managed by the entrepreneurial leadership teams of such firms. What emerges from the cases is a picture of a dynamic process of individual and organisational learning, adapting to external market threats and opportunities, and the ability to build strong and effective relationships with internal and external stakeholders.

Implications for research, policy and practice

This study provides new insight into the way SMEs grow and enhances our understanding of the process of managing entrepreneurial firms and the interplay between the elements proposed within the original conceptual model that apply strategic management concepts and principles to the management of SMEs. The use of case study analysis assists in gaining understanding of the small firm in context and is therefore a useful tool in the development of theory building (Tan et al., 2009). In terms of policy and practice, the study offers rich data on the dynamic nature of management within entrepreneurial SMEs. It highlights the crucial role of the entrepreneurial leader or leadership team, and provides valuable lessons for managers of such firms and those agencies seeking to support them.

For those seeking to manage high growth SMEs the lessons from this study are clear. Success is far from guaranteed and what is required is a flexible and adaptive management style that continuously scans the firm's environment and takes proactive steps to actively manage potential threats while seeking to exploit opportunities. A key task is the ability to manage growth with insufficient resources. Financial and marketing skills are clearly critical, but so too is a capacity for strategic thinking, innovation, interpersonal relationships and the development and grooming of a strong team of managers, co-directors and outsiders with specialist skills. From a policy perspective the study highlights the importance of strengthening the strategic management competencies of SMEs not just by education of entrepreneurs, but their management teams. Helping such firms access experienced advisors and recruit talented directors to their boards provides a significant managerial multiplier effect on the firm's strategic competencies.

Finally, further research on managing growth in small entrepreneurial firms is recommended. Longitudinal case studies designed to examine these issues in depth to complement this small sample of case studies and to provide empirical evidence of practices in specific industries and other countries would be useful. There is recognition that strategy, planning and innovation are critical elements to the successful growth of SMEs, however, less is known about the actual process of these critical activities within such firms. Future research needs to explore the dynamics of how small firms engage with these activities via direct observation.

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