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Exploring the Factors Influencing the Success of UK Service Sector SMEs: An Owner/Manager Perspective

Boran Li

Thesis Submitted for the Doctor of Philosophy Degree
The University of Edinburgh
2019

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Abstract

Small and Medium-sized Enterprises (SMEs) are an important part of any economy consistently contributing over 90% of businesses, 60% of employment and over 50% of GDP. They are regarded as a key source of innovation and business growth, and so governments globally attempt to support SMEs.

Given the SME sector is very diverse, covering almost all industrial sectors, the focus of this research is on the service sector. Whilst there has been considerable research on 'success', this has been driven by external views, while in this research the focus will be on how SMEs view success. The research explores SMEs' definitions of success from the SMEs' viewpoint using qualitative research methods based on interviews and a survey. Using SMEs' opinions, this research determines the attributes that SMEs believe create success. This approach takes a broad perspective and includes the ecological context in which SMEs exist.

Firms define themselves as SMEs in relation to their own industrial sector. They view themselves as successful if they are financially sustainable and often attach importance to achieving non-financial goals. They widely interact with their environment to acquire knowledge, skills, employees and customers. Start-ups in particular attempt to gain visibility. Their interaction with others includes competitors when there is mutual benefit, primarily through referrals.

The contribution of the thesis is an enhanced understanding of SMEs' views of success and how they see themselves as achieving success. This is based on their stage of development and their self-identification within the market place. At an early stage of development, they seek visibility and market penetration through personality. In later stages, they either develop their business further or maintain a stable position.

This research makes some theoretical contributions in terms of developing the perception of SMEs, giving definition to success, modifying the 5 stages of development model, enriching the factors influencing SMEs in achieving success, and

extending the scope of competitive advantages. This research also develops an adaptive framework by combining the discussion of SMEs' stage development, dynamic capability and adaptive capability in terms of resource-based theory and competitive advantage theory. The methodological contribution is that, rather than previewing SME within the 5 stage development model, the findings suggest that potentially SMEs form into two groups: young and mature. The practical contribution is that it offers insight into SMEs' views of success and how to achieve it.

Certificate of originality I

Acknowledgements III

Abstract V

List of Tables XV

List of Figures XVII

List of Abbreviations XIX

Chapter 1 Introduction 1

1.1 Introduction 1

1.2 Research Background 2

1.3 SMEs' Contribution to the Economy 4

1.4 Research Aim and Objectives 6

1.5 Research Approach 7

1.6 Contribution 8

1.7 Structure of Thesis 10

Chapter 2 Background 13

2.1 Introduction 13

2.2 Importance of UK Service SMEs 14

2.3 SMEs are Fallible 16

2.4 SME Success and Measures 21

2.5 Performance Measurement and System 24

2.6 Specific Types of SMEs 27

2.7 Conclusion 28

Chapter 3 Literature Review 31

3.1 Introduction 31

3.2 Distinctive Characteristics of SMEs 32
3.3 SMEs' Five Stage Development Model 34
3.4 SMEs Success 38
3.4.1 Definition of Success 38
3.4.2 Success Models in SMEs 41
3.5 Institutional Theory 44
3.6 SME Internal Dynamic Capability 46
3.6.1 Dynamic Capability and Enterprise Performance 49
3.6.2 Organisational Capability 54
3.6.3 Employee Capability 58
3.6.4 Customer Relationship Building 59
3.6.5 Customer Satisfaction 62
3.6.6 Innovation 63
3.6.7 Intellectual Capital (IC) 65
3.7 SME Adaptive Capability 65
3.7.1 Market Orientation and Business Environment 67
3.7.2 Knowledge Acquisition and Knowledge Management 68
3.7.3 Social and Culture Factors 71
3.8 SME Ecosystems and Competitive Advantages 73
3.8.1 Ecosystem and Network Theory 74
3.8.2 Resource-Based Comparative and Competitive Advantages 78
3.9 Literature Gap 82
3.10 Conclusion 84
Chapter 4 Research Methodology 87
4.1 Introduction 87
4.2 Research Aim and Objectives 87
4.3 Pragmatism Research Philosophy 88

4.4 Research Design 92
4.5 Methods Used and Justifications 96
4.5.1 Interviews and Online Survey Questions 96
4.5.2 Snowball Interviewing SMEs 98
4.5.3 Online Survey Response 102
4.6 Implementation of Methods 106
4.6.1 Interview Transcripts and Codes 106
4.6.2 Themes, Sub-themes and Codes from Interview Transcripts 109
4.6.3 NVivo, Themes, Sub-themes, Codes and Quotes 111
4.7 Research Validity, Reliability and Replication 117
4.7.1 Research Validity 117
4.7.2 Research Reliability 119
4.7.3 Research Replication 120
4.8 Research Difficulties and Limitation 120
4.9 Research Ethical Consideration 121
4.10 Conclusions 122
Chapter 5 Service Sector SMEs Views of Success 125
5.1 Introduction 125
5.2 SME Stage Development and Success 127
5.3 Financial Success 131
5.4 Non-Financial Success 132
5.4.1 Success is Stability and Survival 132
5.4.2 Growth of Business is Success 133
5.4.3 Updating Quality and Innovation 135
5.4.4 Gaining Social Influence as Success 136
5.4.5 Lifestyle Business is Success 137
5.5 Conclusion 139

Chapter 6 Dynamic Capability and Success 141
6.1 Introduction 141
6.2 Organisational Capability 141
6.2.1 SME Self-realisation 143
6.2.2 Managing Organisational Structure and Size 145
6.2.3 Flexible Organisational Culture 147
6.2.4 Managing Financial Capability 149
6.2.5 Partnerships and Collaboration 150
6.3 Developing Customer Relationships and Satisfaction 151
6.3.1 Provide Customer Value and Improve Satisfaction 152
6.3.2 Targeting Valuable Customers 155
6.3.3 Personal Relationship Building 156
6.3.4 Managing Social Media 157
6.3.5 Using Customer Feedback 159
6.4 Assessing SME Service 161
6.4.1 Quality Control Approaches 161
6.4.2 On Time Delivery / Timeliness 163
6.4.3 Price Setting 165
6.5 Managing Employees Working Capabilities in SMEs 166
6.5.1 Employees' Working Capabilities and Attitudes 167
6.5.2 Employees Team Work Skills 169
6.5.3 Employees Business Network Skills 170
6.5.4 Employee Feedback and Suggestions 171
6.6 Conclusion 173
Chapter 7 Adaptive Capability and Success 175
7.1 Introduction 175

7.2 An Innovative Knowledge Sharing Environment 175
7.3 Integrating Human Assets to Enhance Capability 180
7.3.1 Entrepreneurship and Business Vision 180
7.3.2 Discovering and Integrating Talent Via Networking 181
7.3.3 Managing and Integrating Employee Capability 183
7.4 Conclusion 184
Chapter 8 SME Ecosystems 187
8.1 Introduction 187
8.2 SMEs' Surrounding Ecosystems 188
8.2.1 The setting of an Ecosystem 188
8.2.2 Impact of Coopetitive Ecosystem on Start-up SMEs 189
8.2.3 Impact of Coopetitive Ecosystem on Mature SMEs 191
8.3 SME Networks 193
8.3.1 Client Networks 194
8.3.2 Business Events and Conference Networks 195
8.3.3 Collaborative Networks 196
8.3.4 Competitor Networks 197
8.4 Conclusion 198
Chapter 9 Discussion 199
9.1 Introduction 199
9.2 SME Strategies Towards the Surrounding Environment 199
9.3 Discussion of SMEs' Dynamic Capabilities 202
9.3.1 Assessing Common Behaviour in Achieving Success 202
9.3.2 Diverse Strategies Based on Stage of Development 205
9.3.3 Employee Capabilities to Boost Development 206
9.3.4 Leadership and Business Vision 207

9.4 Discussion of SMEs' Adaptive Capabilities 207
9.4.1 SME Self-recognition and Business Vision 207
9.4.2 Revaluating Adaptive Entrepreneurship 209
9.5 Adaptive SMEs 210
9.6 Network Ecosystems 213
9.6.1 SME Networking Capabilities 214
9.6.2 Client Networks and Referrals 216
9.7 SMEs' Resource-Based Competitive Advantages 217
9.8 New Competitive Advantage Framework 219
9.9 Conclusion 221
Chapter 10 Conclusion 223
10.1 Introduction 223
10.2 Key Findings Related to the Aim and Objectives 224
10.2.1 Employee Capabilities for Success 224
10.2.2 Satisfied Customer Relationship Building 225
10.2.3 Redevelopment of Leadership to Enhance Organisation Dynamic Capability 226
10.2.4 SME Ecosystems and Networks 227
10.3 Additional Findings 229
10.3.1 Resource-Based Competitive Advantages 229
10.3.2 SMEs Use only a Few Success Measures 230
10.4 Research Contributions 231
10.4.1 Theoretical Contribution 231
10.4.2 Methodological Contribution 235
10.4.3 Practical Contribution 236
10.5 Limitations and Future Work 238

References 241

Appendix 1 UK SMEs by Sectors 267

Appendix 2 Interview Questions 269

Appendix 3 General Background of Interview SMEs 275

Appendix 4 NVivo Themes, Codes and Quotes 293

Appendix 4.1 NVivo Performance Measurement Coding 295

Appendix 4.2 NVivo Performance Influencing Factors Coding 301

Appendix 4.3 NVivo Challenges/Risk/Threats Coding 311

Appendix 4.4 NVivo Business Strategy and Objectives Coding 323

Appendix 4.5 NVivo SME Size Coding 337

Appendix 4.6 NVivo Economics Environment Coding 342

Appendix 4.7 NVivo Nature of SMEs Coding 346

Appendix 4.8 NVivo Management Style Coding 351

Appendix 4.9 NVivo SMEs Stage of Development Coding 357

Appendix 4.10 NVivo People Influence Coding 360

Appendix 4.11 NVivo Leadership Coding 363

Appendix 4.12 NVivo CSR Coding 367

Appendix 4.13 NVivo Success Coding 371

Appendix 5 UK SMEs Success Survey 377

Appendix 6 Online Qualtrics Survey Questionnaire Response 387

Appendix 7 Cross-national Prediction Model (CPM) Model 435

Appendix 8 SMEs Success Theme Analysis Findings 437

Appendix 9 LinkedIn Discussion For Achieving online Survey Response 466

List of Tables

Table 1-1 SMEs' Contribution Globally 5
Table 2-1 Number of Businesses in UK Private Sector in 2016 15
Table 2-2 Businesses by Industry in the UK in 2016.....16
Table 2-3 One- and Four-Year Firm Survival Rates by Firm Size.....18
Table 2-4 SME's Definition of Turnover and Employees 18
Table 2-5 Number of Business in the UK since 2000.....19
Table 2-6 Business Births and Deaths in UK between 2001 to 2015.....20
Table 2-7 Cross National Prediction Model for Business Success.....26
Table 2-8 Hidden Champions: Key Figures 27
Table 3-1 SME performance categories 41
Table 3-2 Main Definitions of Dynamic Capabilities.....48
Table 3-3 Future SME project and marketing issues 55
Table 3-4 Foundations of Neoclassical and Comparative Advantages Theory of Competition.....79
Table 4-1 The Eight Research Design Steps Model 94
Table 4-2 Research Design Processes.....95
Table 4-3 SMEs' Interview List 101
Table 4-4 Survey SME List of Key Terms.....105
Table 4-5 Sample Theme: Networking 109
Table 4-6 Sample Theme: Influence on Business Success 110
Table 5-1 Themes Involving Influences on Business Success 126
Table 6-1 Themes Relevant to SME Dynamic Capabilities and Success 142
Table 7-1 Themes Relevant to SME Adaptive Capability and Success 176
Table 8-1 Themes relevant to SMEs Ecosystem 188

List of Figures

Figure 2-1 Business Birth and Death Rates in the UK.....21
Figure 3-1 Characteristics of Small Businesses at Each Stage of Development 34
Figure 3-2 SMEs 5 Stages of Development 35
Figure 3-3 Defining Success - Theoretical Relationship.....44
Figure 3-4 Elements of ecosystem framework for sensing market and technological opportunities 51
Figure 3-5 Foundations of Dynamic Capabilities and Businesses Performance 53
Figure 3-6 Tools Usage Rates Vary by Company Size.....60
Figure 3-7 Macro-Environment and Micro-Environment: Amended.....68
Figure 3-8 Structural Model of Relations between Value Creation, Mutual Dependence, Mutual Commitment and Business Network Connection 77
Figure 3-9 Comparative Advantage Theory of Competition.....79
Figure 3-10 Resource-based View of Competitive Advantage 81
Figure 4-1 Experimental Black Box 93
Figure 4-2 Business Nature of Online Survey SMEs.....103
Figure 4-3 Employees Size of Online Survey SMEs 104
Figure 4-4 Online Survey SME Size.....104
Figure 4-5 Online Survey SME Development Stage 105
Figure 4-6 Interview Transcripts Sample and Codes 1 107
Figure 4-7 Interview Transcripts Sample and Codes 2 108
Figure 4-8 NVivo Themes and Codes 1 112
Figure 4-9 NVivo Themes and Codes 1 113
Figure 4-10 NVivo Themes, Codes and Quotes 1 114
Figure 4-11 NVivo Themes, Codes and Quotes 2 115
Figure 4-12 Research Inductive Reasoning.....116
Figure 9-1 SMEs' Surrounding Environment.....200
Figure 9-2 Relationship of Institutional Base, Dynamic Capability, Adaptive Capability and Success 211
Figure 9-3 Coopetitive Ecosystem.....214
Figure 9-4 New Competitive Advantage Framework.....220

List of Abbreviations

SME	Small and Medium-sized Enterprises
RBV	Resource-based View
UK	United Kingdom
EU	European Unions
GDP	Gross Domestic Product
IC	Intellectual Capital
CA	Comparative Advantage
EO	Entrepreneurship Orientation
CRM	Customer Relationship Management
LES	Large Enterprises
CS	Customer Satisfaction
CSR	Corporate Social Responsibility
PMS	Performance Measurement System
CPM	Cross-national Prediction Model
ROI	Return On Investment
ROCE	Return On Capital Employed
CSFs	Critical Success Factors
VRIN	Valuable, Rare, Inimitable, Nonsubstitutable

Chapter 1 Introduction

1.1 Introduction

The goal of this thesis is to examine success amongst Small and Medium-sized Enterprises (SMEs) in the service sector. SMEs are a major business element of all economies, and the service sector represents the largest group of SMEs. SMEs within the service sector are a very diverse group of businesses and therefore findings about this group may be applicable to other sectors of the economy such as the industrial sector, financial sector and other manufacturers. The context of the study is the UK service sector SMEs.

It is not intended that SMEs be segmented further, and so we have not looked at specific sub-groups such as "born global", "high tech" or "hidden champions". Other authors have considered such groupings to identify their attributes and explore their routes to success. By contrast, rather than making a priori judgements about the nature of success, this thesis considers the full range of SMEs within the service sector, which includes these subgroups, and through the data examines the factors contributing to success.

A qualitative approach has been applied to the subject rather than a quantitative approach. Many researchers have explored various aspects of performance quantitatively and found relationships between certain measures and success. The qualitative approach allows exploration of SMEs in the service sector from their own viewpoint, which may yield new insights into SMEs' behaviour. Previous research has often assessed the success of SMEs by metrics, typically financial or growth measures. More recently, it has been realised that non-financial measures are equally important in assessing the success of a business. Hence, the qualitative approach allows us to "get under the skin" of the SME, to explore the views of those who embody the strategic goals of the enterprise, the owner/manager of the enterprise. The owner/manager will view success in terms of their own goals and also the nature of the business and its stage of development (Tomlinson and Fai, 2013). Throughout the thesis, it will be assumed that the respondent, usually the owner/manager, will retain the primary view on business success and so success will be a product of their own

view, due to their experience and knowledge in the business (Lloyd-Reason and Mughan, 2002). There have been other studies on SMEs, that have used qualitative approaches to explore SMEs' success factors (Simpson et al., 2012a). This research is distinct in that it takes the starting point of what constitutes success for SMEs from the viewpoint of the owner/manager.

SMEs are regarded as vulnerable, given their size and lack of resources Timmons (1999). Shocks to the business may lead to failure, hence survival is often a key issue especially for young SMEs. Governments claim they wish to support SMEs because they represent a sizeable part of the economy and wish to encourage the foundation and growth of SMEs. Many schemes have been devised to support SMEs, yet their effectiveness has been limited, partly due to the fact that start-up businesses tend to be fragile Timmons (1999). Often the reasons for their fragility are cash flow, funding problems or lack of knowledge (awareness and ability). Set against this context, the aim of the research is to explore how the service sector SMEs view the concept of success and how this relates to an understanding of SMEs' business success. The study contributes to theory via a more detailed and nuanced understanding of business success and practice by highlighting the factors which enable SMEs to be sustainable. The qualitative data gathered in the study enriches and extends existing theoretical understanding of SMEs and can be used to gain better insight into SME success. Moreover, the research practically benefits SMEs by providing a clear understanding of the general market context and conditions that are more conducive to improving and achieving success.

1.2 Research Background

The global business context is becoming more complex (Gereffi, 2005) and the global economy is still relatively stagnant. The complex market landscape gives rise to difficulties for large enterprises in the development of their business. SMEs, which generally have fewer resources (knowledge and capability), face greater challenges due the competitive market and lack visibility to customers. The global economic situation has been harsh since 2007, especially after the 2008 international financial crisis (Elliott, 2011). The aftermath of the financial crisis continues to affect global

business. Added to this 'Brexit' will lead to further uncertainty. In the current competitive atmosphere, there is an increasing need for SMEs to establish a supportive environment through networking. This has been established for some time in terms of knowledge acquisition (Valkokari and Helander, 2007). Both SMEs' networking capabilities and knowledge acquisition are deemed to be a resource for SMEs' development (Inkpen and Tsang, 2005) .

SMEs are institutions that are established under certain legitimacy norms and rules to behave appropriately in their business development within a social framework (Scott, 2001). It has also been recognised that the ecology in which an SME exists plays an important role. This ecology may include competitors with whom the SME may collaborate for mutual benefit (Van Hoof and Thiell, 2014). This is captured in the term 'coopetition' (Bengtsson and Johansson, 2012). Networking is also employed more generally by SMEs to achieve competitive advantages (Collins and Clark, 2003).

In terms of SMEs' unique market situation, Hotho and Champion (2011) and Konsti-Laakso et al. (2012) argued that SMEs face more difficulties from various aspects than large corporations. There is evidence that SMEs' success is influenced by both financial elements and non-financial factors. In terms of non-financial indicators, these include customer value performance (e.g. market share, customer satisfaction measures, customer loyalty etc.); internal performance (e.g. organisational capability, quality control, timeliness etc.); and competitive advantages, and employee performance (e.g. knowledge sharing, working capability, team work skills, innovation, feedback, attitude etc.).

Success for SMEs takes different forms and SMEs employ diverse measures to assess their success and performance. In terms of internal aspects, this includes the management system (Liao et al., 2003), organisational behaviour (Keskin, 2006), employees' capability (Wolff and Pett, 2006), intellectual capital (Kitching and Blackburn, 1998;Cohen and Kaimenakis, 2007), market orientation and innovation (Hurley and Hult, 1998;Keskin, 2006;Salavou et al., 2004;Keh et al., 2007;Laforet, 2009;Alpkan et al., 2007;Zeng et al., 2010) and organisational capability (Garengo and Bernardi, 2007). In terms of the external aspects, the key influencing factors are business and economic environment (Tetteh and Burn, 2001;Cambra-Fierro et al., 2008), customer relationship building (Ngai, 2005), supplier covenants, social and

cultural factors (Zahra et al., 2007) and competition (Simpson et al., 2004;Westerlund et al., 2008).

1.3 SMEs' Contribution to the Economy

SMEs make a considerable contribution to global economic development (Ayyagari et al., 2007). According to Lawless et al. (2015), there is increasing recognition that SMEs supported global and regional economic recovery since the financial crisis in 2008. The World Bank establishes a commitment of support for SME development as one of its core strategies to foster economic growth and employment rates (The World Bank, 2016). Hence, SMEs have a significant role in providing employment and business innovation (Bacon and Hoque, 2005).

Antony et al. (2005) argue that SMEs are the life-blood of modern UK economies. Data provided by the Small Business Service (SBS) and the Department of Trade and Industry (DTI, 2006) demonstrate the vital role of UK SMEs' contribution to the economy. In the global context Peng and Meyer (2011) find 95% of all firms are SMEs and they contribute to over half the global economic value and account for over 55% of all business innovation. According to the European Commission (2014), in the EU over 99% of all businesses are small businesses and they provide around 68% of total employment. SMEs in the EU account for 63% of total business turnover and contribute to 50% of the total EU GDP and 30% of global exports. In Asia, 95% of all firms are SMEs which create over 50% of the market value and provide 80% of market employment and account for 55% of all business innovation (Calverley, 2010;Standard Chartered Bank, 2010).

In the UK, the Federation of Small Business (2016) indicates UK SMEs account for over 99.9% of all companies, in line with the rest of the EU. UK SMEs provide 15.7 million of the total employment accounting for 60% of all private sector employment. UK SMEs' combined annual turnover was £1.8 trillion, 47% of all private sector turnover in the UK. Table 1-1 provides a comparative overview of the contributions of SMEs in each sector.

Table 1-1 SMEs' Contribution Globally

Global Sector (Peng and Meyer, 2010)	**EU Sector** (European Commission, 2014)
95% firms are SMEs 50% economic value 55% innovation	99.8% small businesses 67% employment 63% business turnover 30% global exports
Asia Sector (Standard Chartered Bank, 2010)	**UK Sector** (Federation of Small Business, 2016)
95% firms are SMEs 50% market value 80% new jobs 55% innovation	99.9% small businesses 60% private sector employment 47% turnover (£1.8 trillion)

Source: Peng and Meyer (2010); Standard Chartered Bank (2010); European Commission (2014); Federation of Small Business (2016)

From Table 1-1 it is obvious most firms, nationally and globally, are SMEs. The figures demonstrate SMEs make an enormous contribution to the global economy, employment opportunity and global innovation. The above statistics demonstrate UK SMEs play an important role in the UK economy. The success of SMEs is vital to the health of the global economy. Research recommends SMEs need to develop overall organisational capability to achieve sustained development in order to compete in today's global marketplace (Antony et al., 2005). This thesis, thus, contributes to wider economic development via a deeper understanding of the factors that promote or inhibit SME success.

In contrast to large corporations with hierarchical structures, SMEs can be more agile in their business with flatter and more flexible organisational structures and culture (Lenny Koh and Simpson, 2005). This has several advantages. For example,

SMEs can change quickly to meet their business development requirements especially where they have a flat management structure. This flat structure enables SMEs to take rapid decisions and implement them when there is a need to make change (Matlay et al., 2006). The fewer layers and departmental barriers often characterised by a flatter structure also allows ease of communication and encourages knowledge sharing among all employees (Yew Wong and Aspinwall, 2005). Antony et al. (2005) also found that SMEs' flat structures generate a good learning environment where employees are engaged in idea generation and creative thinking. As a result, employees can be more innovative in their work and become more responsive and responsible (Keskin, 2006). SMEs' agility also enables them to explore broad business opportunities through various business networks. Also, SME management teams are usually highly visible, which can strengthen the impact of their leadership. They are less likely to be bureaucratic (Kerr, 2006). SMEs encourage flexible operation procedures with less formalities, and potentially spend more time developing their businesses and have more personal contact with their customers, leading to the establishment of good customer relationships (Garengo et al., 2005;Rauyruen and Miller, 2007).

1.4 Research Aim and Objectives

This research explores the UK service sector Small and Medium-sized Enterprises' success. This pragmatic research utilises primary data collected from UK SMEs in the service sectors derived from 24 in-depth interviews with SME CEOs, Directors, Managers or owners. A questionnaire survey was also used to supplement the data. Previous research on SMEs' has focused primarily on success measures defined by researchers. This qualitative approach concentrates on exploring SME success based on SME manager/owner opinions of what constitutes success, rather than on externally imposed notions of success.

This research aims to investigate UK SMEs' success from the viewpoint of the owners/managers of SMEs and the factors that affect success. These include both internal and external factors, including the business environment.

Objective 1: To explore and understand SMEs' own views of success

Whilst researchers often define success in terms of measurable features, this does not explain why the owners/managers of SMEs feel they are successful. Hence, the first stage in the research is to explore SME owners'/managers' views of success and the criteria they use.

Objective 2: To explore the factors that SMEs rely on to achieve success

This part of the thesis explore SMEs' views of the factors which may influence success and business sustainability. It will look at internal and external factors and reflect on their capability to achieve success.

Objective 3: This thesis aims to gain an insight into SME environments and their impact on success, including the role of networks and the coopetitive ecosystem

Taking a resource-based viewpoint, the research investigates the factors that may help SMEs to achieve competitive advantages.

1.5 Research Approach

This research aims to explore the UK SMEs' success and factors that aid success. It follows an eight-step model for the design of the research process that includes establishing the research aim and objectives; the formulation of research design; establishing the research questions; defining the research approach;, selecting SMEs and data collection; data analysis; thesis writing; and research evaluation.

In this research, the approach that has been taken is underpinned by a pragmatist philosophical stance. By bringing together knowledge and belief one hopes to gain greater insight into understanding the issues surrounding SME success. A pragmatic approach encourages the use of more appropriate methods in conducting the research

to ensure its validity: it facilitates the research in exploring SMEs' success from their own point of view.

This qualitative study has been implemented via a set of interviews with owners/managers of SMEs and an online qualitative survey. The interview questions were designed to explore SME success and success factors through the eyes of the people interviewed within the study. Whilst for the remainder of the thesis we will refer to SME and SMEs, it is short-hand for those interviewed, which were usually the owner/manager, as controller of the business. Hence, when speaking of SMEs, the views reported reflect solely those of the people interviewed. The online survey was employed to explore whether the views expressed within the interviews were more widely supported, but again this was analysed qualitatively.

Given that most of the historic research exploring SMEs' success takes an "experimental black box" approach (Simpson et al., 2012b), semi-structured in-depth interviews and a questionnaire survey were implemented in this research to gather the research data to explore the ecology of SMEs. All interviews were carried out with service sector SMEs, such as education services, accounting services, marketing agencies, consultancy firms, software design firms, etc. across the UK. A survey was sent out to gain a UK-wide broad-based sample of service SMEs and 82 responses were collected comprising more micro-businesses and fewer large SMEs.

1.6 Contribution

The thesis adds to the understanding of SMEs' views of success and makes an important theoretical contribution. First, it provides a more complete understanding of SME success, based on new insights into how SMEs view themselves and their success. SMEs' views of success were found to be dependent on the nature of the business and the stage of development. This research adds to the understanding that, whilst SMEs do wish to be economically sustainable, their view of what constitutes success is diverse, and includes a range of non-financial measures. The goals are often determined by the stage of development of the SME and clearly relate to the owner's/manager's view. Hence, there is no single view of success.

Another contribution is the discovery that there are some common factors that appear to underpin SME success. The diversity of definitions of success impacts on the behaviours demonstrated by SMEs to achieve success. SMEs employ various methods to achieve success. However, there are some common strands, including internal and external aspects. An important aspect is organisational capability. For example, an organisation which shares knowledge within the firm and fosters an innovative learning environment is more likely to be successful. Flat organisational structures allowing flexible working cultures create the potential for success. Establishing a better customer relationship and improving customer satisfaction are also widely recognised as a way to enhance success. Obviously, having the capability to understand the market is key to success. Employees with sufficient working experience and a positive working attitude can enable an SME to achieve better performance.

Previous researchers have used diverse methods to assess SMEs success. However, this research reveals most SMEs only use a few mechanisms to assess their own success, primarily based on the nature of the business and the stage of its development. Previous research into competitive advantage has mainly focused on organisational internal capability dynamics (Reuter et al., 2010;Vivas López, 2005). This research proposes that a firm's competitive advantage can be achieved through both its internal dynamic capability and external adaptive capability. Dynamic capability refers to SMEs' ability to rebuild their organisational capability to meet changes in the business environment (Teece, 2007): for example, renewing their organisational culture and structure; updating their products and service; improving their employees working capability; and establishing a knowledge sharing environment. Adaptive capability is regarded as SMEs' capability to adjust their external decision-making to meet changes in the business environment (Wei and Lau, 2010). For example, better understanding their customers' needs and requirements and establishing closer customer relationships; establishing collaboration with either business partners or competitors; and enlarging their networks. Given markets change rapidly, SMEs should be more agile to find new business opportunities through their networks. This research has found that broad networks enrich the knowledge of SME business networks.

The thesis contributes to the theory of competitive advantage through an understanding of coopetition. An SME coopetitive ecosystem exists in which SMEs can collaborate with other businesses and competitors. It can encourage knowledge sharing and can also be an effective way to gain referrals. Underpinning the ecosystem is a set of networks which are widely regarded as a way to enhance the likelihood of success. Nearly all SMEs interviewed argued that they relied on their business networks regardless of their stage development. A network is seen as a better way to improve visibility and look for business opportunities.

The thesis makes a methodological contribution to the classification of SMEs according to SMEs' own perceptions. This potentially can have an impact on how scholars and researchers classify SMEs and may have implications for the ways in which government and funding bodies view and deal with SMEs. The traditional view is that SMEs can be young start-ups or well-established businesses, due to the nature of their business. The aims and objectives of SMEs are assumed to vary when SMEs are in different stages. For example, it is often perceived that the aim of small start-ups is to grow the business and generate more sales, while a medium mature firm may look to enlarge its market share. However, this research discovered that growth is not always the aim; a number of SMEs, both start-ups and well-established businesses, aimed to maintain stability rather than increase firm size. Hence, further research is needed that takes SMEs' self-perceptions into consideration.

This research also makes a practical contribution, in that it offers a comprehensive understanding of how SMEs develop their business and achieve success. To be successful SMEs should be more adaptive in their business context. Every SME has its own capabilities and unique operational model. Hence, this research suggests SMEs apply adaptive capabilities to achieve strategic innovation and a feasible business strategy. Furthermore, they should implement adaptive behaviour to their work routines to fit the market, based on their own characteristics and mind set,.

1.7 Structure of Thesis

The following Chapter 2 provides the background to SME success. Chapter 3 is a review of previous literature on SMEs' distinctive characteristics, SMEs' five stage

development model, and definitions of success and performance. Institutional theory is discussed, which underpins this research. It also reviews dynamic capability and adaptive capability, respectively, through SMEs internal and external organisations. Literature on SME ecosystems and competitive advantages is discussed. Chapter 4 discusses the methodology defining the research aim and objectives. It describes the approach used to achieve the aim and objectives and discusses the limitations of the study. Chapter 5 presents the findings of the research in relation to SMEs' definitions of success. Chapter 6 explores SMEs' behaviours for success, based on their dynamic capability such as organisational capability, developing customer relationship, assessing SMEs service and product, and employees working capability. Chapter 7 investigates SMEs' adaptive capability and success through an innovative knowledge sharing environment and human assets redevelopment. Chapter 8 discusses the environment SMEs use for achieving success, such as coopetitive ecosystem and SME networks. Chapter 9 discusses SMEs' diverse business goals and perceptions of success. It then discusses SMEs' dynamic capabilities and adaptive capabilities in achieving success. It also discusses SMEs network ecosystems and competitive advantages for success. Chapter 10 concludes the thesis findings and identifies its limitations. It also offers some recommendations for SMEs.

Chapter 2 Background

2.1 Introduction

Success is a key goal of all SMEs. However, the view of success is different between SME business owners/founders and researchers, leading to different views of the definition of success. Previous researchers have focused on exploring SMEs through measuring their performance via diverse measures. Researchers have determined a number of independent variables that are thought to be the measures to assess SME performance that treat SMEs as "black boxes" (Simpson et al., 2012b). This research focuses on exploring SMEs' success through their capability via SMEs' own perceptions, rather than investigating different performance measures that have been used in previous research.

This research will target UK SMEs because they account for around 99% of total firms. It focuses on the service industry because over 70% of UK SMEs are in this sector. Generally, businesses from the service sector find it hard to achieve born globals status due to the nature of their business (Knight, 1996). SMEs that achieve hidden champion status are atypical (Simon, 2009) if they become number one, two or three in their industry, with thousands of employees and revenues over $100 million. Therefore, this research will not focus on born global enterprises or hidden champions as target research subjects.

SMEs often have diverse organisational structures and cultures; they have their own ways of assessing their success. Performance measurement is one way to evaluate their success but SMEs tend to use various methods to assess their success due to their diverse nature. Therefore, this research tends to use a broad view to explore SME success through SMEs' own view about themselves rather than just employing a number of independent variables.

It has also been highlighted that lifestyle ventures represent more than 90% of all start-ups, and high growth high-tech firms only account for a small portion of total ventures (Çetindamar, 2003;De Bettignies, 2008). Hence, this chapter will offer more background information on the importance of UK SMEs in the service sector, and their high likelihood of failure. It also discusses the relationship between SMEs' success

and their diverse capabilities. Some specific types of SMEs are evaluated based on the research sample selection criteria.

2.2 Importance of UK Service SMEs

A recognition of the lack of understanding of service sector SMEs' views of success and factors affecting their performance underpins the current research. Further insight is required to understand how SMEs perceive themselves and their market place. Hence, the contribution of this research is to acquire further insight into SMEs in the service sector from those best placed to supply it. Obviously, it is accepted that the views expressed in this research are likely to be idiosyncratic, but this is in line with most of the previous insights gained about SMEs. Yet it is clearly better to look at the goals, ambitions and behaviours of actual SMEs, and so establish an understanding of the range of approaches that lead to SME viability.

SMEs are acknowledged to be fallible, particularly in their early life, but SMEs are often more agile and so capable of reacting to the changing global business environment better than larger businesses. Exploring SMEs' goals may provide insights into SME sustainability. The House of Commons Library (2016) claimed there were over 5.5 million private sector businesses in the UK and over 99% are SMEs employing 0-249 people. Information from the Federation of Small Business (2016) shows that small businesses accounted for 99.3% of all private sector businesses at the start of 2016 and 99.9% were SMEs. Total employment in SMEs was 15.7 million, these individuals contributing £1.8 trillion annual turnover, which accounts for 47% of all private sector turnover. Table 2-1 illustrates the estimated number of businesses in the UK private sector and their associated employment and turnover by size of business in 2016.

Table 2-1 Number of Businesses in UK Private Sector in 2016

	Businesses	Employment thousands	Turnover £millions
All businesses	5,497,670	26,204	3,860,870
SMEs (0-249 employees)	5,490,470	15,734	1,824,698
Small businesses (0-49 employees)	5,457,160	12,483	1,278,754
With no employees	4,172,185	4,535	254,545
All employers	1,325,485	21,669	3,606,325
1-9 employees	1,081,425	3,978	463,421
10-49 employees	203,550	3,970	560,788
50-249 employees	33,310	3,251	545,945
250 or more employees	7,200	10,470	2,036,172

Source: BEIS (2016)

Based on the House of Commons Library (2016) business statistics, agriculture, mining and utilities account for 3% of all UK businesses; while the manufacturing sector accounted for 5% of businesses, 10% employment and 15% of turnover; the construction industry accounted for 18% of total businesses, 8% employment and 7% turnover. However, UK service industries accounted for the most businesses, at 74% of all businesses, 79% of employment and 72% turnover. In 2016, there were 4.1 million businesses in the services industries, of which the biggest of the service industries in terms of the number of businesses was the professional, scientific and technical industry, which accounted for 15% of business. The retail sector accounted for 10% of all service businesses, accounting for 19% of employment and 36% of all turnover in 2016. Table 2-2 illustrates overall business types by industry in the UK in 2016.

Table 2-2 Businesses by Industry in the UK in 2016

		Number of businesses		Employment	Turnover
		000s	%	%	%
Agriculture, mining and utilities		182	3%	3%	6%
Manufacturing		266	5%	10%	15%
Construction		975	18%	8%	7%
Total services		4,075	74%	79%	72%
Of which:					
	Retail	544	10%	19%	36%
	Transportation	314	6%	5%	5%
	Accommodation & food	186	3%	8%	2%
	ICT	338	6%	5%	6%
	Financial and Insurance	89	2%	4%	-
	Real estate activities	106	2%	2%	2%
	Professional and scientific	824	15%	10%	8%
	Administrative & support service	460	8%	11%	6%
	Education	312	6%	2%	1%
	Health and social work	348	6%	7%	2%
	Arts and recreation	252	5%	3%	3%
	Other service activities	303	6%	3%	1%
Total		5,489	-	-	-

Source: Department for Business Innovation Skills (2016)

Table 2-2 illustrates the proportion of UK businesses in different industry. There is no doubt that the service sector accounts for the largest number of SME businesses, which is three quarters of the total in the UK. Hence, this research focuses on the service sector, exploring their business success in the UK business context and investigating their own points of view on achieving business sustainability.

2.3 SMEs are Fallible

Olawale and Garwe (2010) observed there are many obstacles to the growth of SMEs, especially for start-up SMEs, which struggle to grow. SMEs often lack strategic

development and access to commercial lending due to a lack of credibility. Other obstacles to SMEs' development include financial capital (Olawale and Garwe, 2010;Juan García-Teruel and Martínez-Solano, 2007); management financial capability (Keskin, 2006;Haniffa et al., 2006); organisational capability (Garengo and Bernardi, 2007;Martinez et al., 2007); management systems (Mackau, 2003), employees' capability (Hayton, 2003;Harland et al., 2007); innovation (Huggins and Johnston, 2009;Parrilli and Elola, 2012;Grotz and Braun, 1993); intellectual capital (Bontis et al., 2000;Bontis et al., 2005); family controlled businesses (Fernández and Nieto, 2005;Camra-Fierro et al., 2012;Chu, 2009); knowledge management and sharing (Dwivedi et al., 2009); and organisational structure and culture (Martins and Terblanche, 2003).

Research has also discovered external market obstacles that affect SMEs' development, including the political environment (Dickson et al., 2006); business and economic environment (Enright et al., 2001;Smallbone and Welter, 2001); market orientation and customer preference (Keskin, 2006;Alpkan et al., 2007); social culture (Ciliberti et al., 2008;Lenssen et al., 2007); competitors' competition (Keh et al., 2007;Chetty and Wilson, 2003;Man et al., 2002); and environment influence (Dickson et al., 2006). SMEs will be affected by different external obstacles due to the nature of their business.

The lack of organisational capability to control both internal and external obstacles can lead to a negative impact on SMEs, to the point of even failure. Although thousands of new businesses are established every year, Headd et al. (2010) and Cook et al. (2012) found SMEs' survival rate is very low and only a few SMEs survive; indeed the data shows that only a small proportion of SMEs survive beyond ten years (Cook et al., 2012). Table 2-3 provides SMEs' survival information Timmons (1999).

Timmons (1999) argues that SMEs face major challenges when running their businesses. This is a long lasting issue for SMEs (Kusi et al., 2015). Generally, the smaller the size of the firm, the lower is the possibility they will survive. Beaver (2002) found some common reasons that led to SME failure, for example, not enough financial support, lack of sufficient management capability, no practical assistance, lack of skilled employees, insufficient skills in managing human resources and the lack of a strategic development plan. Through the exploration and understanding of the

performance measures SMEs assess their own success at various stages of development; this research provides a further understanding of factors affecting SME survival, both at the early stage and ongoing.

Table 2-3 One- and Four-Year Firm Survival Rates by Firm Size

Firm Size (employees)	Chances of Surviving (After 1 year)	Firm Size (employees)	Chances of Surviving (After 4 years)
0-9	78%	0-19	50%
10-19	86%	20-49	67%
20-99	95%	50-99	67%
100-249	95%	100-499	70%
250+	100%		

Source: Adapted from Timmons (1999, p.33).

Table 2-4 SME's Definition of Turnover and Employees

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: Timmons (1999)

Though the number of businesses in the UK increased between 2000 and 2016 by 59% over the whole period, the number of sole proprietorships grew by 77% (BEIS, 2016). However, the number of SMEs increased by only around 3%. Table 2-5 illustrates the slow growth in the number of businesses in the UK since 2000.

Table 2-5 Number of Business in the UK since 2000

Year	Number of businesses (000s)	Change on year (000s)	Change on year (%)	% that are employers
2000	3,467	-	-	32%
2001	3,467	35	1%	33%
2002	3,573	71	2%	33%
2003	3,679	106	3%	32%
2004	3,925	247	7%	30%
2005	3,927	1	0%	30%
2006	4,125	199	5%	29%
2007	4,272	146	4%	29%
2008	4,284	12	0%	29%
2009	4,375	92	2%	28%
2010	4,483	108	2%	27%
2011	4,589	106	2%	26%
2012	4,818	229	5%	26%
2013	4,914	97	2%	25%
2014	5,247	333	7%	24%
2015	5,401	154	3%	24%
2016	5,498	97	2%	24%

Source: BEIS (2016)

Table 2-5 above displays business growth between 2000 and 2016. Though many businesses are established every year, a significant proportion also fail. In the UK context, business death rate is almost comparable to business birth rate. Table 2-6 illustrates the number of business births and deaths and birth rates and death rates in UK between 2001 and 2015.

Table 2-6 Business Births and Deaths in UK between 2001 to 2015

Year	Births (000s)	Birth Rate Change	Deaths (000s)	Death Rate Change
2001	243	12%	212	10%
2002	243	11%	213	10%
2003	267	12%	232	11%
2004	280	13%	244	11%
2005	275	13%	228	10%
2006	256	12%	207	9%
2007	281	12%	224	10%
2008	267	11%	223	10%
2009	236	10%	277	12%
2010	235	10%	249	11%
2011	261	11%	230	10%
2012	270	11%	252	11%
2013	346	14%	238	10%
2014	351	14%	246	10%
2015	383	14%	252	9%

Source: BEIS (2016)

Table 2-6 clearly demonstrates the number of UK business births and deaths. The overall number of business births increased between 2001 and 2015, as do business deaths. Though, the birth rates have remained quite stable around 12%, death rates have also stayed at around 10%. Figure 2-1 below illustrates business birth and death rates in the UK between 2001 and 2015.

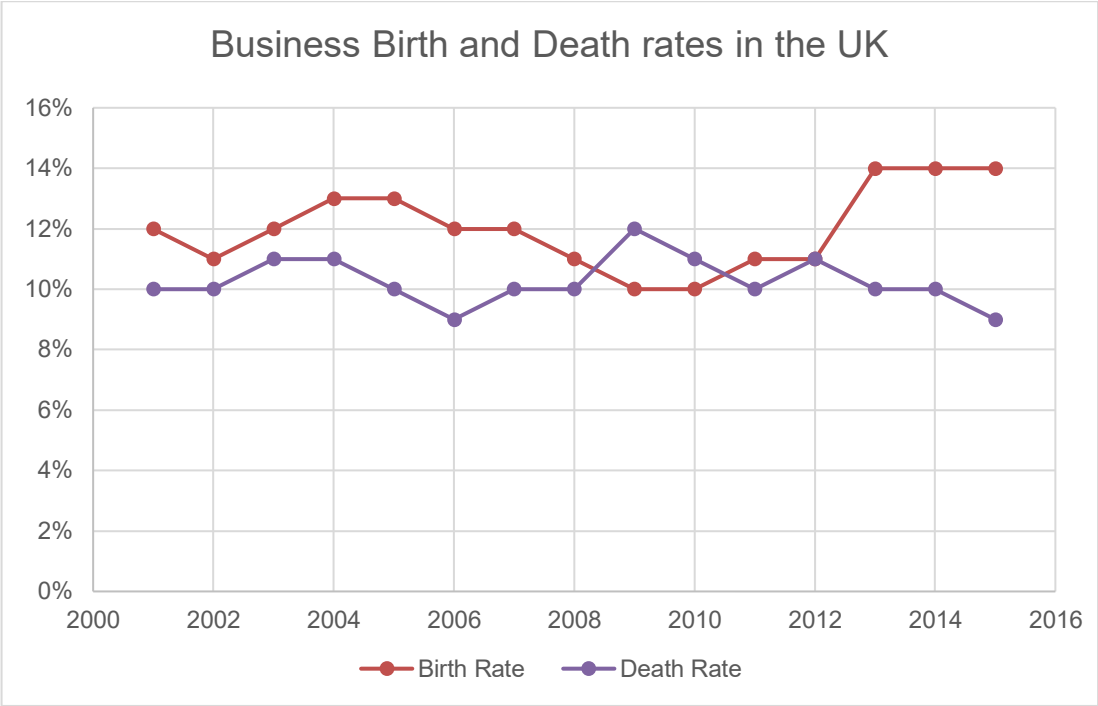


Figure 2-1 Business Birth and Death Rates in the UK

Source: BEIS (2016)

2.4 SME Success and Measures

Since the research focuses on investigating UK SMEs' success, this means firms with fewer than 250 employees (European Commission, 2014). Whilst individually SMEs are small scale, collectively they account for a significant proportion of GDP growth and employment (Peng and Meyer, 2011). Their entrepreneurial business vision is key in their business development (O'Cass and Weerawardena, 2009). SMEs tend to be flexible and are agile in terms of change for enhancement (Bartz and Winkler, 2015). SMEs behave generally in ways dependent on their different stages of development and business nature. This has been demonstrated by Lewis and Churchill (1983) with a five stage development model, which proposes that there are five different development stages that include Stage I-Existence, Stage II- Survival, Stage III-Success, Stage IV-Take-off, and Stage V- Resource Mature (Lewis and Churchill, 1983). SMEs' distinctive characteristics and their different stages of development affect SME performance and success. It also has an impact on types of behaviours such

as the coopetitive ecosystem they develop, their organisational capability, and their actions toward market trends and the business environment. In this thesis the concept of 5-levels is used loosely to describe the development of SMEs, hence we use it as a loose definition of stage of development. The use does not reflect the whole determinants according to Lewis and Churchill (1983). For example, we categorise SMEs into start-ups and mature SMEs.

Many different single measures are used to assess SME success, but generally they are classified into financial measures, such as revenue, debt, financial ratio, cash flow, balances sheet etc., and non-financial measures, which comprise customer value, business system/practice, innovation, employee capability, etc. (Bain&Company Guide, 2013). However, using a single measure does not capture the overall business performance appropriately (Baxter et al., 2008)

Success in SMEs is no longer only viewed as financial success: there is an increasing trend to define SME success with a broad range of measures, such as business growth, in terms of either expanding into more markets or recruiting more customers (Eggers et al., 2013) through better quality updating and innovation (Rose et al., 2006). Entrepreneurs' business vision (Ifinedo, 2008) also offers success to SMEs, which can maintain survival (Timmons, 1999) and establish a lifestyle business so as to ensure work-life balance (Yasbek, 2004), set up spin-off businesses or sell a business (Bruce and Picard, 2006), and bring social influence and corporate social responsibility (CSR) (Baden et al., 2009) etc., which is also regarded as a measure of success. Hence Simpson et al. (2012b) argued that SMEs should use multi-dimensional measures to define their success, which may be better aligned to SMEs' business objectives.

SMEs exist in a symbiotic ecology and develop their business through a series of networks and connections; they even collaborate with competitors to take advantage of social capital benefits (Suh and Kim, 2012;Steinfield et al., 2008). Trade events, entrepreneurship groupings, business clubs, etc. are a few significant networks that represent social capital that SMEs can acquire. They can benefit from these by acquiring more knowledge, finding potential partners, and recruiting potential customers (Inkpen and Tsang, 2005). SME networks can involve customers, collaborators, community, competitors and employees. These can bring SMEs many

benefits, such as referrals to business; increased organisational capability through knowledge sharing; establishing a flexible organisational culture; and being agile to market change. All these can lead to SMEs' long-term business development and success (Zeng et al., 2010;Kale et al., 2000).

Organisational capability has a direct connection to SME working efficiency, which also affects SME success (Martinez et al., 2007). Organisational capability is seen as a set of abilities for managing SME businesses, such as employee working capability, customer relationship building and management, developing customer satisfaction, innovation and intellectual capital, etc., which can bring SME competitive advantages (Garengo and Bernardi, 2007;Garengo et al., 2005). Employees are an important asset in SMEs and research has argued that their knowledge, working experience, attitude and personal network capabilities affect SME performance and business development (Bain&Company Guide, 2013;Brouthers and Nakos, 2004). Establishing good customer relationships and increasing customer satisfaction should be an SME's main concern, as this can lead to SMEs' success. Research has shown that SMEs can get a positive response to updating service and innovation through establishing close relationships with customers (Bain & Company, 2005;Porter, 2011). In terms of high-technology firms, intellectual capital and patents are the resources that lead to most competitive advantages (Hanel, 2006). Some authors also insist on the importance of maintaining a good relationship with suppliers who are also SME business collaborators (Nishat Faisal et al., 2006).

SMEs' success is affected by the market orientation and business environment, such as demographics, technology, economic environment, and social influence (Kotler, 2011). Many researchers have argued that business and economic environments impact on SMEs, since the environment will affect the labour market, competition, innovation, market trends, etc. (Besley, 2015). Local political issues and legal environments affect SME business development strategy in terms of expansion into international markets. Some authors even argue positively that political connections enable SMEs to achieve loans and government support (Fu et al., 2017) . In order to understand the local market well, SMEs are encouraged to better understand local social culture in order to meet customer expectations and fulfil their requirements (Lenssen et al., 2007).

2.5 Performance Measurement and System

Ammons (2007) proposes performance measures can be developed from output measures (workload), efficiency measures and outcome (effectiveness) measures for tracking and improving performance. Furthermore, he claimed that output measures only measure how many units of service are produced, how much of an activity has been undertaken or how far the work has been processed. It can provide an indication of growing or declining demand for a business. Outcome measures gauge the quality of service provided or the extent to which the business objective has been achieved, for example, the percentage of unit cost of a provided service compared to its unit benefit. Comparing a firm's year-by-year data through workload measures, efficiency measures and effectiveness measures can demonstrate the increase or decrease in a firm's performance in a straightforward way.

Neely (1999) defines a performance measurement system as the set of metrics used to quantify both the efficiency and effectiveness of actions. Performance measurement systems (PMS) can also be defined as a balanced and dynamic system used to support companies' decision-making processes through gathering, elaborating and analysing information from both the internal organisation and the external market (Bititci et al., 2000). Given SMEs' diverse range of business goals, measurement of SME performance will also vary, depending on an SMEs' operational situation. Taking this into account, it is still necessary that performance measurement systems quantify a firm's working efficiency and effectiveness, as Tangen (2004) indicates. Although there are appropriate measures that could be used for testing a firm's performance, there may be difficulties in the collection process. Neely (2002) asserts "*an effective PMS needs to put effort to examine a firm's decision-making and actions to be taken to quantify the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data*". Although PMS models are used in many situations to quantify firms' performance levels, they may not assist SMEs in measuring their working performance due again to the diversity of goals and variety of perspectives (Baxter et al., 2008).

Lussier and Pfeifer (2001) claim factors such as staffing, education levels, use of professional advice and planning should be the predictors that influence a firm's performance and its business. Eidleman (1995) and Laitinen (1992) argued that many

business failure prediction models for larger firms are based on financial ratios such as the Altman Z score. However, according to Efrim Boritz and Kennedy (1995), the financial ratios models may be poor in bankruptcy prediction.

Lussier and Pfeifer (2001) employed a business failure prediction model based on non-financial data to investigate a firm's overall performance, which was applied to many firms. They introduced the Cross-national Prediction Model (CPM) in this research, which includes 15 variables: capital; record keeping and financial control; industry experience; management experience; planning; professional advisors; education; staffing; product/service timing; economic timing; age of owner; partners, parents owned a business; minority; and marketing skills. Table 2-7 defines the business activities a firm can engage in to achieve better performance. This broad spread of measures of business success needs to be compared to the view expressed by those involved with SMEs and their perspectives on success, since different strategies will have different emphases on these measures.

The model has been useful to predict the success and failure of small businesses from a range of contexts (Caiazza and Volpe, 2015). Logistic Regression was also used in CPM models to test findings and present business performance conditions. An example is the investigation of the overall effect of education, staffing, professional advice, and planning, which predicts business success or failure (Lussier and Corman, 2015).

Previous researchers have used different measures to assess SME performance and researchers have determined a number of independent variables that are thought to describe SME performance. Some researchers have argued that the vast range of studies on SMEs using the "experimental black box" or "normal science mode" do not produce generally applicable results and do not correctly identify SME performance and success (Simpson et al., 2012b). Therefore, this research employs predetermined metrics, but investigates SME success based on owners'/CEOs'/founders' own views.

Table 2-7 Cross National Prediction Model for Business Success

Success Versus Failure Variables	
Capital	Businesses that start undercapitalised have a greater chance of failure than firms that start with adequate capital.
Record keeping and financial control	Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do.
Industry Experience	Businesses managed by people without prior industry experience have a greater chance of failure than firms managed by people with prior industry experience.
Management Experience	Businesses managed by people without prior management experience have a greater chance of failure than firms managed by people with prior management experience.
Planning	Businesses that do not develop specific business plans have a greater chance of failure than firms that do.
Professional Advisors	Businesses that do not use professional advisors have a greater chance of failure than firms using professional advisors. A more recent source of professional advisors are venture capitalists (Barney et al. 1996; Fiet 1995).
Education	People without any college education who start a business have a greater chance of failing than people with one or more years of college education.
Staffing	Businesses that cannot attract and retain quality employees have a greater chance of failure than firms that can.
Product/Service Timing	Businesses that select products/services that are too new or too old have a greater chance of failure than firms that select products/services that are in the growth stage.
Economic Timing	Businesses that start during a recession have a greater chance of failing than firms that start during expansion periods.
Age	Younger people who start a business have a greater chance of failing than older people starting a business.
Partners	A business started by one person has a greater chance of failure than a firm started by more than one person.
Parents	Business owners whose parents did not own a business have a greater chance of failure than owners whose parents did own a business.
Minority	Minorities have a greater chance of failure than non-minorities.
Marketing	Business owners without marketing skills have a greater chance of failure than owners with marketing skills.

Source: Lussier and Pfeifer (2001)

2.6 Specific Types of SMEs

SMEs accounts for over 99% of all firms in UK context (Federation of Small Business, 2016). Most SMEs in the UK have a limited number of employees due to market size and the nature of their businesses. Referring back to the previous discussion, a hidden champion is often a firm that is the number one, number two or number three in the global market with revenue below $400 million but with low level of public awareness (Simon, 2009). Table 2-8 provides some key figures about revenue, employee size and industry information for hidden champions.

Table 2-8 Hidden Champions: Key Figures

Revenues	
Average	$434 million
Annual revenues <$70 million	24.8%
Annual revenues $70–$200 million	27.4%
Annual revenues $200–$700 million	29.9%
Annual revenues >$700 million	17.9%
Number of employees	
Average	2,037
<200	21.6%
200–1,000	32.0%
1,000–3,000	25.6%
>3,000	20.8%
Sector	
Industrial goods	69.1%
Consumer goods	20.1%
Services	10.8%
Export quota	61.5%
Equity ratio	41.9%
ROI before taxes	13.6%

Source: Simon (2009)

The previous research found the hidden champions often have an annual revenues of over $400 million, and hidden champions average around 2,000 employees (Simon, 2009). The figures above show most hidden champions are from the industry and consumer sectors, while services only account for to 10% of the total number of firms.

There are also some born global firms that have achieved rapid development and grown to be very large firms, mainly in e-commerce firms and technology firms (Tanev, 2012).

In this research, we focus on SMEs with fewer than 250 employees and with less than € 50 million turnover. Hidden champions have developed well beyond these measures. Therefore, based on this research aim and objectives, this research will not explore hidden champions.

Knight and Cavusgil (2004) define born global business organisations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries. Born global SMEs have their own distinguishing features, including a global focus with a commitment to international activities. They develop their capabilities to achieve international recognition rather than focus on specific countries, the growth of their businesses and firm size generally increases rapidly and they quickly cease to be SMEs (Knight and Cavusgil, 2004;Autio and Sapienza, 2000;Filatotchev et al., 2009).

Some have argued that a born global firm is designed from inception to become global, especially through cyber-mediation, by using the internet, social media and serving as a platform which supports other businesses: for example, Microsoft, Google, Alibaba, Uber, Amazon and social media such as Facebook, LinkedIn and YouTube (Kudina et al., 2008;Ezepue and Ochinanwata, 2017). These born global firms have thousands of employees in each operating country, which is far more than an SME. This research only targets UK SMEs and mainly focuses on UK domestic businesses. Therefore, this research selected general SMEs from the service sector rather than concentrating on born globals.

2.7 Conclusion

This chapter offers more background information about research SMEs. It has explored the importance of UK SMEs in the service sector. The complex business environment and their vulnerable business operation leads to a high failure likelihood. It discusses success and the performance measures for SMEs that are used in early research and clarifies that this research focuses on SMEs' own perceptions of their

success and business performance. It also confirms that the SMEs used in this research are from the UK service sector rather some specific types of SMEs such as born global, hidden champions and high technology firms.

Chapter 3 Literature Review

3.1 Introduction

Friedman and Friedman (1962) stressed that the only role of business is maximisation of profit. Yet such a view seems very old-fashioned, given the greater knowledge gained from studies of SMEs. Whilst success for an SME is often seen as closely linked to financial performance or economic sustainability (Hudson et al., 2001;Reid and Smith, 2000), other authors acknowledge businesses view success through non-financial goals, especially for small businesses (Walker and Brown, 2004). Koen and Mason (2005) uses the Rhineland Model to suggest that business management should pursue actions that are optimal for a broad class of stakeholders rather than those that serve only to maximise shareholder interests.

Having established the diversity of views of success one might consider what facilitates success. Previous research has explored features which may aid the success of SMEs, which can be internal or external to the enterprise. There is also a need to link these features to explore how SMEs achieve their success.

Using the existing literature this chapter explores previous views on SME success as a backdrop to an SME five stage model. It is based on an adapted nomenclature of Lewis and Churchill (1983). An overview of SME success-relevant literature is provided. Institutional theory is reviewed to underpin the understanding of SME success and capability (Dacin et al., 2002). Literature on both SMEs' dynamic capabilities and adaptive capabilities through diverse attributes is explored. SMEs meet great challenges under the current changeable environment, and dynamic capability is needed to build up their capability and redesign management practices that focus on internal organisational issues. Dynamic capability comprises organisational capability, employee capability, customer relationship building, customer satisfaction, innovation and intellectual capital capability, all of which strongly influence SME success.

This research proposes that SMEs also has considerable adaptive capability. This is defined as an organisation's capability to react with agility to market change, with a focus on the external environment (Wei and Lau, 2010). It comprises organisation's

reactions to market orientation and the business environment, the economy and business context, and social and culture factors. Literature on SME ecosystems and competitive advantages are also reviewed. The main scope of this research is on internal dynamic capability and external adaptive capability to allow SMEs to achieve their competitive advantages.

3.2 Distinctive Characteristics of SMEs

According to Deros et al. (2006), SMEs are in a more advantageous positioned because of their flexible organisational structure and agile management practices. For example, SMEs can respond rapidly to the market, since they can make quick decisions, and SMEs can implement specific strategies based on their resources and development requirements (Bartz and Winkler, 2015). SMEs often establish flat organisational structures that eases communication and encourages knowledge sharing. They respond quickly to customer feedback and establish close relationships with their customers (Ngai, 2005). Furthermore, the flat SMEs structure encourages innovation and creation of effective and efficient working processes (Hotho and Champion, 2011;Huggins and Johnston, 2009). Employees are often given freedom and encouraged to actively enhance their skill sets, which may attract potential customers (Miller and Lee, 2001).

Hashim and Wafa (2002) and Deros et al. (2006) claim that SMEs have difficulty raising financial resources, lack access to commercial lending, lack management competencies and resources, and seldom offer employee training. Cash flow is difficult and may give rise to an inability to recruit highly skilled employees, and the employee turnover rate is high (Naïmy, 2011).

Storey (1994) and Chicha and Julien (1998) argued that much of the literature on small businesses characterise SMEs in terms of their diverse operational and management behaviour. Most of the characterisations discussed, though, involve only basic facts about SMEs. In order to explore SMEs' distinctive characteristics more broadly, Nooteboom (1994) developed a profile to discuss SME identity using three core characteristics: small scale, personality, and independence.

Peng and Meyer (2011) suggest small scale refers to the size of the business. Yet even though they are small, collectively SMEs play an important role in contributing

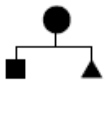
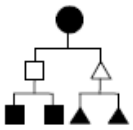
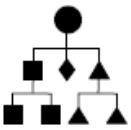
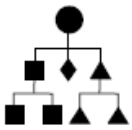
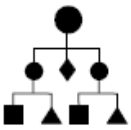
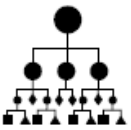
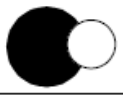
to the global economy. Bacon and Hoque (2005) argue that SMEs play a vital role in employment and GDP growth. SMEs account for two-thirds of jobs in Europe over 99% total employment in the UK (European Commission, 2014), as previously stated. SMEs provide over half the private workforce globally, and are still creating jobs (Federation of Small Business, 2016). Globally, SMEs account for over 95% of firms and contribute 50% of the global economy, SMEs also supply 55% of all innovations.

Nooteboom (1994) argued that SME owners/managers have diverse personalities which affects SMEs' business development. Previous research found personal characters and motivations within a firm determine its behaviour (Baron and Kreps, 1999;De Kok and Uhlaner, 2001;Wagar, 1998;Bruining et al., 2005). The operation process in small firms is more flexible than that of large firms, and small firms tend to be more lax in applying rules. Moreover, due to SMEs owners' diverse business visions and their various capabilities, they tend to be more agile in operations undertaken to achieve their business objectives. Given their size, SMEs can be more agile in establishing organisational structures, which enables them to achieve their business goals more effectively (Bartz and Winkler, 2015). Some authors argue that SMEs' owners tend to have more communication with their employees, and so can encourage knowledge sharing; and that owners' leadership may encourage employee commitment to their work (Baron and Kreps, 1999). Lewis and Churchill (1983) also clarify the relationship between owners and founder in the SMEs, which is shown as Figure 3-1 below.

Flexibility not only refers to organisational structure, Levy and Powell (1998) and Bartz and Winkler (2015) argue that flexibility in managing SMEs capability is an important feature. Flexibility can be divided into internal flexibility and external flexibility. Internal flexibility refers to a firm's ability to adapt an organisation's internal environment, such as firm structure, its ability to meet employee needs, personal contact with customers and the ability to improve employee work life balance (Ansoff, 1965). External flexibility refers to SMEs' ability to adapt to the changing environment. In terms of SMEs' small scale features, personal involvement and independence both determine the absence of bureaucracy in small firms. Levy et al. (2001) argue that these characteristics can increase SMEs' capability to respond quickly to changeable market environments. Small scale, though, limits SMEs'

bargaining power in the market, but it can reduce some negative influences from the external environment (Dickson et al., 2006). Small scale, personality and independence enables SMEs to focus on niche markets, developing their business based on their resources more flexibly.

Characteristics of Small Business at Each Stage of Development

	Stage I Existence	Stage II Survival	Stage III-D Success-Disengagement	Stage III-G Success-Growth	Stage IV Take-off	Stage V Resource Maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formal systems	Minimal to nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.

Figure 3-1 Characteristics of Small Businesses at Each Stage of Development
Source: Lewis and Churchill (1983)

3.3 SMEs' Five Stage Development Model

SMEs cover a range of industries at different development stages. Small businesses can be characterised by varied management styles, independence of operation process, differing corporate governance structures, varied management information systems, differing company sizes, flexible operation strategies, etc. (Garengo and Bititci, 2007;Lewis and Churchill, 1983). Some research on SME success found small businesses apparently experience common operational difficulties and problems at similar stages of development (Simpson et al., 2012b). Lewis and Churchill (1983) established a framework which consisted of 5 Stages, from survival to growth, see Figure 3-2.

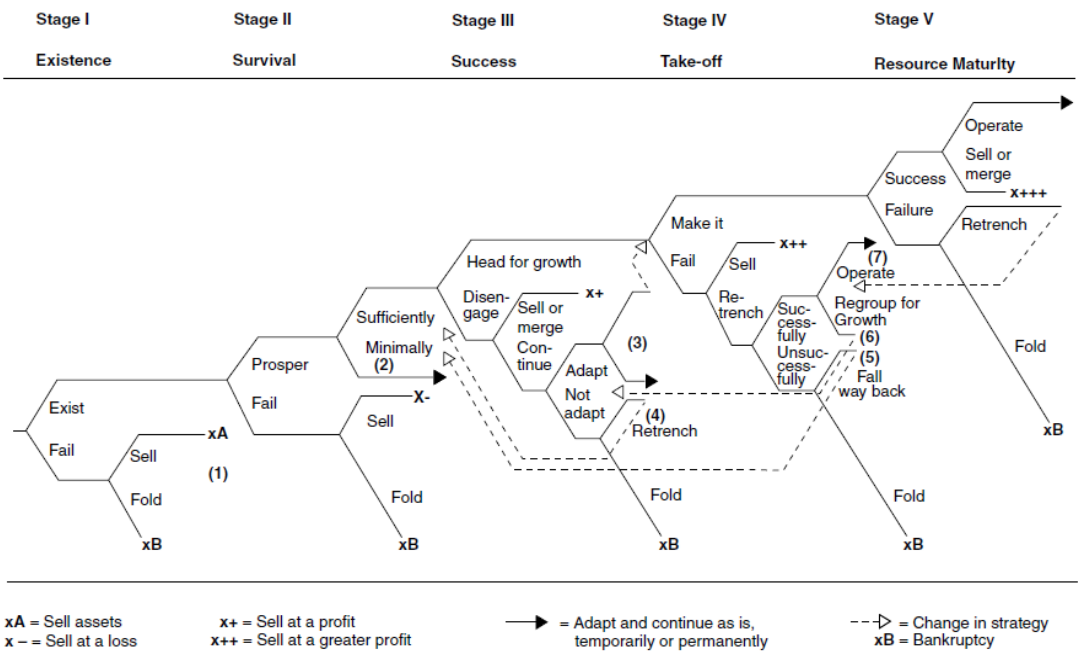


Figure 3-2 SMEs 5 Stages of Development

Source: Lewis and Churchill (1983)

Using the 5 stages nomenclature of Churchill and Lewis's schema this research has loosened the definitions and the interpretations as follows:

SMEs are considered to be in Stage I (existence); they are start-ups or young businesses less than 3 years old. They are looking for business opportunities or finding potential customers.

SMEs are at Stage II (survival); these firms are developing their businesses and generating customers but still hope to expand their business further.

SMEs at Stage III (success) have reached their break-even point and are developing rapidly. Stage III (success growth) means the business is continuing to develop and enhance their operations. Stage III (disengagement) means that a business has apparently developed as far as they wish.

Stage IV (take-off) occurs when a business is well-established and experiencing rapid growth. Some businesses at this stage are looking for the opportunity to sell their business.

Stage V (resource mature): these are relatively large-sized businesses compared to the other SMEs and are well-structured.

In Stage I - Existence, the main challenge of SMEs is gaining sales and customers to achieve survival. For SMEs at this stage the emphasis is on establishing better customer relationships and generating sufficient cash flow. Many researchers have found that SMEs at the start-up stage are often frustrated due to a lack of management capability and experienced employees (Xerri and Brunetto, 2011;Bacon and Hoque, 2005;Kotey and Folker, 2007). SMEs are capable of launching new products and better services in the market, but they still have difficulty searching for customers. Therefore, young SMEs often take a long time to build up their businesses. Given their small size, SME owners or managers need management capabilities and strategies to tackle all aspects of business, to manage daily business, to get new customers, and to encourage employees and manage finance (Walker and Brown, 2004;Ernst et al., 2011). It has been found that small enterprises often have flexible organisational structures, can have more personal contact with customers and are agile to the market change (Prakash and Gupta, 2008). It is often the case that small businesses fail due to lack of cash flow and business strategies, and poor service quality (Walker and Brown, 2004). Only a few start-up small businesses pass through the existence stage and survive (Headd et al., 2010).

SME Stage II is survival. SMEs in Stage II have gained customers and have the financial resource to consider expansion. The major problem is still searching for customers and gaining more sales (Zumstein, 2007). It is argued that SMEs at Stage II focus on satisfying their current clients by offering more customer value to reach break-even. Some SMEs are lucky to have earned an economic return that allows them to grow. There may be a few more employees led by managers and owners, but business owners and managers still are involved with most of the daily tasks, giving orders and making decisions. In terms of the organisational structure, an SME is a simple organisation with flat structure and easy internal communication (Prakash and Gupta, 2008). The main tasks at this stage are survival and expanding sales. Owners and managers represent the business and such leadership plays a vital role in business performance and success (Hisrich and Drnovsek, 2002). Once SMEs reach their break even or generate more cash flow, they are likely to expand and move on to the next

stage. Small businesses at this stage can fail due to a lack of cash flow, which means they struggle to remain in the 'survival' stage and return to the 'existence' stage.

At Stage III, SMEs become quite successful and can maintain a profitable status quo. They establish a basic organisational structure and the main aim is to maintain company stability and profitability. The owner uses the current company as a platform to grow their business or they can set up spin-off businesses. In fact, SMEs at the success stage can be sold or acquired by large firms. However, most SMEs may still want to consolidate the company or develop further, generating more wealth and looking for further opportunities to expand to broader markets (Abor and Quartey, 2010). SME owners may become less involved with daily management, delegating management roles to others such as hiring managers or CEOs (Rozyn, 2010). Owners take a more strategic role with goals, perhaps of achieving business growth. If, unfortunately, SMEs cannot generate enough wealth to maintain their success, they still face difficulties in survival or may even become bankrupt. It may take a long time for SMEs to generate sufficient cash flow and become really successful (Watson et al., 2003). By SMEs establishing mature systems with formal structures they start to move towards Stage IV – Take-off.

At Stage IV SMEs have divisional organisations and put more emphasis on growing their business and generating wealth. One of the concerns is that SMEs may have developed too fast so the owner may lack the appropriate skills in managing a business. In most cases, owners or people who bring business from the success stage to the take-off stage cannot delegate since there is an issue over control (Man and Lau, 2000). Some SME owners delegate their responsibilities by hiring CEOs or managers with the required skills (Mazzarol, 2003). Family controlled businesses may not follow such a path. An increasing separation between the owner and business may develop. Some owners will sell their business. If a take-off company fails to transfer from the success stage to take-off, then the company will remain in the success stage. This may be acceptable to the owners and is regarded as disengagement. CEOs or managers who cannot lead their business development or cannot handle the development may run into barriers such as uneven economic conditions and unpredictable changes, and hence the company could drop back to the survival stage or even bankruptcy (Fischer and Reuber, 2003).

When SMEs reach Stage V resource maturity, they usually have a very formal organisational structure and extensive operational systems, but may continue to face some development problems (Van Caneghem and Van Campenhout, 2012). SMEs may focus on consolidating and maintaining their financial gains (Campa, 2015). Some authors suggest SMEs retain the advantage of being small, maintaining a flat organisational structure and being agile (Suprihadi et al., 2015;Amin, 2015). There may exist unpredictable issues acting as a barrier to expansion. SMEs were found to take advantage of budget plans, strategic planning, and standard cost control systems to eliminate inefficiencies during operation (Lewis and Churchill, 1983;Peng, 2001). SMEs' management style can be more decentralised and their business systems extensive at the resource maturity stage, here the owners' focus has moved more to investment decisions. At this point, CEOs or managers take full responsibility for deploying well-defined business strategies for further development (Gray, 2006).

3.4 SMEs Success

3.4.1 Definition of Success

Historically business success has tended to be viewed in terms of financial success, yet it is widely accepted that this is only one of many elements. This is especially true for SMEs (Jennings and Beaver, 1997). Some authors argue firms should also consider a wide range of measures in assessing their success: see Wood (2006);Koch and Strotmann (2006). A common theme is growth of the business as a measure of success. The form of growth becomes an issue, though, whether it is increasing the number of customers or expanding the geographic region (O'Gorman, 2001;Perren, 2000). Sometimes it is interpreted as market share, sustained business expansion or even becoming more widely recognised (Feindt et al., 2002). Yet one has to remember that these are labels established by external people and not necessarily the attitude of SME owners. It is argued later that there is a need to understand SMEs' goals to access their performance and sustainability and this is determined by the goals and ambitions of the owners/managers.

The motivations behind the setting up of a business vary and greatly affect how businesses assess SME success. New SMEs are primarily concerned with the struggle for survival, and so focus on funding, with cash flow being a major concern (Walker and Brown, 2004). Birley and Westhead (1994) argued that motives, skills and ambition will influence the direction of an SMEs business. Business owners' sense of achievement, enjoyment, job satisfaction and even continued survival plays a role (Greenbank, 2001;Walker and Brown, 2004). Past research has often focussed on a single measure and not the multidimensional scales which seem more appropriate (Simpson et al., 2012b). A richer description is required (Andersén, 2010;Tan and Peng, 2003), as solely using financial measures cannot capture the complexity of small businesses in different sectors (Jarvis et al., 2000). It is soon obvious that SME owners do not run their business only to achieve financial benefit but also for other reasons, such as lifestyle, work-life balance (Jennings and Beaver, 1997), social impact or social responsibility, or to operate a decent business model (Walker and Brown, 2004;Jarvis et al., 2000). The concept of lifestyle SMEs and high growth SMEs are two terms that show fundamentally the external visions of SMEs. Lifestyle is seen perhaps in a negative light, assuming a retreat from economic contribution, whereas high growth is seen as a champion of the new economic high ground. Others take professional pride and status considerations into account, as highlighted by Simpson et al. (2012b).

Success for an SME is seen as closely linked to SMEs' performance and is mostly described in terms of financial status or economic survival (Hudson et al., 2001;Reid and Smith, 2000). Yet non-financial business goals lead to alternative measures for defining business success, especially in small businesses (Walker and Brown, 2004). Most SMEs describe their success in financial terms or business growth, especially new start-up SMEs that are struggling for survival: they consider financial criteria the most appropriate measures of business success (Walker and Brown, 2004). Some authors argue that firms should also consider their sales growth, market share, goals, objectives and other broad elements in assessing their success, rather than focusing on financial measures alone (Wood, 2006;Koch and Strotmann, 2006), since not all SMEs are established to achieve financial goals, and many start-up businesses are set up on the basis of the personal goals of the owner(s), which may be non-financial. These

non-financial goals are increasingly taken as defining SMEs success (Walker and Brown, 2004). Birley and Westhead (1994) argue that motives, skills and ambitions influence SMEs' business.

There is a growing view that the definitions of business success should rely on business owners' personal goals and business objectives instead of financial goals, comprising the business owners' sense of achievement, enjoyment, job satisfaction and even continue survival (Greenbank, 2001;Walker and Brown, 2004). Simpson et al. (2012b), however, argued that most previous research on SMEs success relies on a single one-dimensional measure, such a business growth, increased employee numbers, earning more benefits, gaining more customers, etc. but not multi-dimensional measures. Some researchers suggest both operational performance indicators and financial performance could achieve a richer description of the SMEs (Andersén, 2010;Tan and Peng, 2003). Solely using financial indicators to measure business performance success does not capture the complexity of objectives for small businesses in different sectors (Jarvis et al., 2000). Frecknall-Hughes et al. (2007) claim that single measures such as returns on investment (ROI) and returns on capital employed (ROCE) are very poor measures but are still used by some firms. SME success should be assessed through a combination of various financial measures and non-financial achievements that are most appropriate.

Several authors have developed diverse definitions of SME performance, see Gunasekaran et al. (2006), Gomezelj Omerzel and Antoncic (2008),and Soriano and Castrogiovanni (2012). Performance is regarded as one measure of success and it serves SMEs with multiple objectives in different development stages. This research classifies SMEs' measures of success into financial performance and non-financial performance (Bain&Company Guide, 2013). Table 3-1 presents the main elements for measuring SME performance.

Table 3-1 SME performance categories

Measure of Success	
Financial indicators ➢ Revenue ➢ Income Statement (Profit) ➢ Debt ➢ Financial Ratio (Return on investment or capital) ➢ Cash flow ➢ Balance Sheet (Statement of financial position)	Non-financial indicators ➢ Customer Value Performance(market share, customer satisfaction measures, customer loyalty); ➢ Internal Business Process performance (productivity rates, quality measures, timeliness); ➢ Innovation Performance (percent of revenue from new products, employee suggestions, rate of improvement index); ➢ Employee Performance (morale, knowledge, turnover, use of best demonstrated practices).

Source: Bain&Company Guide (2013)

A number of researchers, such as Wood (2006), Koch and Strotmann (2006), Poon et al. (2006) and Johnsen and McMahon (2005), suggest it is necessary to measure a firm's performance success in terms of both financial and non-financial perspectives. Furthermore, Walker and Brown (2004) claim the measurement of a firm's financial performance and non-financial performance vary according to the firm's operational process and development stage. This research explores SMEs goals and success through measuring their performance at the different stages of development.

3.4.2 Success Models in SMEs

The literature acknowledges the diverse view of success within SMEs, accepting the major determinant to be the owner's goals and other non-financial performance. Growth seems to underpin many of the attitudes towards success, but this is not solely in terms of finance but also includes opening up new markets and views of SMEs' owners' personal goals (Döckel and Ligthelm, 2015). It is also clear that the factors for success do include the quality of employees, maintaining customer satisfaction and having broad supportive networks. This research seeks to explore the views of SMEs

regarding success in more depth and establish the factors that affect it. Hence, it explores the issues raised in the literature to confirm or refute assertions made.

Due to the diversity of SMEs and the fact that definitions of this phenomenon vary from country to country, success is often regarded as achieving company goals with high performance (Brooksbank et al., 2003). Profitability is no longer the only indicator of business success, as recently researchers discover business owners or managers focus more on non-financial lifestyle criteria (Walker and Brown, 2004). The traditional approach regarding performance measurements and defining critical success factors within SMEs is normally described as an "experimental black box" approach, as mentioned earlier, while Short et al. (2002) called it the "the normal science mode." Traditional approaches to collecting SME performance data has relied much on questionnaire surveys using Likert scales or cross-sectional methods (Widener, 2006;Tan and Peng, 2003) to estimate SMEs' past performance. It is well known that SMEs do not systematically collect and analyse their operational data, so it increases the difficulty of collecting data accurately and precisely for the purposes of research. In this circumstance, it becomes more difficult for SMEs to meet current business objectives due to the dynamic business environment and diverse trading conditions (Hamilton and Webster, 2015). Likewise, it is also difficult to measure the SME operating environment and define SME critical success factors. This demonstrates that the traditional approach to measure SME performance and their success factors is no longer practical.

Simpson et al. (2012b) propose using a holistic theoretical framework that comprises the business environment, the enterprise, factors critical for success, definition of success, measures of performance and feedback. These six elements comprise the critical success factors and performance within SMEs. In their research, a literature review, in-depth interviews with 20 SMEs owners/managers and a knowledge elicitation exercise were used to facilitate analysis of their proposed framework. They reviewed the literature to discuss and analyse the six elements of the framework with the support of interview results. They concluded that there is no fixed consensus regarding SME success or performance that needs to be measured or on how success factors contribute to SMEs performance. Instead, SMEs are encouraged to improve their performance through an emphasis on identifying critical success

factors (CSFs), establishing performance measurement systems, reviewing feedback, improving their current techniques or knowledge and modifying their strategies. However, their research did not explore performance and success according to SME goals and stages of development. This research seeks to contribute to an understanding of SME success and performance by taking a more nuanced view that accounts for stages of development and SME goals.

Referring to their theoretical framework it, explores both internal and external factors (Simpson et al., 2012b). Their research reviews SMEs success, with an emphasis on the effect of performance feedback on SME owners/managers. They argue that traditional research depends on the views, opinions and perceptions of owners/managers, but that a longitudinal multi-dimensional approach is needed in future research. Figure 3-3 describes the relationship of business environment, SMEs, success and performance measurement.

The new model critically evaluates firms' success and confirms that financial performance and business growth are necessary for SMEs, especial those struggling to survive. However, not all SMEs are established solely on the basis of financial achievement, since many start-up businesses are established on the basis of lifestyle or personal goals, and these non-financial goals are increasingly used to define SMEs' success (Walker and Brown, 2004). This new framework suggests thee need to continue to employ sales growth, market share, the firm's goals, objectives and other broad elements in assessing their success but insists that the focus should not be on any one single measure (Wood, 2006;Koch and Strotmann, 2006).

Since using financial indicators in measuring business performance success fails to capture the complex objectives of small businesses from different sectors (Jarvis et al., 2000), Simpson et al. (2012b) argue that most previously research on SMEs success relies on a single one-dimensional measure, such as business growth, increased employee numbers, earning more benefits, more customers, etc. and cannot assess SMEs success and performance appropriately anymore, so that multi-dimensional measures are needed. This new CSFs framework explores SMEs success based on more practical views, emphasising that defining business success relies on business owners' personal goals and business objectives instead of financial goals that

comprise business owners' sense of achievement, enjoyment, job satisfaction and even continued survival (Greenbank, 2001;Walker and Brown, 2004).

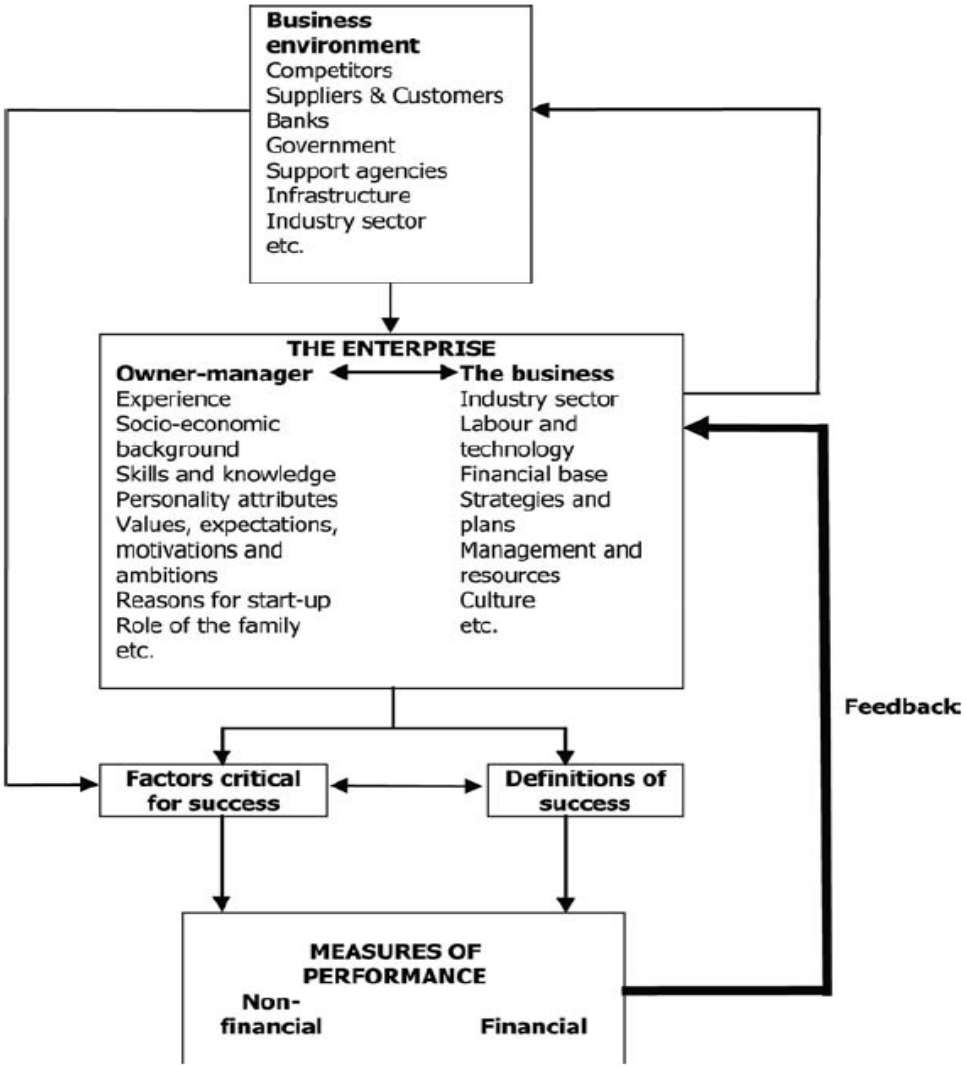


Figure 3-3 Defining Success - Theoretical Relationship
Source: Simpson et al. (2012b)

3.5 Institutional Theory

Institutional theory has attracted a lot attention in organisational studies, though there is no single agreed definition for a theory that is widely accepted. Scott (2001, p. 33) suggests:

"Institutions are social structures that have attained a high degree of resilience and they are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resource, provide stability and meaning to social life".

Institutional theory has long been employed to discuss how an organisation adopts practices that are acceptable and legitimate within its environment. Since organisations operate within a social framework which includes schemes, rules, norms, routines that are used as guidelines for organisations to have appropriate behaviour.

Traditional institutional research focuses much on organisations' external environment such as rules, regulations, agencies, and regulatory structures and their impact towards an organisation's legal aspects of its government structures (Kraft and Furlong, 2012). Oliver (1997) found there are three major sources of pressure on institutionalised norms and practices that include functional, political and social sources. However, the internal institutional environment also has an impact to an organisation's operation such as employees working performance, organisation culture and structure, innovation, knowledge sharing and the internal networks among employees (Brignall and Modell, 2000).

Functional pressure refers to the problems that are raised from international practices that can have an impact on its performance, such as an organisation's capability, operational practices, innovation, human resource management, use of media and customer relationship management, etc. These pressures are closely related to broad environmental changes, such as market change, competition, and changes in market trends (Thornton, 2002). The functional pressure will also influence an organisation's ability to achieve resource and resource management within its business context.

The political pressure is mainly from the shift in the interest and underlying power distributions that have supported and legitimated existing institutional arrangements (Oliver, 1997). Firms need to consider their external regulation environment in their business context, especially when an innovation is introduced (Hargadon and Douglas, 2001). The domestic and overseas governments have their own regulatory and legal systems. An organisation should particularly consider the political and legitimate pressure if they operate their business in different regions.

Institutional change can also be influenced by social pressure from a range of sources, such as the increasing diversity of the workforce, changing of social trends and social expectations, and customer preference changes due to discordant beliefs and practices, the use of social networks, etc. (Dacin et al., 2002). Institutional theory offers a guideline by which an organisation can adjust its operational practices to meet these types of challenges.

SMEs operate their businesses within certain regulatory and social constraints, and so minimise their risk (Agarwal and Ansell, 2016). Institutional theory can be used to explain why SMEs' behaviours are constrained in a particular way. It creates a norm for behaviour. It also offers a guideline for what is legitimate within the business sphere. It legitimises behaviours such as coopetition that can bring mutual benefit amongst businesses.

3.6 SME Internal Dynamic Capability

Teece et al. (1997, p. 516) define dynamic capabilities as *"the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments"*. The competitive advantage of a firm is seen as resting on distinctive processes, shaped by a firm's specific asset positions, and the evolutionary paths it has adopted or inherited. Consequently, some researchers argue that dynamic capability or a firm's ability to integrate, build and reconfigure resources is needed to improve a firm's competitive advantage in a volatile market environment (Teece, 2007;Newbert, 2005;Zollo and Winter, 2002). Competitive advantage can be eroded, depending on the stability of market demand and the ease of replicability and imitability. Hence, dynamic capability plays a function that support firms in creating wealth in rapidly changing technological environments that hones internal technological, organisational, and managerial processes within a firm. A firm's dynamic capabilities help it to identify new opportunities ensuring effective and efficient organisation to keep competitors off balance, raise rivals' costs and excludes new entrants (Teece, 2007).

After Teece et al. (1997) raised the concept of dynamic capabilities, it attracted increasing attention within the management literature due to its relation to develop a

firm's competitive advantage. Based on the ABI database, there were at least 1,534 articles which used the dynamic capability concept between 1997 to 2007 across different subjects (Barreto, 2010). The current economic context seems to present more risks and challenges because of the hypercompetitive environment, which tends to be associated with the increasingly frequent occurrence of major, discrete environment shifts in competitive, technological, social, and regulatory domains (D'Aveni and Gunther, 2007;Veliyath, 1996). Wiggins and Ruefli (2005) discovered that the average period in which firms sustain their competitive advantage has decreased over time, and that firm in hypercompetitive environments find it harder to achieve long-term sustainability. It was found that dynamic capabilities are the main resources of competitive advantage for firms that they can rapidly integrate, learn, and reconfigure their internal and external resources to adapt to rapid environment changes and, thus, enhance and maintain their competitive advantages (Wu, 2010). Audia et al. (2000) and Teece (2007) claim failure to address some major market environment change can lead to negative effects on a firm's competitive advantage to improve its performance.

Since Teece et al. (1997, p. 516) defined dynamic capabilities as *"the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environment",* which is built on several main elements to highlight its theoretical underpinnings: nature, role, context, creation and development, outcome and heterogeneity, many scholars have defined their understanding of dynamic capability and the main definitions of dynamic capabilities are shown as follows Table 3-2.

Based on the several different definitions of dynamic capabilities, it can be seen as a kind of capacity, process or set of routines that facilitates enterprise business management processes. Teece and Pisano (1994) emphasise that enterprises should strengthen their fundamental capability to meet customer needs and requirements. Teece et al. (1997), Eisenhardt and Martin (2000), Teece (2000), Zollo and Winter (2002), Winter (2003) highlight that enterprises should be more agile to market changes. This refers to the current hypercompetitive environment enterprises face nowadays. Therefore, enterprises should continue growing and developing their stage of development to be more adaptive in the changing environment. This implies

enterprises should rely more on existing knowledge and also situation-specific new knowledge.

Table 3-2 Main Definitions of Dynamic Capabilities

Research Study	Definition
Teece and Pisano (1997, p.541)	The subset of the competences and capabilities that allow the firm to create new products and processes and respond to changing market circumstances
Teece et al. (1997, p. 516)	The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments
Eisenhardt and Martin (2000, p. 1107)	The firm's processes that use resources—specifically the processes to integrate, reconfigure, gain, and release resources—to match and even create market change; dynamic capabilities thus are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die
Teece (2000, p. 35)	The ability to sense and then seize opportunities quickly and proficiently
Zollo and Winter (2002, p. 340)	A dynamic capability is a learned and stable pattern of collective activity through which the organisation systematically generates and modifies its operating routines in pursuit of improved effectiveness
Winter (2003, p. 991)	Those (capabilities) that operate to extend, modify, or create ordinary capabilities
Zahra et al. (2006, p. 918)	The ability to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision maker(s)
Helfat et al. (2007, p. 79)	The capacity of an organisation to purposefully create, extend, or modify its resource base
Teece (2007, p. 1319)	Dynamic capabilities can be disaggregated into the capacity (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets
Barreto (2010, p. 271)	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.

Source: Developed by Current Author

Helfat et al. (2007) use capacity instead of capability to highlight the dynamic capability which is the ability to perform a task in at least a minimally acceptable manner (Helfat et al., 2007). What is more, Zahra et al. (2006) and Teece (2007) propose dynamic capability should reconfigure, enhance, combine, protect, modify and extend the enterprises' both intangible and tangible resources based on the nature of the enterprises. This means that enterprises should have embedded characteristics based on their own organisational structure and a stage of development based on their dynamic organisational capabilities, which is fundamental for SMEs.

3.6.1 Dynamic Capability and Enterprise Performance

Based on Teece et al.'s (2007) view, dynamic capabilities enable firms to renew their competences to meet the hypercompetitive market, to develop firms' capabilities, including the ability to integrate, learn, and reconfigure both internal and external organisational skills and resources; to sense the market opportunities; to seize the opportunities; and also to maintain competitive advantages through enhancing the firm's intangible and tangible resources (Wu, 2010). Some authors argue that dynamic capability is essential to identify a firm's competitive advantage especially under environmental volatility (Newbert, 2005;Zollo and Winter, 2002;Eisenhardt and Martin, 2000). Wu (2010), in the research on the applicability of resource and dynamic capability views under environmental volatility, demonstrated a firm facing a low or medium volatility environment can gain competitive advantages through resources, particularly when they emphasise Valuable, Rare, Inimitable, Non-substitutable (VRIN) resource accumulation. However, in highly volatile environments, the effects of resource accumulation on gaining competitive advantages are considerably reduced, which means in high volatility environments firms cannot rely on previously accumulated business resources to gain competitive advantage.

Teece (2007) argued that dynamic capabilities enable business enterprises to create, deploy, and protect the intangible assets that can support their superior long-term business sustainability in an open economy. These enterprises can have rapid innovation and globally dispersed sources of invention, innovation, and manufacturing capability. The micro foundations of dynamics, such as distinct skills, processes,

procedures, organisational structure, decision rules and disciplines can underpin firms' sensing, seizing and reconfiguring capabilities. Some authors argue that enterprises with strong dynamic capabilities are intensely entrepreneurial and so can not only adapt to business ecosystems but also share them through innovation and collaboration with other firms or organisations to strengthen their organisational capabilities (Teece, 2007;Arend, 2014). Long-term success depends on the external business environment. The enterprise's own internal dynamic capabilities lie at the core of enterprise sustainability and success.

Given that the market environment exposes SMEs to both opportunities and threats from rapid technological changes, enterprises' success cannot be sustained through simple approaches such as economies of scale. They need a holistic approach which is dynamic and organisational abilities which ensure responsiveness to their environment, discovering new opportunities with innovation in technologies and ensuring new business models can be generated with the protection of intellectual property rights. Several authors have contributed to these themes (Teece, 2007;Rajwani and Liedong, 2015;Terziovski, 2010;Sousa and Aspinwall, 2010).

The traditional elements of business success, such as maintaining incentive alignment, owning tangible assets, controlling costs, maintaining quality, and optimising inventories thought necessary in the current business context are unlikely to be sufficient for enterprises to maintain superior performance. Recognising new challenges in today's hypercompetitive environment and understanding the development of technological innovation are needed. Therefore, it is argued innovation is not only about new products, it is reinventing business processes and building entirely new markets that meet untapped customer demand through building and integrating enterprises' both internal and external competences (Teece, 2007). Dynamic capabilities assist in achieving technical fitness and evolutionary fitness under the diverse and open global economy.

The development of enterprises' intangible resources and intellectual capital is increasingly recognised as central to sustained enterprises competitiveness and sustainability (Evans et al., 2008). The ability to achieve access to existing and new information and new knowledge can create market opportunities. In order to identify and share market opportunities, enterprises have to constantly scan, search and explore

both local and distant markets. Dynamic capabilities enable enterprises to understand latent demand, the structural evolution of industries and market, suppliers and competitors' reaction to the market, etc. (Teece, 2007). The implication of dynamic capabilities enables enterprises to interpret new opportunities, and to decide which technologies to pursue and which market segments to target.

Within the dynamic capabilities concept, the environmental context it recognises for analytical purposes is not only for industry but for the entire business ecosystem, such as the community of organisations, institutions, external business environment, suppliers, customers, collaborators, etc. (Teece, 2007). It can also sense opportunities and threats, facilitating enterprises to employ the most appropriate practices and strategic management to develop their businesses. A new framework is developed to sense market and technological opportunities for enterprises as following.

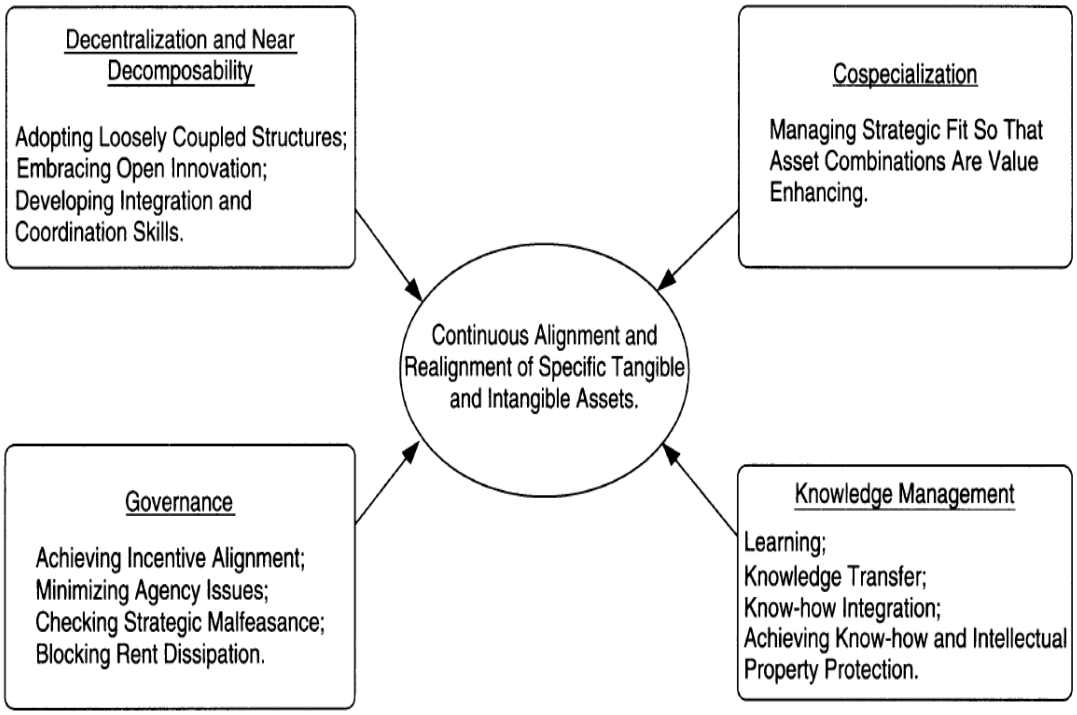


Figure 3-4 Elements of ecosystem framework for sensing market and technological opportunities

Source: Teece (2007, p. 1340)

Figure 3-4 above illustrates how enterprises can sense market opportunities through four different aspects, namely internal research and development based on

new technologies; new suppliers and complementary innovation; development of exogenous science and technology; and target market segments based on customers' needs and requirement. Helfat et al. (2007, p. 79) defined dynamic capability as "*the capacity of an organisation to purposefully create, extend and modify it resource base"* which includes tangible, intangible and human resources the enterprise owns or controls. One significant contribution of dynamic capabilities is to understand how firms can sustain a competitive advantage by responding to its environmental change and ecosystem (Helfat and Peteraf, 2009;Teece, 2007). Enterprises need to sense, seize and transform their capabilities to be simultaneously developed and applied to maintain competitive advantages. Figure 3-5 below demonstrates how dynamic capabilities can affect business performance.

The findings from the above framework regard dynamic capability as the foundation of enterprises' competitive advantages in regimes of rapid technological change especially in the current hypercompetitive environment. However, the extent to which the enterprises can develop and employ dynamic capabilities is determined by the nature of enterprises and the intangible resources they have and their financial situation. Therefore, the enterprise's past performance and organisational capability will impact on current and future enterprise performance. Teece (2007) argued the core elements of dynamic capability such as integrating, learning and reconfiguring are subset processes that support sensing, seizing and managing threats. Since the most valuable assets within an enterprise are knowledge related and non-tradable, this enables the enterprise to have competitive advantage to sense and seize opportunities based on their organisational capabilities. An enterprise can shape its ecosystem by relying on its organisational capabilities and past performance, in fact, the enterprise and its environment frequently coevolve.

The dynamic capability framework enables enterprises to capture the key variables and competencies that need to be manipulated to create, protect and leverage its intangible resources through which it can achieve superior performance and avoid the zero profit trap (Teece, 2007). Enterprises are encouraged to sense, seize and transform based on the nature of their businesses. The application of dynamic capability enables enterprises to select suitable business models, make the right strategic decision and pursue incremental innovation that can keep the enterprises

highly competitive and achieve better performance (Ettlie and Pavlou, 2006;Teece, 2007).

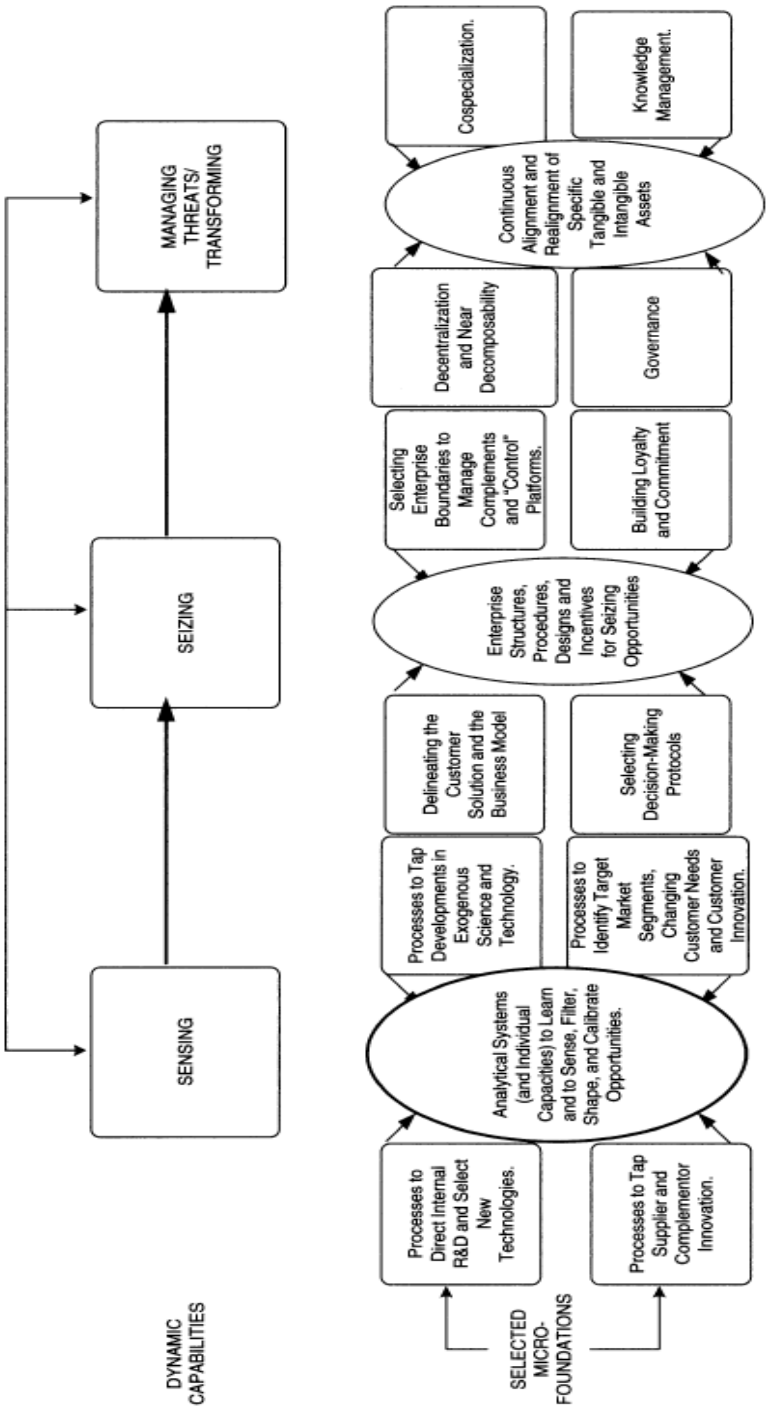


Figure 3-5 Foundations of Dynamic Capabilities and Businesses Performance

Source: Teece (2007, p. 1342)

3.6.2 Organisational Capability

A variety of factors will influence SMEs success, but the influencing factors vary due to the difference of SME business types and development stages. SMEs need to develop their capability to not only tackle issues within their organisation, they also need to increase their capability in dealing with business influencing factors externally (Branzei and Vertinsky, 2006). Therefore, it encourages SMEs to consider of both internal and external factors that will affect their success and performance. Organisational capability covers broad aspects, such as employee capability, intellectual capital, supplier collaboration, customer relationship building and customer satisfaction, and how to be adaptive in the coopetition ecosystem.

Though a broad range of factors will influence SME performance and capability, this part will only review some of the common measures SMEs use to assess their performance and success, such as customer relationships and satisfaction; supplier collaboration; competitor influence; the political and legal environment; the economic environment; and social and culture factors. Cleary et al. (2013) provide a general view of the potential issues SMEs face in their businesses that they need to consider in order to develop their organisational capability. Table 3-3 lists 14 elements which provides guidelines for SMEs.

There is also a large volume of empirical research on SMEs' organisational capabilities. Teece et al. (1997) and Dyer and Singh (1998) proposed organisational capabilities can be assessed in relation to a firm's ability to manage its processes, primarily how it affects SMEs decision-making and exercising control. Traditionally SME growth is measured by the number of employees and/or turnover (Martinez et al., 2007). Due to the nature of SMEs, they tend to focus more on general organisational behaviour and structural aspects rather than considering formalised managerial systems. Previous research has reviewed SMEs' organisational and managerial problems more, instead of focusing on detailed operational and technological issues (Martinez et al., 2007).

Table 3-3 Future SME project and marketing issues

Future SME Project: Challenges Identified	Marketing Issues Related to those Challenges
Sales and Marketing	Overall improvement and alignment between both activities, to make more money; the need for a real and consistent presence in the market.
Strategy	The need to have a clear idea where we are doing, why and how; we need to be different.
Customer Interaction/Management	How do we manage relationships with the market and use CRM?
Performance Management	What should be measured and where should we invest, that actually helps us generate more revenue?
Communication	How can we maximise our dialogue with the market and make a greater impact in it?
Culture	Can we really make ourselves Customer-centric or Market-oriented? Why and how?
Leadership	How do we rally our people to create and sustain something truly remarkable and how can I personally make this happen?
Production Efficiency	How can we ensure that we always make things that will sell more easily?
Value Proposition	We need to fight increasing competitiveness in the marketplace; what should we offer?
Management System	We need an overriding system that guides and paces our SME to make money.
Skills, Training and Collaboration	Focus only on the improvements, resources and skills that will result in making money.
Market Scanning	Definition of markets, what market should we be in and how can we influence it?
New Product and Service Development	Align with market need, offer the best propositions and get the best price for them.
New Product and Service Introduction	How can we get the biggest bang in the market and establish our position within it?

Source: Cleary et al. (2013)

Organisational capability is a company's ability to manage its managerial process by which it can influence this company's competitive ability and development competency (Garengo and Bernardi, 2007). Garengo et al. (2005) proposed exploring organisational capability through three different aspects that includes management macro-process (i.e. management and economic-financial planning); support macro-processes (i.e. management of information technologies and personnel management); and operational macro-processes (i.e. product development, marketing, production and purchasing). Organisational capability was regarded as the fundamental elements that influences companies' decision-making and the achievement of objectives (Garengo and Bernardi, 2007). Brouthers et al. (1998) argued that a lack of organisational

capability is likely to restrict SMEs' further development due to lack of explicit planning and managerial methodologies. In such circumstances, Garengo and Bernardi (2007) strongly propose SMEs implement appropriate performance measurement practices to enable SMEs to improve their performance and make further progress. Dodge et al. (1994) proposed that that SMEs adjust their organisational capability based on the organisation's development stage; SMEs should be familiar with their structural characteristics; and that they deploy different patterns of business strategy to facilitate their decision-making processes over different stages of development.

Empirical research has highlighted the importance of organisational capability, finding that a lack of organisational capability is one of the main factors that limit SMEs business development (Astrachan and Shanker, 2003;Hisrich and Drnovsek, 2002). Martinez et al. (2007) researched some issues that lead to poor organisational capability, such as change of business environment, reduction in product life cycles; delocalisation of operational activities; changes in customers' preference and their needs; and challenges from market globalisation. Hence, one can investigate how SMEs improve organisational capabilities to sustain their long-term business development. Nahapiet and Ghoshal (1998) claim that coherence between context and structural characteristics, between a firm's strategy planning and organisational control, is essential for survival and competitiveness.

Traditional empirical research often regards SME growth as quantitative growth that in company size and profits (Martinez et al., 2007). However, qualitative organisational growth in SMEs can involve developing managerial practices and management systems. There is increasing evidence that SME qualitative development does not coincide with company quantitative growth. It was found that SMEs do not necessarily increase their employee numbers, but do enhance their organisational levels and capabilities (Todnem By, 2005). Martinez et al. (2007) claimed, that over 90 percent of SMEs improve their organisational management capability without increasing their firm size based on the research among Italian SMEs.

> *"there are endogenous factors able to reduce the companies' tendency to enlarge their business dimension, even if it is an efficient choice…the reasons are subjective and they should be summarized in the principle*

> *of unwillingness to grow…one of the main internal barriers to growth is the limited managerial capacity that keeps the entrepreneurs' activities into dimensions lower than a certain threshold of organisational complexity." (Martinez et al., 2007, p. 521)*

Indeed, many SMEs focus on qualitative organisational growth without increasing their firms' size due to a lack sufficient capital or resource (McAdam and Reid, 2001;Matlay et al., 2005). There are, however, no formal effective methods to assess an organisation's managerial system and organisational capability (Dressler, 2004). Garengo et al. (2005) proposed investigating organisational management level using seven macro-processes, including management and economic financial planning, marketing, product development, production, purchasing, personnel management and management information systems as determinants of organisational capability.

Some researchers suggest that SMEs can improve organisational capability through developing creativity and problem-solving skills to enhance the knowledge sharing environment (Ardts et al., 2010;Carmeli and Spreitzer, 2009;Carmelli et al., 2006). For example, Xerri and Brunetto (2011) claim encouraging knowledge sharing can lead to better organisational performance. A knowledge driven environment may be more likely to aid SME success (Wilkinson, 1999). A knowledge sharing environment within an SME is more likely to empower employees so they can recognise problems and create appropriate solutions (Ardts et al., 2010;Carmeli and Spreitzer, 2009;Carmelli et al., 2006). The quality of the staff is important, since the previous literature has shown that there is a positive relationship between organisational performance and intellectual assets (Cohen and Kaimenakis, 2007).

A knowledge sharing network improves the efficiency of employee training that enhances employees' capability and improves a firm's competitive advantage (Chandler and McEvoy, 2000;Patton et al., 2000;Cosh et al., 1998;English, 2006;Lattimore et al., 1998). Knowledge sharing happens within a firm, but it also exists externally, such as with customers and competitors. There is growing trend for firms to gain knowledge from their competitors (Yang and Chen, 2008). Knowledge acquisition is far more important for firms to achieve internationalisation, especially

smaller firms who may not have relevant experience and/or a wide network (Fletcher and Harris, 2012).

3.6.3 Employee Capability

The performance of a business is geared to its workforce (De Jonge and Dormann, 2003). Xerri and Brunetto (2011) indicate that employee behaviour and performance can bring significant competitive advantages to an SME. Employee performance has been widely used as an indicator to measure a firm's overall performance (Bain&Company Guide, 2013). This is also true for SMEs (Wilkinson, 1999). Given the nature of SMEs, they have expectations of employees in terms of commitment of time and effort. Yet this can lead to conflicts with employees over work-family balance. Therefore, it is critical to be able to manage employees appropriately to achieve the goals of an SME (Wilkinson, 1999). Employee performance has been widely used as an effective indicator to measure a firm's overall performance based on their morale, knowledge, working capability, employee turnover rate, teamwork, knowledge sharing, employees' suggestions, working attitudes, learning capabilities and personal relationships with clients, all of which can influence SMEs' business development (Bain&Company Guide, 2013).

The literature indicates a close link between human resources and a firm's performance (Boselie et al., 2005). Hartog and Verburg (2004), but this is in the context of high-performance work practices. Such practices cover employee selection; incentive paying, job design and task analysis; knowledge and information sharing; employees performance appraisal; teamwork; employees training and development; and internal promotion. Regarding SMEs nature, size and flexibility, it is more likely that capable employees will be empowered to recognise a problem and create appropriate solutions (Ardts et al., 2010;Carmeli and Spreitzer, 2009;Carmelli et al., 2006).

Batt (2002) concludes that high involvement or high performance requires employees with relatively high working skills and well-designed working conditions. Such conditions enable employees to have more discretion and greater opportunities to collaborate. A good incentive structure and a welcome working culture can enhance

employees' motivation, retention and commitment. Investing in employee training not only enhances employees' capability and thus firms' productivity, performance and profitability, but some authors argue it also increases the likelihood of retaining employees (Chandler and McEvoy, 2000;Patton et al., 2000;Cosh et al., 1998;English, 2006;Lattimore et al., 1998). It can also enhance small firms' survival rates, since successful SMEs provide more employee training than less successful ones (Chrisman et al., 2003;Reid and Harris, 2002). However, small firms have limited resources and capital, and the business owners are more likely to have a negative attitude towards employee training, especially in the chase for short-term profitability. They prefer to recruit more skilled employees rather than investing in training (Matlay, 1999).

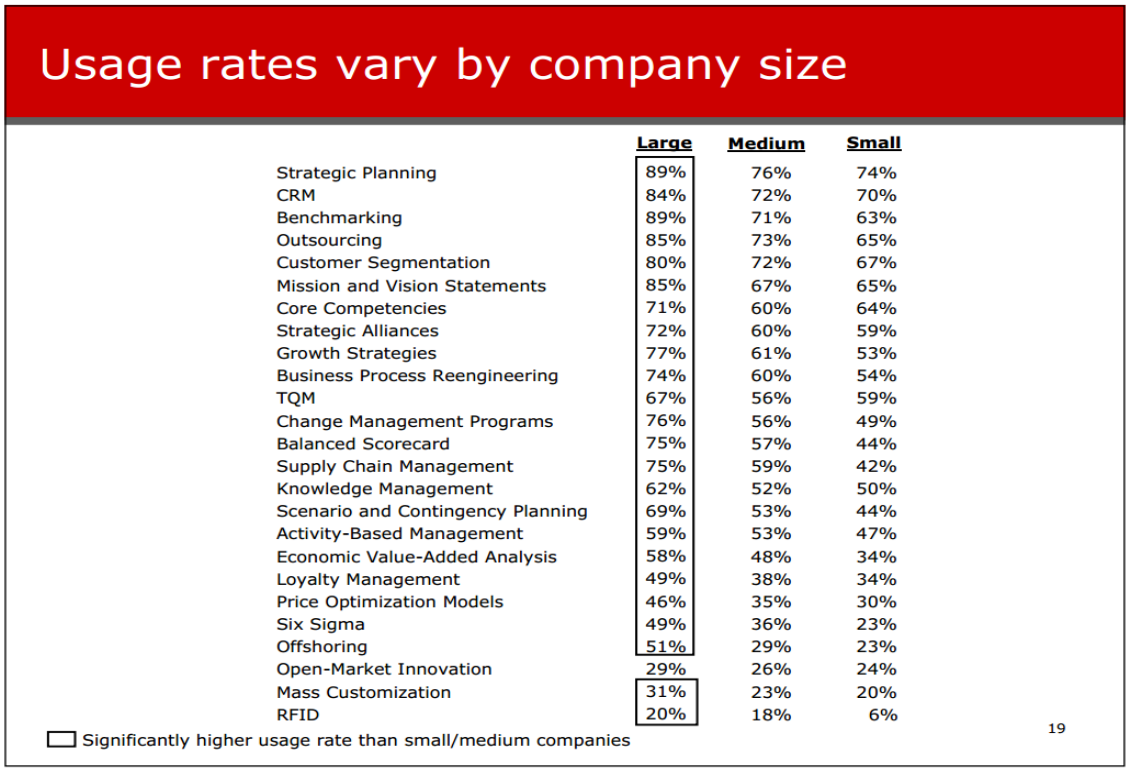
The nature of work and the changing workforce has put pressure on employees which has affected employee performance and so organisational performance (De Jonge and Dormann, 2003). For fast growing SMEs, employees may find problems in resolving work-life balance due to the stressful environment, which can lead to a negative impact on employee motivation (Netemeyer et al., 2005). Loss of individual employees may be more damaging to SME than to large companies: employee performance appraisal should be applied in human resource management decision-making process as one indicator. Since every SME has its own operation system and their working environment varies, there is no fixed performance appraisal method that can be used by all SMEs. Managing employees is always challenging for SMEs (Wilkinson, 1999).

3.6.4 Customer Relationship Building

According to Bain & Company (2005), customer relationship management (CRM) is ranked as the second most important management tool used by both larger enterprises (LES) and small and medium-sized enterprises (SMEs) to develop their businesses. The following figures compare the most widely used strategies by firms and CRM accounts, at a rate of 70% for small firms and 72% for medium firms.

Based on Ittner and Larcker's (1998) research results, they argue that there is a close relationship between customer satisfaction and a company's non-financial performance. Ittner and Larcker (1998) further explored customer satisfaction through

customer level, business unit and firm level information. Their customer-level study provided evidence on the fundamental assumption that higher customer satisfaction leads to higher customer retention, which can enhance a firm's financial performance. Previously, research had explored how the cost of achieving customer satisfaction, such as positive advertising costs, enhanced firm reputation costs, brand awareness establishment cost and profit can be achieved through this process, along with customer base growth (Ittner and Larcker, 2003). In terms of the firm-level research, they find higher customer satisfaction could lead to firms' increasing accounting book values and enhancing their market reputation. They also investigated how SMEs establish customer relationships for business development at diverse development stages (Ittner and Larcker, 1998).



Usage rates vary by company size

	Large	Medium	Small
Strategic Planning	89%	76%	74%
CRM	84%	72%	70%
Benchmarking	89%	71%	63%
Outsourcing	85%	73%	65%
Customer Segmentation	80%	72%	67%
Mission and Vision Statements	85%	67%	65%
Core Competencies	71%	60%	64%
Strategic Alliances	72%	60%	59%
Growth Strategies	77%	61%	53%
Business Process Reengineering	74%	60%	54%
TQM	67%	56%	59%
Change Management Programs	76%	56%	49%
Balanced Scorecard	75%	57%	44%
Supply Chain Management	75%	59%	42%
Knowledge Management	62%	52%	50%
Scenario and Contingency Planning	69%	53%	44%
Activity-Based Management	59%	53%	47%
Economic Value-Added Analysis	58%	48%	34%
Loyalty Management	49%	38%	34%
Price Optimization Models	46%	35%	30%
Six Sigma	49%	36%	23%
Offshoring	51%	29%	23%
Open-Market Innovation	29%	26%	24%
Mass Customization	31%	23%	20%
RFID	20%	18%	6%

Significantly higher usage rate than small/medium companies

19

Figure 3-6 Tools Usage Rates Vary by Company Size

Source: Bain & Company (2005)

Research has been carried out on CRM and most regard them as a set of management processes or actions that can be used to improve customer experience and

help companies to achieve their desired business outcomes (Davenport and Beers, 1995;Hammer, 1996;Reinartz et al., 2004;Ernst et al., 2011). CRM is regarded as a functional tool for companies to achieve competitive advantage that can be used to gain long-term benefits (Plakoyiannaki and Tzokas, 2002;Plakoyiannaki et al., 2008;Fan and Ku, 2010;Ernst et al., 2011;Reimann et al., 2010). Some researchers regard CRM as a cross-functional process or organisational strategy that not only manages customer interactions but also identifies the most valuable customers, providing a customised service based on various requirements to achieve long-term, profitable relationships with their customers (Lindgreen et al., 2006;Porter, 2011).

Customers/clients are the mainstay of all businesses, so SMEs should try to establish appropriate customer relationships to achieve customer satisfaction. Some argue that understanding a customer better allows businesses to identify the most valuable customers and provide a customised service based on their various requirement to achieve a long-term profitable relationship with their customers (Lindgreen et al., 2006;Porter, 2011). Ittner and Larcker (1998) discovered that customer satisfaction is a major factor affecting SMEs' non-financial and financial performance. Similarly a series of authors (Davenport and Beers, 1995;Hammer, 1996;Reinartz et al., 2004;Ernst et al., 2011) have regarded a better CRM as one functional tool to measure business performance and thus achieve a business's objectives more effectively.

Customer performance measurement is one functional tool to measure SME business performance. All SMEs involved in this research claimed they regarded customer satisfaction as an important indicator to measure their business performance. Customer satisfaction can be achieved through providing higher customer value for products or services. Simpson et al. (2001) propose that customer value must be inclusive of all the benefits a firm provides directly and indirectly. Some researchers regard customer value as the value creation process from a customer perspective that firms provided to customers, such as entire products, services, personnel, post service, and image values (Armstrong et al., 2012). However, SMEs still face great challenges in acquiring and retaining customers. Sometimes the focus on survival means SMEs pay too much attention to short-term sales rather than developing longer-term relationships with customers (Stonehouse and Pemberton, 2002).

3.6.5 Customer Satisfaction

Zumstein (2007) suggests that customer satisfaction can be discussed from both consumer and company perspectives. In terms of the consumer perspective, customer satisfaction can be considered as customer attitudes to the way a company fulfils their needs and requirements. SMEs, especially at an early stage of development, may care more about individual client's needs and requirements and try to satisfy every individual client (Lundahl et al., 2009). In terms of the company's point of view, customer satisfaction refers to a firm's capacity to satisfy consumer needs and requirements economically, emotionally and psychologically (Zumstein, 2007). SMEs were found to have a more personal touch with their clients that enabled them to establish a better relationship with individual clients compared to large firms (McDougall and Levesque, 2000).

Nagel and Cilliers (1990, p. 4) define customer satisfaction as "*an outcome of purchase and use, resulting from a buyer's comparison of the rewards and costs of the purchase in relation to the anticipated consequences*". Therefore, a customer will experience satisfaction through purchasing activities and using experiences from the anticipated consequences. Spreng and Mackoy (1996) are regarded as the first authors to regard consumer satisfaction in terms of a consumer's fulfilment response, and they further demonstrated that customer satisfaction is influenced by consumer expectation, including both positive and negative affective responses as well as cognitive disconfirmation. Customer satisfaction has been identified as a critical factor in the formation of consumer purchase intentions and is regarded as a critical issue in the success of any business system, since customer satisfaction can significantly affect customer attitudes and purchase intentions. Zeithaml et al. (2006) emphasise the importance of customer satisfaction and argue that most research in service marketing have relied exclusively on this factor. Ernst et al. (1991) found that customer satisfaction measures were seen by 54% to be of primary importance for strategic planning in surveyed organisations in 1988, 80% in 1991, and were projected to be 96% in 1994. Anderson et al. (1994a) and (Graf et al., 2013) found higher customer satisfaction can be achieved through activities such as increasing customer loyalty; reducing price elasticity, lowering marketing costs by positive word of mouth advertising; reducing transaction costs; and enhancing firm reputation. They further

investigated 77 Swedish firms and demonstrated that customer satisfaction is positively associated with accounting returns. Banker et al. (2000) in research on 18 hotels, concluded that customer satisfaction is positively associated with firms' financial performance in this sector.

Yang and Peterson (2004) found that higher customer satisfaction can lead to greater customer loyalty, and so can be turned into future revenue (Bolton, 1998;Ittner and Larcker, 2003). Ittner and Larcker (1998) empirical research provides significant evidence that customer satisfaction positively affects firms' financial performance. Based on Ittner and Larcker's work (1998, p. 32) on customer and business-unit data, they demonstrated the following:

> *"Customer satisfaction measures are leading indicators of customer purchase behaviour such as retention, revenue and revenue growth, growth number of customers, and firms' financial performance which includes business-unit revenues, profit margins and return on sales as well".*

Matzler et al. (2004) also investigated customer satisfaction and confirmed a good relationship with customers enhances SME market share and financial performance. Based on the study of Ho and Wu (1999), they proposed five antecedents that influence customer satisfaction, including logistical support, technological characteristics, information characteristics, homepage presentation and product characteristics. They discovered that the five antecedents are significantly correlated with customer satisfaction in the cyber industries. Customer satisfaction can be achieved through providing higher customer value for products or services. Nasution et al. (2011) and Simpson et al. (2001) proposed that customer value must be inclusive of all the benefits a firm provides directly and indirectly.

3.6.6 Innovation

Edwards (2007) defined innovation as a firm's competency to receive and adapt new ideas to improve their current business situation and make developments. Innovation should be an improving process that brings new technology or concepts for companies

to modify their current working procedures and improve customer satisfaction (Huggins and Johnston, 2009).

Service industries constitute a significant part of global economics, and innovation has been regarded as the driving force of growth in most firms (Agarwal et al., 2003). There are difficulties in differentiating services industries and manufacturers, as the underlying relationship between developing service innovation and SMEs performance must be understood fully. There has been an emerging research area on service innovation development (Jaw et al., 2010). Small firms should be innovative to compete with larger ones, especially to distinguish their products or service from their competitors.

Terziovski (2010) researched approximately 600 SMEs and found that SMEs are better at implementing innovation strategies, designing formal innovation structures, creating innovation cultures, remaining innovative in establishing customer and supplier relationships and developing technological capabilities. The development of these innovative processes significantly affects SMEs performance positively. Prakash and Gupta (2008) found there is a positive and significant relationship between establishing formalised innovation culture and improving SMEs performance.

Terziovski (2010) argued that it should not only be large enterprises that focus on innovation management, but SMEs too. Many scholars have debated whether SMEs need to formalise their innovation culture and systems in order to become more competitive and improve their performance (Bessant and Tidd, 2007;Beaver and Prince, 2004;Qian and Li, 2003). Innovation is widely regarded as process improvement, especially in the service industry and manufacturing sectors, by squeezing costs out (Wheelen, 2008). The previous literature generally agrees that firms with formal innovation strategies will perform better compared to those that do not (O'Regan et al., 2006).

Barney (1991) proposed that firms should concentrate on using a resource-based view to develop a competitive advantage. Terziovski (2010) suggests SMEs could also reform their innovation culture and system based on a resource-based view to achieve higher performance. It is argued that SMEs should develop their competitive advantage through employee innovative potential to develop differentiated products to fill niche markets (Fuchs et al., 2000). Employees need to be engaged in the innovation

development process, such as its technical aspects, design, marketing and the use of resources (Bessant and Tidd, 2007).

3.6.7 Intellectual Capital (IC)

Cohen and Kaimenakis (2007) demonstrate that intellectual capital (IC) has a significant impact on SMEs' success, saying (p. 243) : "*IC is the combination of knowledge-bearing intangible resources that firms have as its disposal and whose effective management can provide the firm with a sustainable competitive advantage*". Intellectual Capital comprises two components: human capital and structural capital. Human capital contains employees' capabilities, skills, knowledge, and technical expertise that can be used for SMEs to create value. Structural capital includes organisational capital, which is the embedded knowledge that drives the firm's working efficiency, as well as relational capital, which includes all the relations a firm has established with customers, suppliers, communities and governments. Some researchers argue that intellectual capital should be sub-categorised into "hard" intellectual assets, "soft" intellectual assets and "functional" intellectual assets (Caddy, 2000;Bontis, 2001;Abeysekera, 2007). Patents or trademarks and copyright are "hard" assets, intellectual assets, "soft" assets and "functional" assets those which increase organisational efficiency (Bontis, 2001, Abeysekera, 2007). Based on Cohen and Kaimenakis (2007), positive relationships between "hard", "soft", "functional" intellectual assets and SMEs' performance can be seen to exist. Furthermore, they suggested that intellectual capital, including human capital, organisational capital and customer capital, positively contributes to SME performance.

3.7 SME Adaptive Capability

According to Lockett et al. (2011), adaptive capability reflects a firm's ability to change its conception regarding the expectation of the market. SMEs react differently to the external environment, and their performance differences can be explained by adaptive capability (Büchel and Sorell, 2012) . Adaptive capability represents the

firm's ability to discover external knowledge and integrate it with its current knowledge based on the market requirement to commercialise new services. A firm's success not only relies on discovering complex and new information but also on its ability to integrate this new knowledge and commercialise it as a new service faster and better than its competitors. Büchel and Sorell (2012) defined a firm's discovery ability as scanning for and observing external sources of new technologies, knowledge, processes and opportunities. The ability to integrate refers to a firm's capability to recognise a business opportunity and quickly rely on its existing knowledge and processes. Commercialisation ability refers to a firm's ability to apply external sources of technologies and knowledge to new services based on customer and societal requirements.

Chisnall (1982) argued that adaptive capability reflects abilities related to problem-solving and speedy responses to customers. A firm needs to enhance its organisational capability to strengthen its internal operation on the one hand and improve its responsiveness to external changes on the other through adaptive capability (Oktemgil and Greenley, 1997). Firms are encouraged to build up the adaptive capability to motivate individuals to make efforts to identify and solve problems collectively and effectively since firms with such adaptive capability are able to benefit from their employees' ability to learn a broader range of skills and solve problems with greater discretion (Wei and Lau, 2010).

Adomako (2018) extracted some insights from the resource-based view and dynamic capabilities framework, finding that the influence of adaptive and intellectual resource capabilities can have a major impact on SME overall financial performance. Adaptive capability also enables the firms to obtain advanced entrepreneurship orientation (EO) to better reuse its resource to achieve success (Teece et al., 1997). It has been argued that adaptive capability is regarded as the top level of dynamic capability and that the adaptive capability of an SME develops its business uniquely and distinctly (Collis, 1994). It is argued that adaptive capability enables firms to achieve their business goals through engaging in active environmental scanning and exploiting new opportunities in the market (Slevin and Covin, 1997;Lockett et al., 2011;McKee et al., 1989).

Firms require increased resource ability to meet assumptions that underlie adaptive capability advantages. Adaptive capability offers the advantage of revaluating the knowledge it needs due to market changes and helps entrepreneurs to achieve the knowledge they need to develop their business. Based on a resource-based perspective, adaptive capability is valuable to a firm's development and can be regarded as an intangible asset in the marketplace that can facilitate the entrepreneurial orientation process in providing opportunities for enhancing higher performance outcomes (Barney, 1991;Adomako, 2018).

3.7.1 Market Orientation and Business Environment

Narver and Slater (1990) defined market orientation as an organisational culture that could create greater effectiveness and superior value for customers and therefore improve firm performance. They further proposed customer orientation, competitor orientation and inter-functional coordination as three fundamental elements of market orientation. Customer requirements, competitor competition capability and better decision-making would improve companies' working procedure and allow them to adapt better to the marketplace. Ruekert (1992) confirmed that market orientation can help companies to reshape their marketing strategy in order to better satisfy their customers.

Easey (2009) argues that the external factors that influence SME performance occur through the macro-environment, on one hand, which includes demographics, technology, political, legal, social, economic, environment and culture, and the micro-environment, which comprises competitors, the publics/consumers, suppliers, manufactures, intermediaries and consumers, on the other (Kotler, 1994;Kotler, 2011). Figure 3-7 gives the factors that affect SME success and performance.

Business environment refers to labour availability, market dynamism, market competition, a firm's operation environment and all factors that could influence companies' operation strategy and resource dependence, which would finally be reflected in financial performance in the long run. Ward et al. (1995), Ward and Duray (2000) and Rosenzweig et al. (2003) demonstrate that the business environmental has

a substantial influence on firms' operational strategies and success, and the need to adopt flexible strategies in response to the changeable environment.

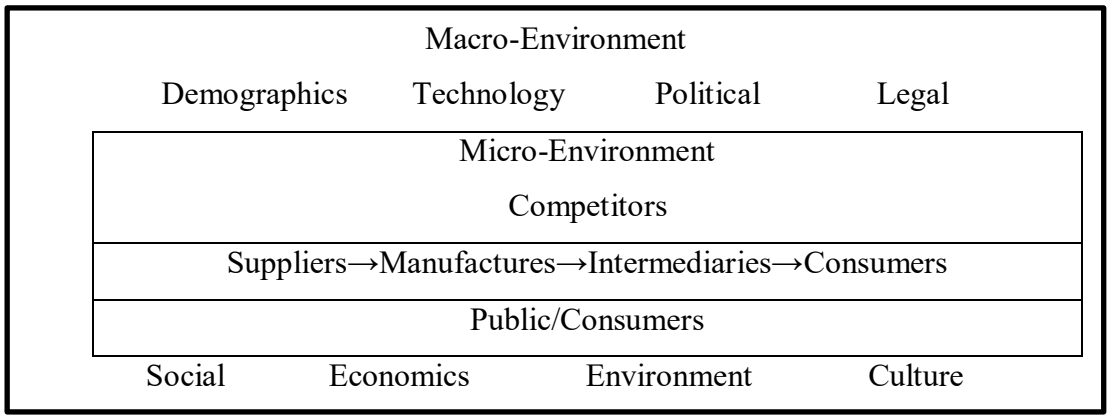


Figure 3-7 Macro-Environment and Micro-Environment: Amended
Source: Kotler (1994)

A country's economic system refers to the rules of the game on how a country is governed economically and institutionally (Peng and Meyer, 2011). Based on the World Bank Enterprise surveys since 1990s, the data have been widely used to explore the relationship between economic business environment and success (Besley, 2015). The literature on the relationship between economic environment and a firm's business is significant (Bittencourt et al., 2015). There are other sets of influencing factors that are mostly likely to influence SME success. The discussion now focuses on the capabilities that lead to SME success from a business environment perspective, such as economic and business context, political and legal environment, and social and culture factors.

3.7.2 Knowledge Acquisition and Knowledge Management

There are many thoughtful definitions of knowledge, but many researchers have linked managing knowledge with managing information. Barclay and Murray (1997) discussed a working definition of knowledge from Fred Nickols, the Executive Director of Strategic Planning and management, Educational Testing Service:

> *Knowledge has two basic definitions of interest. The first pertains to a defined body of information. Depending on the definition, the body of information might consist of facts, opinions, ideas, theories, principles, and models (or other frameworks). Clearly, other categories are possible, too. Subject matter (e.g., chemistry, mathematics, etc.) is just one possibility. Knowledge also refers to a person's state of being with respect to some body of information. These states include a few elements such as ignorance, awareness, familiarity, understanding, facilities. etc.*
>
> Barclay and Murray (1997, p. 2)

Hence, it is claimed that there are two kinds of knowledge sources. Yet according to other literature, the basis of knowledge includes both data and information (Kanehisa et al., 2013;Bellinger et al., 2004). Bellinger et al. (2003, p. 1) has done some research in differentiating data, information and knowledge and provide the following:

> *Data is raw. It simply exists and has no significance beyond its existence (in and of itself). It can exist in any form, usable or not. It does not have meaning of itself. In computer parlance, a spreadsheet generally starts out by holding data.*
>
> *Information is data that has been given meaning by way of relational connection. This "meaning" can be useful but does not have to be. In computer parlance, a relational database makes information from the data stored within it.*
>
> *Knowledge is the appropriate collection of information, such that its intent is to be useful. Knowledge is a deterministic process. When someone "memorizes" information (as less-aspiring test-bound students often do), then they have amassed knowledge. This knowledge has useful meaning to them, but it does not provide for, in and of itself, an integration such as would infer further knowledge.*

These definition of data, information and knowledge offer some understanding but there exist some difficulties on how to implement and use these sources. especially in the complex business context. According to Chen et al. (2009), only a certain basic level of understanding exists. Data are numbers or events, which comprise some information that can be either informal or formal, whilst information is registered, collated and interpreted from the point of view of the particular situation. Information is developed from useful data that provides answers to who, what, where, and when, etc. Knowledge is the application of data and information that answers how questions.

Knowledge is regarded as a specific type of organisational resource that is made of data and information (Ackoff, 1989). Knowledge refers to the general information acquired through learning, understanding something, or an awareness of something. It has long been deemed to be a key resource of SMEs and it is a key factor in achieving success for any kind of business (Glinkowska, 2017). The dynamic economic environment provides challenges for many businesses. In such a context knowledge can be viewed as a competitive advantage (Tsai, 2002). Knowledge sharing not only happens within a firm, it also occurs externally with customers, Partners and even competitors (Yang and Chen, 2008).

It is obvious that knowledge is important to all kind of businesses, but difficulties exist when businesses attempt to conduct the knowledge management process. It is necessary for all kinds of businesses to learn about knowledge management. According to Herschel and Jones (2005) knowledge management is defined in reference to collaboration, content management, organisational behaviour, and science and technologies that are employed to create, store, retrieve, distribute and analyse structured or unstructured information. McKnight and Bontis (2002) argued that there is a close relationship between knowledge management and business development. Knowledge management can be used to share intelligence among employees about how to effectively improve business performance.

Glinkowska (2017) develops a knowledge management scheme that can be used to improve the use of knowledge, comprising the acquisition of knowledge; locating knowledge; the preservation of knowledge; the use of knowledge; sharing knowledge; and the development of knowledge. It is necessary to find o the source of knowledge and acquire the knowledge since managing a firm's knowledge assets is as important

as managing its finances (Leonard, 1995), especially for firms that want to achieve internalisation (Fletcher and Harris, 2012).

Leonard (1995) proposed that all aspects of business process development should be viewed in terms of knowledge management and growth. Yet knowledge cannot be managed the same as tangible assets. It is necessary to understand what knowledge is and skill is needed to successfully adapt knowledge. Hence, a four core capabilities of knowledge management process was introduced (Leonard, 1995). Firstly, there is the integrated, shared creative problem solving across cognitive and functional barriers, in order to realise the problem and discover the relevant knowledge to solve the issues. This approach is used to improve the efficiency of knowledge learning and to share knowledge to benefit the entire organisation. Then, formal and informal experimentation are used to create new core competencies to move firms purposefully forward. The use of previous experimental activities can greatly support business development. Lastly, there is importing and absorbing technological knowledge expertise from outside the firm. Knowledge not only exists within a firm but also in the external environment.

Previous literature has focused on the definition of knowledge terminology and skills to develop the knowledge management processes (Ackoff, 1989). Even though some research lists sources of knowledge such as the internet, managers, employees, company documents, training, studies, customers, technical documentation, etc. (Glinkowska, 2017), the process of knowledge generation and what knowledge has been used in current SMEs is still unclear. This research will discuss how SMEs find knowledge sources and generate knowledge for their self-development. It enriches the findings on sources of knowledge that SMEs can use for developing their business.

3.7.3 Social and Culture Factors

> *"Culture is always a collective phenomenon that is shared with people who live or lived within the same environment, which is where it was learned. It is the collective programming of the mind which distinguishes the members of one group or category of people from another."*
>
> Geert and Jan (1991, p. 6)

Culture can be reflected by the social climate, such as social values, training, degree of economic freedom, and institutional quality. Social structure and social development greatly affect cultural changes (Castaño et al., 2015). It has been established that a suitable social climate and culture environment stimulates SMEs innovation, and enhance firms' economic growth and job creation (Ostapenko, 2015).

Cultural differences are shown through three main aspects, involving the context approach (the underlying background upon which interaction takes place); the cluster approach (countries that share similar cultures); and Hofstede's belief approach (Kent et al., 2016). Firms need to consider the cultural difference factors that influence firms' performances, such as language, religions and ethics. Culture is shown to help foster businesses and is an important factor in sustaining the development of institutions (Guiso et al., 2015). However, cultural change is slow and hence SMEs may find it difficult to establish a culture and then achieve cultural change (Castaño et al., 2015). Schmiedel et al., (2015) encourages firms to explore cultural issues which may affect their businesses.

Cultural and social factors play out in organisations' strategies of social responsibility. Visser et al. (2010) argued that a business is also asked to bring social influence, since understanding business in also an ethical way of achieving sustainable development, not only in economic terms but also in the social and environmental sphere. Hence, some businesses wish to maintain a balance between corporate growth and social progress as a way of achieving their desired performance and success. Maignan et al. (2005), McWilliams and Siegel (2001) and Copley (2014) have provided research findings that confirm implementing social influence can improve a firm's corporate image and strengthen its marketing tactics' effectiveness. Porter and Kramer (2006) and McWilliams et al. (2006) argue that firms should have regard to their responsibility to achieve a positive social influence as one core strategy, since they can benefit from social image.

3.8 SME Ecosystems and Competitive Advantages

SMEs exist in ecosystems. These ecosystems are not always competitive but may be symbiotic where an SMEs can collaborate even with competitors to achieve mutual benefit (Suh and Kim, 2012). This has been encapsulated in the concept of coopetition by a few researchers (Gnyawali and Park, 2009;Bouncken and Kraus, 2013). SMEs depend on their ability to network with other organisations through a series of connections (Wincent and Westerberg, 2005;Sandberg, 2014). These networks are developed on activities which include trade events, entrepreneurial groupings, networking lunches, business clubs, etc. Thus, networks represent social capital from which businesses can benefit (Steinfield et al., 2008). Bourdieu says that this social benefit can be ambiguous in terms of societal benefit or even benefit to the individual (Bourdieu, 2011). Obviously the type of collaboration with competitors depends on the nature of the relationship, which clearly often relies on trust (Chiu et al., 2006). As with any collaboration, both parties need to establish their benefits. Yet it may be fraught with the potential short-term gains against long-term benefits. Social capital might be knowledge acquisition, capability sharing or the benefit of being part of a larger unit (Inkpen and Tsang, 2005) .

From the theory of Social Networks a range of potential models have evolved (Yang and Chen, 2008;Steinfield et al., 2008). The current research illustrates that the use of networks boosts visibility with customers/clients and/or gains referrals, and these are seen as the most common features amongst those interviewed (Trusov et al., 2009). The former builds on growth strategies for SMEs; the latter is more problematic since the business providing the referral would appear to be in a dominant position. This latter point, though, may be mitigated if those receiving the referral have particular capability/skills based on Valuable, Rare, Inimitable and Non-substitutable (VRIN) resources (Katz and Green, 2009). A covert aspect of networking is the desire of SMEs to acquire capabilities or skills by hiring experienced employees (Tassier and Menczer, 2008).

3.8.1 Ecosystem and Network Theory

An SME's ecosystem consists of a set of intersecting networks. These networks can determine an SME's success. Well-established SMEs tend to build more coopetitive networks with both partners and competitors (Zeng et al., 2010). Obviously, increasing the degree of coopetitive networks can have a great effect on improving a firm's likelihood of success, especially for start-up SMEs (Zeng et al., 2010).

SMEs are encouraged to develop their social networks, professional networks, exchange relationship networks and other networks to become more profitable (Dyer and Singh, 1998;Gulati and Gargiulo, 1999). Building upon these networks with partners or competitors can bring competitive advantage by gathering resources as well as market information, problem solving, collaboration support, venture funding, investment, etc. (Klofsten and Jones-Evans, 2000;Hoang and Antoncic, 2003;Clarysse and Moray, 2004).

Competition is ubiquitous and is often seen as potentially damaging to business survival (Keh et al., 2007;Chetty and Wilson, 2003). An SME's lack of competitive edge can be attributed to many causes, such as lack of resources or technical support, the paucity of innovation, and often a lack of strategic short-term and long-term planning (Singh et al., 2008;Xiong et al., 2006;Urbonavicius, 2005). The extant literature proposes that SMEs improve their capacity by employing experienced staff; understanding their development goals; establishing appropriate organisational structure and culture; understanding market trends; and enhancing product or service quality, etc. (Rose et al., 2006). SMEs strengthen their position by bringing in new technology and efficient working procedures (Bouncken and Kraus, 2013). Collaboration with different firms enables SMEs to share knowledge, adapt quickly to the fast-changing business environment and improve working efficiency (Holmström et al., 2002).

Collaboration with external partners is often essential for firms to pass through the "valley of death" (Enkel et al., 2009;Chesbrough, 2003). Enkel et al. (2009) propose that firms should open up their research and development and collaborate even with their competitors due to coopetition enrichment. Co-development with partners (even competitors), co-creation with customers, and developing the knowledge acquisition

process is a trend driving global innovation and bringing opportunities (Bos-Brouwers, 2010). Coopetition can bring access to additional working experience and resources, enriching technological diversity (Quintana-Garcia and Benavides-Velasco, 2004). As Kale et al. (2000) suggest networks are an asset for SME and relate to social capital, from Bourdieu (2011). Obviously, in Bourdieu's view, social capital can be regarded as both positive and negative.

SMEs tend to develop informal networks with opportunities to meet people and present their ideas (Brink, 2014;Nobre and Silva, 2014). The networks a business is associated with can be a determinant of its success. Walter et al. (2006) define network capability as a firm's ability to develop and utilise inter-organisational relationships in order to gain access to various resources held by other actors. For an SME, a network comprises its relationship with various networks that include customers, suppliers, competitors, collaborators, public, community and employees (Cook and Emerson, 1978;Schoonjans et al., 2013). Network capability has long been regarded as a special type of resource belonging to firms that is non-transferable, which can enhance firms' efficiency and effectiveness, and can be more important to SMEs who rely for their business mostly on referrals and word of mouth (Eisenhardt and Martin, 2000;Makadok, 2001). Under this circumstance, many scholars view network capability from theoretical viewpoints, such as resource-based theory (Barney, 1996;Barney, 1991;Lee et al., 2010), dynamic capability theory (Eisenhardt and Martin, 2000;Borch and Madsen, 2007), and organisational knowledge-based theory (Grant, 1996;Conner and Prahalad, 1996;Mejri and Umemoto, 2010). The quality of a network represents relational capital, and this may be more important for SMEs than others. Well-established SMEs tend to build more coopetitive network with both partners and competitors (Kale et al., 2000).

Madhavan et al. (1998) claim a firm's network structure is a key influence on knowledge sharing and thus firm performance, and that managers should implement strategic measures to secure firms' access to key resources. Recent arguments claim the increasing degree of coopetitive networks is having a great effect on improving firms' performance, especially start-up SMEs, and achieving long-term success (Zeng et al., 2010). Entrepreneurs' network capabilities also affect an SME's business and development, while many researchers also claim that entrepreneurs' personal networks

are important resources for competitiveness (Lumpkin and Dess, 1996;Dess et al., 1997).

Since firms' value creation and innovation may arise from collaborative relationships with their network partners, SMEs potentially need to be capable of developing their social networks, professional networks, exchange relationship networks and other networks that can benefits SME (Dyer and Singh, 1998;Gulati and Gargiulo, 1999). The literature indicates that a developed network with strong relationships between the various partners can bring firms' competitive advantage due to the resources the whole network can acquire, such as market information, problem solving, venture funding, and investment (Klofsten and Jones-Evans, 2000;Hoang and Antoncic, 2003;Clarysse and Moray, 2004). Hence authors have advocated the importance of developing networks and skills associated with them for competitive advantage (Walter et al., 2006).

Businesses establish their networks for different purposes: some derive financial income, some want to maintain survival, and some want to bring social impact. Therefore, some networks can be used for reaching more potential customers or increasing business by delivering their products or service messages (Anderson et al., 1994b;Holm et al., 1999). Some networks are used to find business partners or collaborators that enable both firms to share their own resources through a tight cooperative relationship (Walter et al., 2006). Business relationship networks increase mutual commitment and promote value creation through their businesses interaction by sharing an unbounded structure of interdependent activities (Holm et al., 1999;Anderson et al., 1994b).

Also, one should appreciate that internal networks are useful for knowledge sharing. Such networks can enhance employee relationships and may increase employees trust in return, improving both employees working capabilities and overall SME capabilities (McGuire, 2000).

Previous research on a business external relationships and network capability has focused on organisational alliances and firms' collaboration networks (Street and Cameron, 2007;Holm et al., 1999;Anderson et al., 1994b;Walter et al., 2006;Madhavan et al., 1998). The development of business relationships with two or more firms can form a business network that can be conceptualised as collective actors.

Anderson et al. (1994b) conducted research on dyadic business relationships within a business network context and it was found that dyadic business relationships between firms can be beneficial for both businesses. The business network can be shown to have mutual commitment and dependence that can promote value creation. Terziovski (2003) claims that business network relationships can increase firms' interactional activities and firms can share an unbounded structure of interdependent activities that enable them to achieve greater value than without the network as a result. Figure 3-8 Holm et al. (1999) links business network connection to mutual commitment, mutual dependence and value creation.

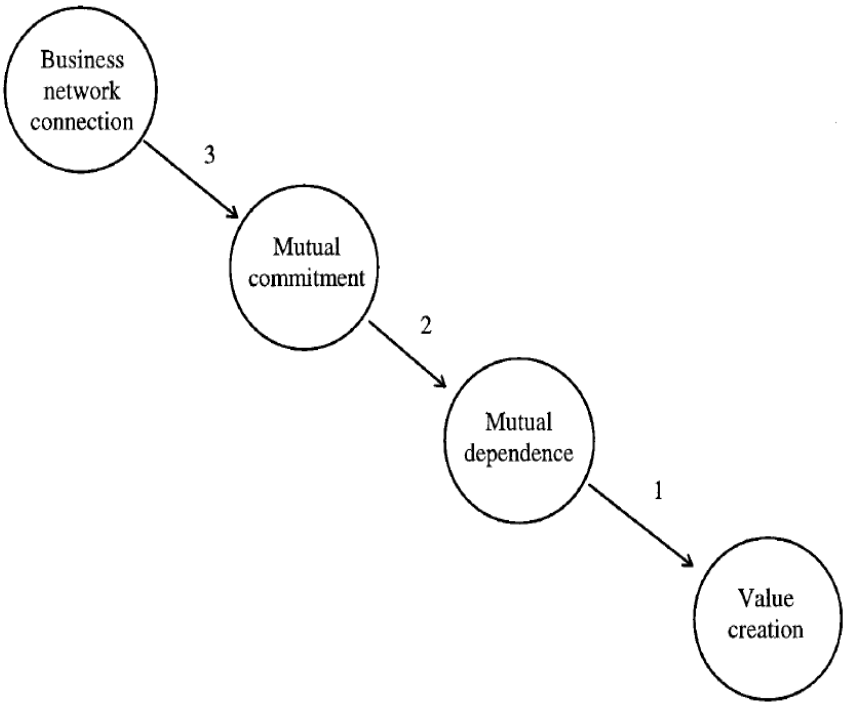


Figure 3-8 Structural Model of Relations between Value Creation, Mutual Dependence, Mutual Commitment and Business Network Connection
Source: Holm et al. (1999)

Raymond et al. (2003) established a four-network model to help SMEs to achieve different strategic objectives that comprise personal networks, contact networks, helping networks and strategic networks. The personal network has no formal rules, with a loose structure. A contact network is an informal link used to achieve business interest with minimal rules and structure. A helping network is a formal link used to

achieve business practice interest, with flexible rules and structure. A strategic network is an intense link comprising a high level of engagement and with complex structure and rules. These four networks are widely used by SMEs. Konsti-Laakso et al. (2012) claim working through networking can bring huge advantages to SME development. For example, networking helps solve some issues rapidly, such as the misinterpretation of industry standards. Success requirements for maintaining the business networks include trust, long-term contact, management involvement, will, education, good partnerships, etc. (Konsti-Laakso et al., 2012).

3.8.2 Resource-Based Comparative and Competitive Advantages

Hunt and Morgan (1995) produced the comparative advantage model to explain the competition situation in both macro and micro environments. Neoclassical competition theory has been used as a framework for firms to shorten their working cycle and adjust product quality in the long run to adapt price competitive advantage (Srivastava et al., 2001;Hunt and Morgan, 1996). Table 3-4 presents the foundations of the Neoclassical and Comparative advantage theories of competition.

The comparative advantages theory framework can be used as a guide for firms to assess their resources and organisational capability (Hunt and Morgan, 1995). A firm's lack of understanding of their resources may result in them squandering wealth. Even worse, firms are more likely to modify, sell, relinquish, or abandon a resource that could bring them benefit (Hunt and Morgan, 1995;Weigelt and Shittu, 2016). Through applying the comparative advantage theory of competition, firms benefit both at the micro level, such as gaining superior financial performance, and at the macro level, such as improving quality, efficiency and innovation (Do et al., 2014) . Figure 3-9 presents the comparative advantage operation process.

Table 3-4 Foundations of Neoclassical and Comparative Advantages Theory of Competition

Foundations of Neoclassical and Comparative Advantages Theory of Competition		
	Neoclassical Theory	Comparative Advantage Theory
1. Demand	Homogeneous within industries	Heterogeneous within industries
2. Consumer Information	Perfect and costless	Imperfect and costly
3. Human motivation	Self-interest maximisation	Constrained self-interest
4. Firm's objective	Profit maximisation	Superior financial performance
5. Firm's information	Perfect and costless	Imperfect and costly
6. Resources	Capital, labour, and land	Financial, physical, legal, human, organisational, informational, and relational
7.Resource characteristics	Homogeneous, perfectly mobile	Heterogeneous, imperfectly mobile
8. Role of management	Determine quantity and implement product function	Recognise, understand, create, select, implement, and modify strategies
9. Role of environment	Totally determines conduct and performance	Influences conduct and performance
10. Competition	Quantity adjustment	Comparative advantage

Source: Shelby and Morgan (1995)

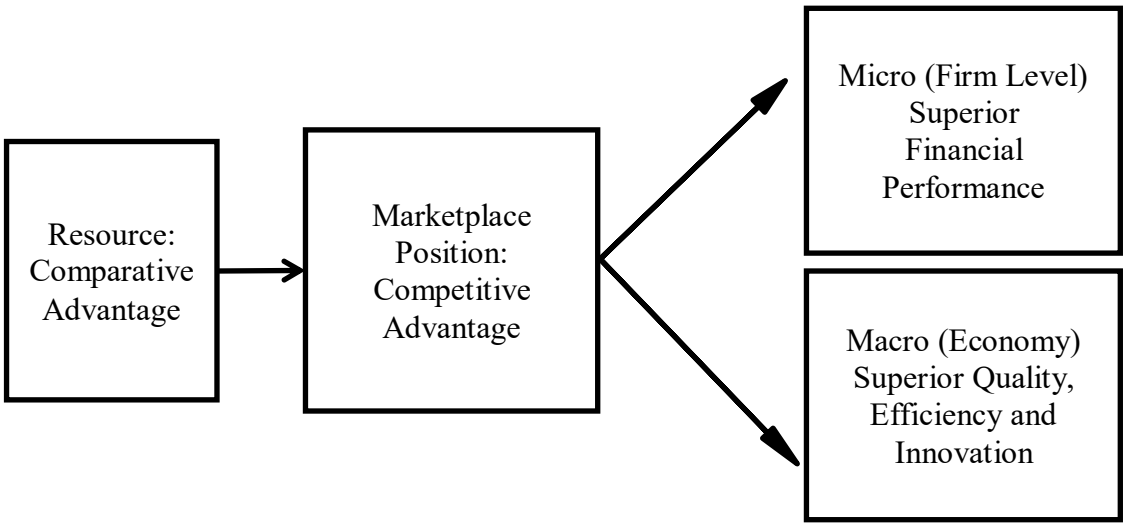


Figure 3-9 Comparative Advantage Theory of Competition

Source: Shelby and Morgan (1995)

Figure 3-9 highlights the benefit of resource-based comparative advantage to strengthen a firm's market competency to meet the challenges from market competition. A firm will be in a better position to achieve better financial performance by offering greater customer value. Some research provides evidence that stronger competitive advantage is more likely to earn SMEs' above-average returns (Rajwani and Liedong, 2015). It proposes that a firm's competitiveness can be achieved through implementing Porter's five forces model (Zhao et al., 2016). The five forces ask a firm to better understand its market situation and analyse its comparative advantage through rivalry among competitors, potential entry threats, buyers' bargaining power, suppliers' bargaining power and substitution threats.

There is also a debate about competitive advantage that arises from the resource-based view. Porter and Millar (1985) assumed a company can achieve competitive advantage through a low-cost position or a differentiated product. A low-cost position enables a company to set lower prices to achieve price advantage, while product differentiation creates more brand awareness and recognition. With the development of competitive advantage concept, scholars have discussed the business ecosystem from a resource-based view (Hart, 1995;Wernerfelt, 1984;Peteraf, 1993;Wernerfelt, 1995;Barney, 2001;Helfat and Peteraf, 2003). Barney (1991), Reed and DeFillippi (1990) and Wernerfelt (1984) claim the basic requirements for a firm product or service is that it should be valuable to the customer and not substitutable. For example, limited resources can enhance a firm's capabilities in technology, production, design, distribution, procurement and service (Ulrich and Lake, 1991;Prahalad and Hamel, 2006). Hart (1995) claims that a firm's distinctive competencies can generate competitive advantage only if a firm's capabilities can create sustained advantage with the support of its resources that it is difficult for competitors to duplicate. Figure 3-10 illustrates how a firm achieves competitive advantage from a resource-based view.

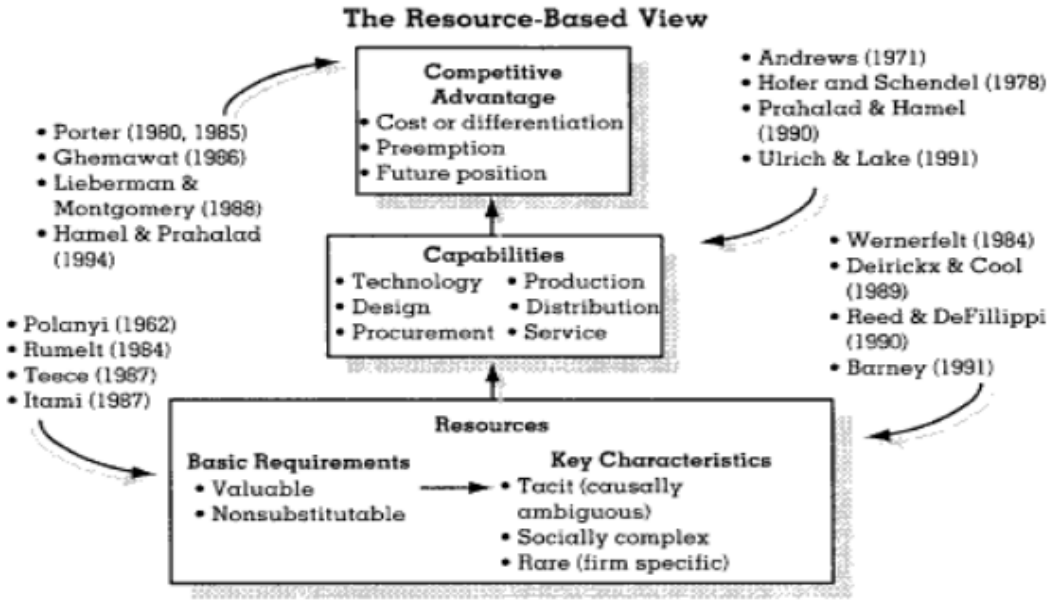


Figure 3-10 Resource-based View of Competitive Advantage

Source: Hart (1995, p. 988)

Hart (1995) offered resource-based view of a firm through three interconnected strategies which include pollution prevention, product stewardship and sustainable development. These strategic capabilities enable a firm to have competitive advantage over its competitors. Previous research confirms that a firm can achieve competitive advantages through tangible resources such as differentiated products or service, brand recognition, products or services with high quality, and competitive pricing (Barney, 2001).

SMEs often find themselves in challenging business environments and so may require the capability to maintain reliable and continuous businesses improvement, which is the key condition to ensuring their market competitive advantages (Lagacé and Bourgault, 2003). SMEs need to define their short-term and long-term goals if they are to develop a successful strategy (Vos, 2005). Since most of SMEs are narrowly focussed to serve a local niche market rather than mass market, they are likely to suffer from some constraints in their development, except for some born globals (Urbonavicius, 2005). There are many constraints to SMEs achieving competitive advantages, such as a lack of resources for development and/or a lack of employee ability to fit into the organisation. SMEs also often lack technical support, and have a paucity of innovation and scarcity of knowledge, as indicated previously (Singh et al.,

2008;Urbonavicius, 2005;Xiong et al., 2006;Gunasekaran et al., 2001;Rose et al., 2006).

The motivations behind the setting up of businesses vary and these greatly affect how businesses assess SMEs success. Business owners' views and business vision can be regarded as intangible competitive advantages that affect business development and assist in SMEs' performance and success (Wood, 2006;Koch and Strotmann, 2006).

Birley and Westhead (1994) found that business owners' motives, skills and ambition led to SME competitive advantages. The business owners' sense of achievement, enjoyment, job satisfaction and even continued survival play an important role (Greenbank, 2001;Walker and Brown, 2004). Previous research has often focussed on a single measure and not the multidimensional scales which seem more appropriate Simpson et al. (2012b). It is clear that SME owners do not run their business only to achieve financial benefit but for other reasons too, such as lifestyle, work-life balance (Jennings and Beaver, 1997), social impact, social responsibility or to operate a decent business model (Walker and Brown, 2004;Jarvis et al., 2000). Others take professional pride and status considerations into account, as highlighted by Simpson et al. (2012b).

3.9 Literature Gap

Since this research aims to explore UK service SMEs' success and how it is achieved, the author reviewed the relevant literature to underpin the understanding of SMEs success and the sources of competitive advantage. Based on previous research findings, I believe I have identified a certain gaps in the literature.

Previous literature on SMEs in the UK has relied on defining SMEs in terms of employee size (less than 250) and turnover (less than € 50 m). Globally, though, there is no fixed definition for SMEs. Most firms such as start-ups and young firms in this research confirmed that they regard themselves as SMEs because they have limited numbers of employees and clients. A few well-established businesses, however, still regard themselves as small firms even if they have a large number of employees, say around 200, because their competitors are much larger. Surprisingly, a few firms, which have around 20 employees, classify themselves as medium-sized firms, due to

their outstanding business achievement within their specific market and their market size.

Previous literature on SME success is seen as closely linked to SME performance that includes both financial measures and non-financial measures (Jennings and Beaver, 1997). Yet it does not necessarily cover the general internal and external environment of business, which may also characterise success in terms of the SMEs' view. So rather than predefining success, the views of SMEs should be sought.

Businesses work within certain regulatory and social constraints and so minimise their risks (Agarwal and Ansell, 2016). Institutional theory underpins the understanding of organisation study and emphasises the external environment. My research found SMEs also rely on their internal institutional environment such as employee working performance, organisational culture and structure, innovation, knowledge sharing and the internal networks among employees. Therefore, this research enriches the institutional theory about SMEs by looking at both the external and internal organisational environment.

Dynamic capabilities are essential for SMEs, this research is underpinned by dynamic capabilities due to its impact on SME business development and success. Dynamic capability refers to a firm's ability to integrate, build and reconfigure resource under the volatile market environment that can sustain a firm's competitive advantage (Teece, 2007). However, SMEs' dynamic capabilities focus much on their internal organisational capabilities. This research also considers SMEs' adaptive capabilities in the external institutional environment.

There is little research on adaptive capability. Büchel and Sorell (2012) defined adaptive capability as a firm's ability to scan and observe for external resources and their reaction to the external environment. Hence, an SME's adaptive capability refers to their external ecosystem. The research discovered that SMEs tend to establish an innovative knowledge-sharing environment to enhance their capability. The SMEs can gain external knowledge from either senior staff members and managers or the external environment, such as collaborators, customers, even competitors. Market orientation is dependent on both internal and external knowledge. So organisational capability, which is often seen as solely internal, may play a role in understanding external forces. This is allied to external information to ensure that SMEs service their market.

Previous research on ecosystems concentrates on the social capital of SMEs (Bourdieu, 2011). SMEs develop their business through the social network they established that can bring them competitive advantage. The research contributes by exploring the SMEs' surrounding ecosystem that supplies support for SMEs survival and development. SMEs at the start-up stage and at the mature stage react differently to their ecosystem. Basically, young start-ups use their environment to acquire knowledge and enhance their visibility. They often establish personal network relationships with collaborators or customers through which they get their business from referrals, while mature SMEs rely more on well-designed business procedures due to their well-established organisational structure. Mature SMEs not only collaborate with business partners, they also work with competitors. The latter is rarer for start-up SMEs.

Traditional research on competitive advantage assumes a firm can achieve this through a low cost position or a differentiated service from a resource-based view (Porter, 2011;Barney, 2001). SMEs can gain competitive advantage from both internal dynamic capability and external adaptive capability and an aid to this is the SMEs ecosystem. This research enriches the resource-based theory by considering these other dimensions.

3.10 Conclusion

This chapter has reviewed the previous literature on SME definitions and has found there is no standard form of SMEs due to the nature of their business and also their stage of development. However, employee size is regarded as a common factor to define SMEs in most countries. The UK definition of an SME is a firm that has fewer than 250 employees and a turnover of less than 50 million euros. This is the primary definition of SMEs employed in this research, though SMEs may have their own definition.

Previous literature on SME success frequently considers only single measures of success. This research will explore SMEs' own views of success through different perspectives. Much of the previous research did not explore success according to SME

goals and stages of development. Hence the research explores the views of SMEs regarding factors that impact on success.

The various dimensions of SME characteristics which could give rise to SME success have been reviewed, including elements such as business ecology and capabilities. Hence it delves into the aspects within the dynamic business environment that will give SMEs strategic advantages, such as flat organisational structures, better communications, knowledge sharing and employee engagement.

The stage of development leads to different business operational processes and strategies to gain customers and develop the business. Churchill and Lewis' five stage development framework was used as a guide for analysis. Whilst not strictly adhering to it, the five stages are existence, survival, success, take-off and resource mature provided a structure to the analysis. For example, SMEs at existence and survival stages establish relatively flat organisational structures and working environments and tend to be flexible, which means they focus on gaining more sales to maintain survival. They develop their business based on informal business networks and their employees have more personal contact with their customers. Well-established SMEs have a more functional organisational structure with formal working procedures. They focus much on improving their organisational capability to serve the mass market.

The literature review acknowledges the diverse views on SME development, accepting that the major determinants are the owner's goals. Growth seems to underpin many of the attitudes towards success, but this is not solely in terms of finances, including opening up new markets and views of personal development. It is also clear that the factors for success include the quality of employees, maintaining customer satisfaction and having broad supportive networks. Regarding SMEs from different industries, factors that affect their performance and success also vary.

Given the nature of SMEs and stage of development, the measures SMEs use to assess their business success also vary. It has been discovered that SMEs increasingly assess their success through diverse non-financial measures, which include internal measurement (organisational capability, employee capabilities, network capabilities, marketing orientation, innovation, coopetition ecosystem, competitive advantage and intellectual capital) and external measurements (customer relationship and

satisfaction, suppliers' collaboration, competitor effect, political and legal environment, economy and business context, social and culture factors).

From the literature, most of the understanding of SMEs is in terms of an external view and hence there is a need to investigate the self-identification of SMEs. How do they regard themselves? This leads naturally on to the issue of how SMEs view success: is it primarily financial or is it through other criteria? Given that it is possible to identify some themes in terms of success amongst the respondents; the issue arises over the factors that lead to an SME success. The literature has suggested a range of factors that affect success and so the aim is to understand the SMEs' view of such. How do they achieve their own goals and judge success? One aspect that has arisen is the importance of networks in determining success. This has further been developed through the ideas of 'coopetition'. Hence, the study will explore further the practice of 'coopetition' taken from the viewpoint of the SMEs. These elements are regarded as the main contribution of the thesis.

Chapter 4 Research Methodology

4.1 Introduction

This study is based on pragmatism and has employed both in depth interviews and a survey with a range of UK SMEs in the service sector. Interviews form the basis of the research: a survey is used to strengthen the findings of the research. The aim is to investigate UK SMEs in the service sector in terms of their success, in terms of understanding how success can be influenced by a number of factors.

The research objectives were designed to achieve the research goal and have been delineated by the research questions. These research questions provided the basis for the interview questions which aimed to determine success and the factors influencing it. Twenty four UK SMEs were involved in the research interviews. CEOs, Directors, Managers and significant employees participated in the semi-structured interviews for data collection. 82 responses were collected from UK service SMEs through an online survey. The survey questions are on similar themes to the interview questions (see Appendix 5). The interviews were recorded, and transcripts were produced for data analysis. The research follows a well-defined research design process to ensure research result validity.

The structure of the chapter is as follows. It starts by defining the research aim and objectives. It then explains the researcher's philosophical stance. The next section discusses the research design and process, detailing the data collection method and the research data analysis method used in order to ensure research validity and reliability. It then lists the research difficulties and limitations. The research ethics are also given consideration.

4.2 Research Aim and Objectives

This research aims to investigate the UK's current SME service sector success, its dynamic and adaptive capacities and its ecosystems. The success covers both financial

and non-financial aspects. The focus of the research is on the opinions of the senior members of the SMEs rather than the researcher's own judgements.

Aim: Exploring UK SME success and factors influencing success

This research aims to investigate UK SME success based on SMEs' own perceptions. It explores the views of managers and owners of SMEs and how they assess their success. From the research aim, three main objectives were developed to further understand SMEs' success, as follows.

Objective 1: To explore and understand UK service sector SME success based on the perceptions of senior staff/owners

Objective 2: To explore factors that aid SME success

Objective 3: To gain an insight into the SME environment, its impact on success and the role of networks and coopetitive ecosystems.

4.3 Pragmatism Research Philosophy

Pragmatism refers to a philosophical approach which is underpinned by a set of assumptions (Johnson, 2017;Johnson and Onwuegbuzie, 2004) that include allowing a more complete picture by combing information and avoiding biases intrinsic to a single method approach. Bringing contrasting data together under pragmatism helps with the development of understanding of the context (Collins et al., 2006). Many authors suggest pragmatism is the best paradigm for justifying the use of alternative methods of research, as this approach considers the research questions to be key (Teddlie and Tashakkori, 2003;Rallis and Rossman, 2003). Given the use of alternative methods, research pragmatism is capable of achieving a better solution to new problems (Collins et al., 2006) and has been found to yield better outcomes (Pansiri, 2005).

To demonstrate pragmatism's difference from positivism and anti-positivism, Powell (2002) positioned it as a contending paradigm.

> *"The pragmatist epistemology stands in contrast to prevailing positivist and anti-positivist views of scientific discovery. Whereas positivism emphasizes the objective, law-like properties of a brute reality independent of observation, anti-positivism emphasizes the creative role of active, subjective participants, none of whom owns a privileged claim on ... To a pragmatist, the mandate of science is not to find truth or reality, the existence of which are perpetually in dispute, but to facilitate human problem-solving. According to pragmatist philosopher John Dewey, science should overthrow 'the notion, which has ruled philosophy since the time of the Greeks, that the office of knowledge is to uncover the antecedently real, rather than, as is the case with our practical judgments, to gain the kind of understanding which is necessary to deal with problems as they arise."*
>
> Powell (2001, p. 884)

Powell (2002) proposes the pragmatist approach is to use nature of knowledge, language, concepts, belief and science for practical uses (Cross et al., 2015). Pragmatism considers thought as an instrument or tool for prediction, problem solving and actions, instead of the function to describe, represent or mirror reality (Gunn and West, 2016). Two central elements of pragmatism are a pragmatic method and theory of truth. The pragmatic method refers to a commitment to end-causes and the outcome of practice instead of abstract first-causes, expressing the notion through tracing its practical consequences. The theory of truth is regarded as a useful instrument which aims to explore complex reality, and thus to incorporate new experiences within our existing opinion (James, 2015).

It is argued that pragmatism retains its commitment to solving problems through generating useful methods and using the theory of truth (Abraham and Abramson, 2017). Using a single method restricts ones view of context, while pragmatism benefits from employing alternative methods. This research intends to explore SMEs' current

success and given the diversity of the subject matter to employ a multiple approach to obtain a more comprehensive view. Often authors have characterised research on SME success as a projection from the researchers' view onto the SMEs as an "experimental black box" approach (Simpson et al., 2012b), rather than allowing SMEs to express their own views. Pragmatism offers an opportunity to use new techniques to generate useful knowledge to help to find the reality of the social world (Sil and Katzenstein, 2010). Pragmatism focuses on the end goal practices embedded within new knowledge that help to incorporate understandings of new problems.

Validity in pragmatic research refers to the research findings and the knowledge that can be pursued to improve insight into a situation. This research intends to identify elements that may aid SMEs. The research mainly focuses on analysing qualitative interview data and the research findings are interpreted as an outcome of better understanding. An online survey has been used to compare the knowledge and so cross-check validity.

Contemporary qualitative data analysis is supported by a computer programme termed Qualitative Data Analysis software. However, the software does not supplant the interpretivist nature of coding that underpins the data analysis process but rather aims to enhance the analytical ability to control the data through data storage and data retrieval. This research used NVivo to underpin the data storage and retrieval process for the 24 interview transcripts that comprise over 500 pages. The role of the researcher is to understand and discover the mean findings within the data from the SMEs interviewers. The data collected will be used to understand expressed perceptions of the owners/managers of their success rather than to predict causes and effect.

Foss and Ellefsen (2002) define triangulation as the combination of methods in the study of the same phenomenon. They identify four kinds of triangulation for research: data triangulation (a variety of data sources); investigator triangulation (several different researchers); theory triangulation (multiple perspectives to interpret the results); and methodological triangulation (multiple methods to study a research problem). This research uses different sources of data that comprise both interviews and online survey methods. Triangulation is often used in social science research to provide confidence in the findings through implementing two or more than two research methods (Rothbauer, 2008). This provides the validation of findings. The

advantage of triangulation employed in this study is that the qualitative data obtained by the survey data can underpin the credibility of qualitative interviews, providing a more detailed picture of the research findings and allowing cross-checking of the data ensuring the result's validity and accuracy (Bogdan and Biklen, 2007;Cohen and Manion, 2000;Altrichter et al., 2013;O'Donoghue and Punch, 2003).

Triangulation can also be used in qualitative research (ethnography) to check the researchers' observations to determine whether they might have misunderstood what they had seen (Bryman and Bell, 2015). Bryman and Bell (2015, p. 397) provide an example of triangulation:

> *"For example, one example of triangulation research is Faules (1982) conducted a research in local government agency to consider issues relating to performance appraisal. The data were collected by survey questionnaire and semi-structured interviews. The questionnaire survey was given to 250 employees in the agency and finally got 138 responses. The semi-structured interviews were conducted with 62 individuals. Faules concentrated on two areas, the function of appraisal and the perceived quality of the system. Areas of convergence were found, for example, with both sets of data pointing to a questioning by employees of the relationship between performance ratings and job performance. Also, the questionnaire survey data provided evidence of differences in the response of superiors and subordinates, which was supported by the analysis of sorties… Although Faules believes that the results were broadly consistent, the nature of the information gleaned was often divergent-the questionnaire provided data on general attitudes, while the interviews allowed access to issues of how people make sense of the appraisal process."*

As argued here, triangulation is used to enhance research credibility and reliability, through which it enriches the database. This research uses semi-structured interviews to collect the data; an online survey was used as an additional source to

enrich the research findings in order to increase research validity. This also relates to the work of Lincoln and Guba (1985) in terms of trustworthiness of a research. It is important to evaluate a research study's worth and the trustworthiness of research involves establishing credibility, transferability, dependability and confirmability. As argued by Lincoln and Guba (1985), in order to achieve research trustworthiness in a qualitative research study, triangulation is a good technique to establish research credibility and confirmability.

Krefting (1991) also confirmed that there some strategies can be implemented by researchers to establish trustworthiness, such as peer checking, time sampling, interview technique, dependability audit, reflexivity and triangulation. Triangulation is regarded as a powerful strategy for enhancing the quality of the research, particularly credibility. It is based on the idea of convergence of multiple perspectives for mutual confirmation of data to ensure that all aspects of a phenomenon have been investigated (Breitmayer, 1991) . The triangulated data sources are assessed against other sets of data to cross-check data and interpretation. It is used to provide a number of different slices of data to minimise the distortion from a single data source or any other personal biases.

4.4 Research Design

There are many different research methods for exploring SME success and the influencing factors. Some have taken an "experimental black box" approach, as illustrated in Figure 4-1.

One weakness of this research design of SMEs success is reliance on the researcher's own needs instead of SMEs' own views. As shown in Figure 4-1, researchers define the variables and assessment criteria based on their experience; however, SMEs may have a different point of view. Pragmatic research encourages a more appropriate method of conducting research to ensure validity.

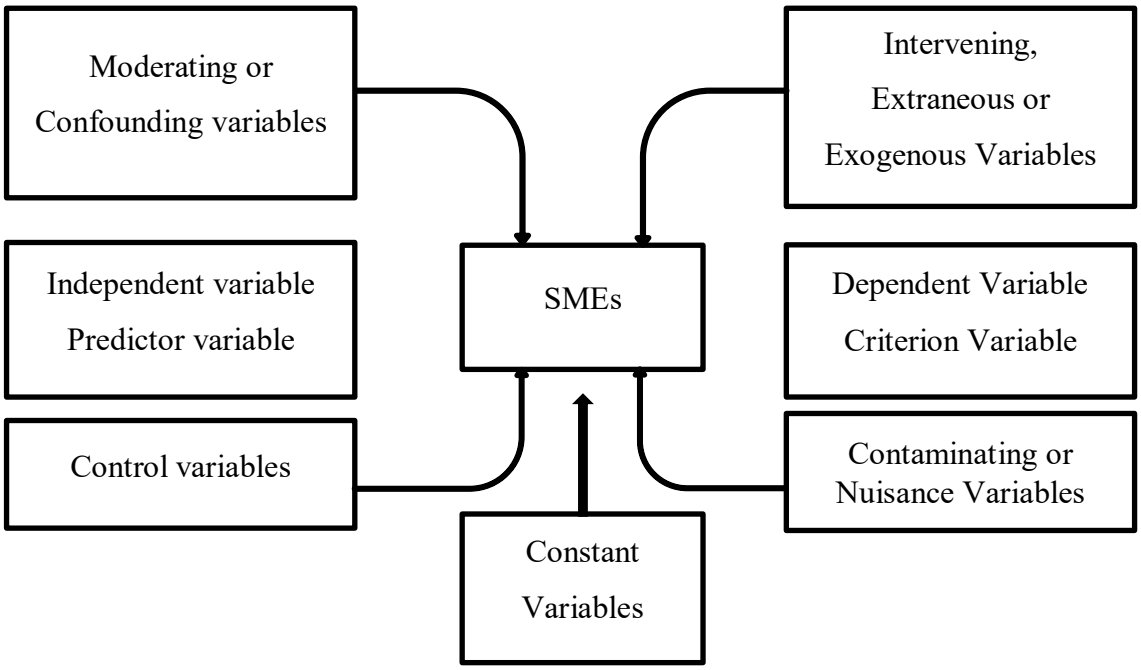


Figure 4-1 Experimental Black Box

Source: Current Author

Creswell (2012) argues that a research design process can be regarded as a research process that can be used to carry out research. There is no doubt that a well-designed research process can greatly facilitate the research meeting its aim and objectives. It is suggested to separate a research process into three main stages, namely deciding, planning and conducting (Cooper et al., 2006;Kumar, 2010). A well-defined research design process should be logical and acts as a blueprint for carrying out future research, such as research data collection, establishing research questions, generating research findings and discussion (Kumar and Phrommathed, 2005). Kumar (2010) argues that a better research design process can enhance the accuracy of research findings and further proposed an eight-step model to carry out the research process, the author also adopted this eight steps research framework which is shown below.

Step 1. Formulating a research problem

Step 2. Conceptualising a research design

Step 3. Constructing an instrument for data collection

Step 4. Selecting a sample

Step 5. Writing a research proposal

Step 6. Collecting data

Step 7. Processing and displaying data

Step 8. Writing a research report

Source: Kumar (2010)

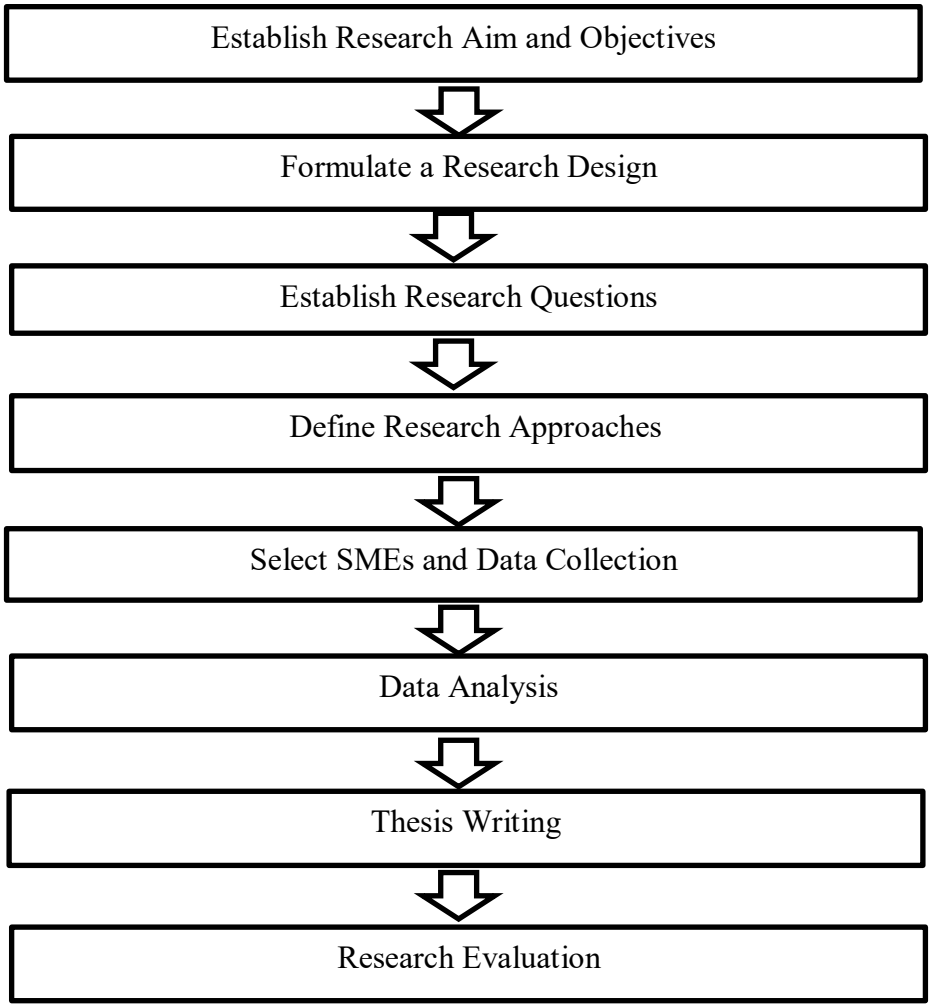
Table 4-1 The Eight Research Design Steps Model

THE EIGHT RESEACH DESIGN STEPS MODEL			
Phase	Phase 1	Phase 2	Phase 3
Main task	DECIDING WHAT (Research questions to answer?)	PLANNING HOW (to gather evidence to answer the research question?)	UNDERTAKING COLLECTING (the required information)
Operational steps/ research journey	1	2,3,4,5	6,7,8

Source: Current Author

The eight-step model and Table 4-1 above provide a guideline for standard research that can be tailored to research progress, as can be seen in Table 4-2.

Table 4-2 Research Design Processes



Source: Current Author

This was the approach followed in this research. It fulfils the specific requirement and serves the research aim and objectives. However, the research steps are not set in stone and some were adjusted, based on the way the research developed. There is not a fixed sequence for each process and some research steps can be carried out in parallel. For example, defining research approaches, selecting SMEs and starting data collection can be taken at the same time. Data collection and analysis can also be carried out at the same time, which can be used to redefine research questions and employ new research approaches. This helps maintain research accuracy and validity.

4.5 Methods Used and Justifications

4.5.1 Interviews and Online Survey Questions

The research questions were designed to meet the research aim and objectives. All research questions are used to elicit better understanding of SMEs' own views of success. Since this research employs both qualitative interviews and online survey, there were slight differences in the questions posed in interviews and survey. Interview questions were more open-ended in order to encourage interviewees to offer more information. Survey questions., on the other hand, were generally closed questions that could be ticked in order to encourage participants to finish all questions, though, there a number of open questions were included to obtain further depth to the responses.

In terms of the interviews, the initial questions covered three sections. The first section asked questions to understand the nature of the business and stages of development. These questions can help to define a firms' own view of an SME, such as the nature of the business, company size, turnover, stage of development, etc.

1. When was this company established? What is the company's main business? How many employees does it have and what is the average annual turnover?
2. Would you consider your company to be a small-sized company or a medium-sized company? Why do you say this? Do you think the size of your company affects its business?
3. How would you describe the current stage of the company's business development? Is it Start-up? Is it Growing? Is it Mature?

The questions in section 2 were straightforwardly related to SME success. The questions focused on their organisational structure and culture, the measures used to assess success, factors affecting their success and performance, the business strategy to achieve success, their view of success, etc.

1. How would you characterise the management style within the company? Does this affect your company's business success? (Management Style:

Empowerment, Consultative, Persuasive, Democratic, Organic, Paternalistic, Autonomy or some others)

2. Do you currently have any means to measure your company's success? Can you explain in detail how these measures work? (By Financial measures, Non-Financial measures or some others measures?)
3. For example, do you gather the following information? Also, how frequently do you expect to collect the information? Is there any specific reason for choosing these measures?
4. What are the main factors that are influencing the company's overall success? And how have these factors influenced the company's business success?
5. For example, are any of the following factors that your company is particularly focused on, and why? Are there any other additional factors? (Number the following factors in order from the most relevant 1, the next 2 and so on; if irrelevant leave it blank)

Questions in section 3 were used to facilitate an understanding of SMEs' strategies for achieving success, their social involvement, business risks, challenges and threats, and SMEs view of business development, etc.

1. What are the company's current plans for short term development and future intention or objectives in the long-term?
2. Do you regard your business as successful? How does your company ensure its sustainability?
3. Does your company engage in any Corporate Social Responsibility (CSR) activities?
4. What do you perceive as threats to the company? What factors lead to downfall in your industry? What plan/action have you taken to address them?
5. What is your overall view of this company's business? How do you see your company?

The full details of interview scripts can be found in Appendix 2, Interview Questions. Though the online survey questionnaire questions were almost the same as the

interview questionnaire questions, the layout of the questionnaire was different, designed to be easier to tick because it is difficult for people to fill out online surveys with details and without becoming bored. As stated previously, some open questions were set to allow people express their opinions fully. Full details of the online survey questionnaire can be found in Appendix 5, UK SMEs Success Survey.

4.5.2 Snowball Interviewing SMEs

This research used semi-structured interviews and a qualitative survey questionnaire to collect data. The author went to different business networks, conferences, entrepreneur events, business showcases, etc. to search for interviewees and potential people to fill the survey. Once the author found an interviewee and after the interview had taken place, the author asked for help in recruiting other suitable people to take part into the research interviews or the survey, which is a form of snowball sampling.

Snowball sampling is also known as referral sampling, meaning a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances (Mack et al., 2005). The advantages of the snowball sampling method are that the sample group is said to grow like a rolling snowball. It can be difficult for a researcher to find sufficient participants through direct contact, either through email or phone calls. This research required participants from the SME service sector and snowballing helped the researcher to finding people from the same industries (Salganik and Heckathorn, 2004). Interviewees engaged in this research introduced friends to this research and this snowballing method and new interviewees were reached as a result, enabling estimates to be made about the social networks connecting hidden populations.

The author also used LinkedIn as an efficient way to collect online survey responses. The author joined a number of professional groups, such as UK SMEs, SME Owners, Small Businesses, Entrepreneurs' Networks, the UK Business Group, the Small Business Network, etc. All these professional groups comprised appropriate members of the UK SME service sectors to participate in this research. It is an efficient way to collect online survey response. Interviewees helped to circulate the online survey among friends and colleagues. The snowball sampling method ensures a

diversity of contacts by widening the profile of persons involved in the snowballing exercise, although some argue that it identifies people of the same type.

In this research SMEs selection relied on various networks. In order to reach more firms for interviews, the author registered as a member of many business committees and clubs. The author searched for business events both formally, like conferences, trade shows, entrepreneur club, entrepreneurs' speech events, etc., and informally, such as business talks, think tank events and breakfast networking.

Interviewees were sourced from the following communities: The Entrepreneurship Club brings together a range of diverse stakeholders, including entrepreneurs from diverse industries. Engage Invest Exploit (EIE) is Scotland's leading investor showcase featuring highly promising companies from diverse sectors. Informatics Ventures is a leading advisory organisation that offers support to new entrepreneurs, and holds regular conferences and speaker events for new entrepreneurs. ConnectED is a long-standing business networking group that encourages entrepreneurs from diverse fields to share their knowledge and encourage collaborations. The author identified some specific firms from the service sector, either through their presentation or through in-depth discussion about their business. After reviewing some firms, the author contacted specific SMEs that were a fit with the research.

Relationship building is needed when attending business activities, and the author found some suitable participants directly through the business events. Some refused to be interviewed but agreed to speak to other firms who would be likely to take part in the research. The author also contacted the delegates on lists from different events, either through email or phone calls. The author asked nearly 200 potential firms that fitted the research requirement and finally 24 firms agreed to participate in the interviews.

This research concentrated on collecting data from semi-structured interviews as a direct way of obtaining information from SMEs regarding their own view of success, and allowed them to contribute to the debate about SME success. Yin (2003) argued that one needs to follow a line of inquiry and pose questions in an unbiased manner to properly serve the needs of the research. This research used open-ended questions and encouraged discussion with SME CEOs, Managers, Directors or Owners. Semi-

structured interviews have some advantages, such as a clear list of questions/issues; a flexible interview process; AND an emphasis on the interview subject elaborating on issues and points of interest rather than just responding to questions. There is also the possibility of asking follow-up questions to clarify issues.

There is a need for preparation before carrying out semi-structured interviews (Drever, 1995;Atkins, 1984). A detailed interview schedule with logically ordered questions starting with an introduction and more straightforward questions is required. There should be no threatening or offensive questions. The researcher, if possible, should ensure the desired range of issues are covered and the interview schedule should be neither too short nor too long (DiCicco-Bloom and Crabtree, 2006).

At the beginning of the research, the necessity for a classification system for SMEs was identified. Having reviewed the literature it seems appropriate to consider the model of Lewis and Churchill (1983), since it involved a model of growth that showed a development path, assuming that such a model would fit with the traditional concept of success which is the focus of the thesis.

Table 4-3 lists the SMEs by size, development stage and industry categories. Four SMEs were in the 'existence stage', six at the 'survival stage', seven at the 'success stage', four SMEs at 'take off stage' and the remaining three at 'resource mature stage'.

The duration of interviews was flexible, given the open-ended nature of the question, lasting between one and two hours. All informants interviewed were assumed to have sufficient knowledge about their firm.

Most interviews took place at the interviewee's office but a few were in a public place, based on convenience. A recorder was used to maintain research validity. The recorded interviews were transcribed for data analysis.

Classification of SME was informed by Churchill and Lewis' (1983) SME 5 stage development model comprising of Stage I Existence, Stage II Survival, Stage III Success, Stage IV Take-off and Stage V Resource Mature. This research also allocates the research SMEs into different stages of development, which identifies SMEs' across the service sector without rigidly adopting these categories. Hence, SMEs were sought across all stages in the model, forming a specific categorisation in the research. The 24 firms selected came from different service industry areas, such as software development, digital marketing, education, management consulting,

telecommunications, careers services, catering, retailing, business coaching, etc. The first SME interview was carried out in March 2013 and the last took place on October 2014. Every interview was recorded, with the prior agreement of the interviewees.

Table 4-3 SMEs' Interview List

Firm Number	Company	Size	Stage	Industry
20	QL	Small	Stage I (Existence)	Software
7	RN	Small	Stage I (Existence)	Energy Service
11	MTL	Small	Stage I (Existence)	Digital Music
22	PJ	Small	Stage I (Existence)	Jeweller Retailing
2	MCC	Small to Medium	Stage II (Survival)	Education Service
6	INML	Small	Stage II (Survival)	Digital Marketing
13	ML	Small	Stage II (Survival)	Management Consulting
10	AL	Small	Stage II (Survival)	Training Software
24	CSE	Small	Stage II (Survival)	English Education
21	4G	Small	Stage II (Survival)	Telecommunication
17	POY	Small	Stage III-D (Disengagement)	Entrepreneur Membership
12	IRRI	Small to Medium	Stage III-G (Success Growth)	Environmental Project
14	TCMO	Small	Stage III-G (Success Growth)	Career Service
16	XE	Small	Stage III-G (Success Growth)	Biotechnology
19	TPT	Small to Medium	Stage III-G (Success Growth)	Training Service
5	HLCL	Small	Stage III-G (Success Growth)	Accounting Service
23	VG	Small	Stage III-G (Success Growth)	Content Writing Service
4	MCS	Small to Medium	Stage IV (Take-Off)	Media Marketing
9	GR	Small to Medium	Stage IV (Take-Off)	Catering Service
15	APR	Small	Stage IV (Take-Off)	PR
18	CCW	Small to Medium	Stage IV (Take-Off)	Legal Advices
8	TS	Small	Stage V (Resource Mature)	Catering Service
1	LB	Medium	Stage V (Resource Mature)	Retailing
3	WMP	Medium to Large	Stage V (Resource Mature)	Semiconductor

This research discovered that SMEs classify their stage of development based on their perceptions. Hence, whilst it is possible to apply a 5-stage categorisation, it was found that SMEs could be classified as both young start-ups and well-established

business, using SMEs' own views to classify themselves. For example, MTL is a firm with only seven employees, but the Marketing Director argued that the government classifies them as a medium success firm due to their fast development and international development. However, they claimed they were still in their early start-up stage because they had not reached their target business goals. The 5 stages model regards a firm as a start-up if the founder/owner still takes care of most daily business operations. However, a public relations firm defines themselves as a mature firm because they started their business as a fairly mature company rather than going down the traditional start-up route by looking for investors. They had already brought in quite a number of clients when the business began. Hence, this research will rely on SMEs' own ways of classifying themselves.

4.5.3 Online Survey Response

An online survey was also carried out to gather views from a broader range of SMEs, targeting people who used online social media and were involved with SMEs. The online survey questionnaire was designed in Qualtrics, a questionnaire software package. To target SMEs, the researcher joined several SMEs or entrepreneur groups on Facebook but found that such people seldom completed the online survey. The second method used was to email specific SMEs. This was more successful, since the researcher had already attended many business events and had built up personal relationships with other participants. Another method used was LinkedIn, on which many professional and enterprise groups, and the researcher joined many of these groups can be contacted. For example, the UK Business owner and Entrepreneur Growth Network, Business for Scotland, Small Business UK Network, SME Professionals, Competitive SME, 6 Degree Networking, the Edinburgh Chamber of Commerce, the Scottish Business Networkers Group, Edinburgh Entrepreneurs, the CEO Success Network, the Business Strategy and Competitive Strategy Forum, Small Business - The Community For Entrepreneurs, the Federation of Small Business UK, etc. Some of the posts were unsuccessful due to business policy, but several allowed e-mails surveys. Finally, nearly 100 survey responses were obtained, but only 82 were

usable due to the response quality and uncompleted responses, while firms that were not SMEs were discounted.

So, the survey respondents came from a mixture of sources, directly and by referrals. Some interviewees agreed to send the online survey to friends or business partners who might be interested in the research. This is a very time-consuming process. Respondent quality is high when sending the survey out personally rather than randomly. The survey opened on 05/03/2014 and closed on 23/10/2014, at which point the author started analysing the interview data so as to generate more findings from the survey in order to cross-check the findings from interviews. Figure 4-2, Figure 4-3, Figure 4-4 and Figure 4-5 illustrate the nature of the businesses who responded. The word cloud, Figure 4-2, was machine generated, where the size of the word indicates its frequency. So, consultancy represents the most frequent word used in the definition of the business. A detailed response to the online survey can be found in Appendix 6 Online Qualtrics Survey Questionnaire Response.

Figure 4-2 Business Nature of Online Survey SMEs

Since employee numbers is the main criterion for defining SMEs, Figure 4-3 shows the size of the survey participant firms. Based on their own views, most regarded themselves as micro-sized or small-sized firms; few survey response firms belonged to medium firms. Figure 4-4 shows survey respondent SME size results.

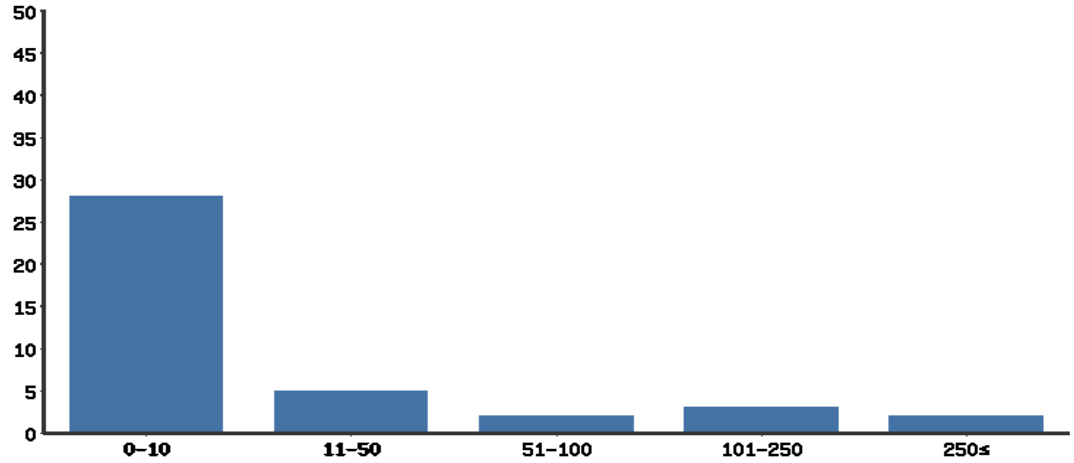


Figure 4-3 Employees Size of Online Survey SMEs

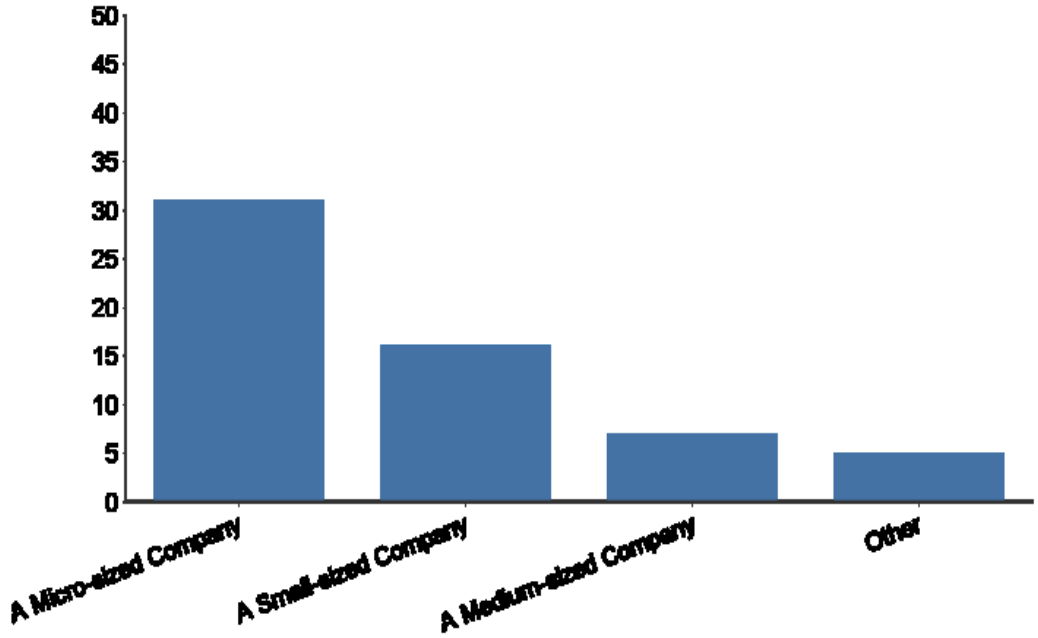


Figure 4-4 Online Survey SME Size

The online survey SME stage of development is shown in Figure 4-5. The spread again is similar to that found in the interview data.

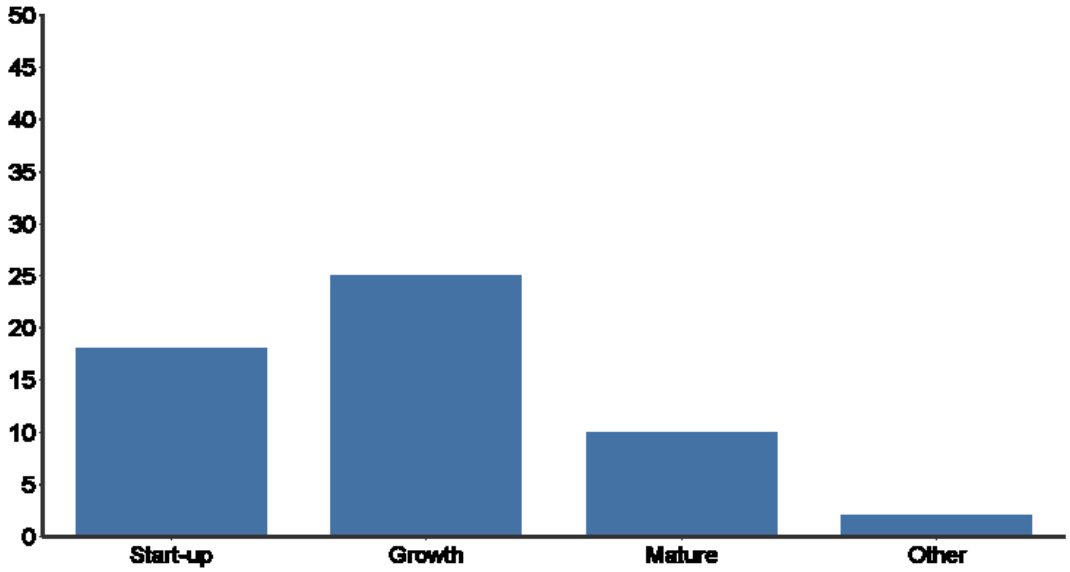


Figure 4-5 Online Survey SME Development Stage

The research used the survey responses to underpin the findings from the interviews and some of the key words from the online survey have also been used, as presented in Table 4-4 below.

Table 4-4 Survey SME List of Key Terms

Company	Size	Stage	Industry
S1	Small	Existence	Advertising
S2	Small to Medium	Take-off	Trading
S3	Small	Survival	Business Consultancy
S4	Small	Success	Business Coaching & Training
S5	Small	Survival	Solo Trader
S6	Small to Medium	Success	Social Media Marketing

4.6 Implementation of Methods

Patton (2002) and Marshall and Rossman (2010) argue that qualitative research restructures the research data to produce a coherent narrative. They suggest using primary data to ensure the accuracy of research data. The pragmatic research approach is based on the qualitative method.

The transcripts of interviews were fully used and reviewed in order to collect SMEs' own views on success relevant information and coded into diverse codes. Codes are used to capture the main themes from interview data. The data coding process should identify the aspects of the data that are relevant, significant or even surprising. The coding categories came from several facets, the ideas from the research, background knowledge, the research questions and data reading process (Caudle, 2004). The initial coding of research data generates many different potential codes.

4.6.1 Interview Transcripts and Codes

All interview transcripts were coded in order to generate as many codes as possible to reveal the main themes. For example, the following are samples that show the codes from interview transcripts. Whilst it takes a long time to review each of the interview transcripts, it is important to generate initially, as many codes as possible. All codes are collected in order to form the research themes or sub-themes, in order to fulfil the aim and objectives of the research.

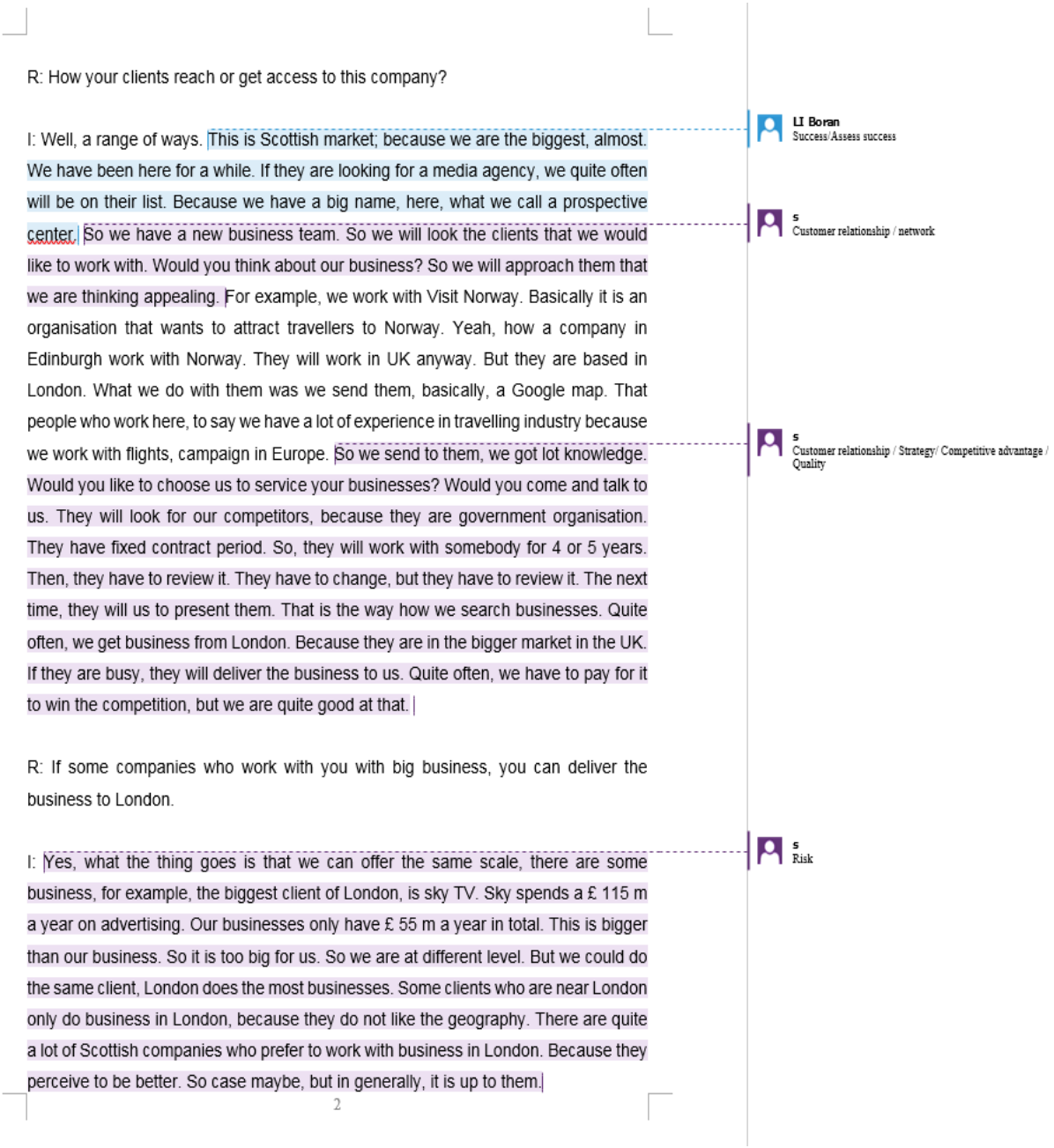


Figure 4-6 Interview Transcripts Sample and Codes 1

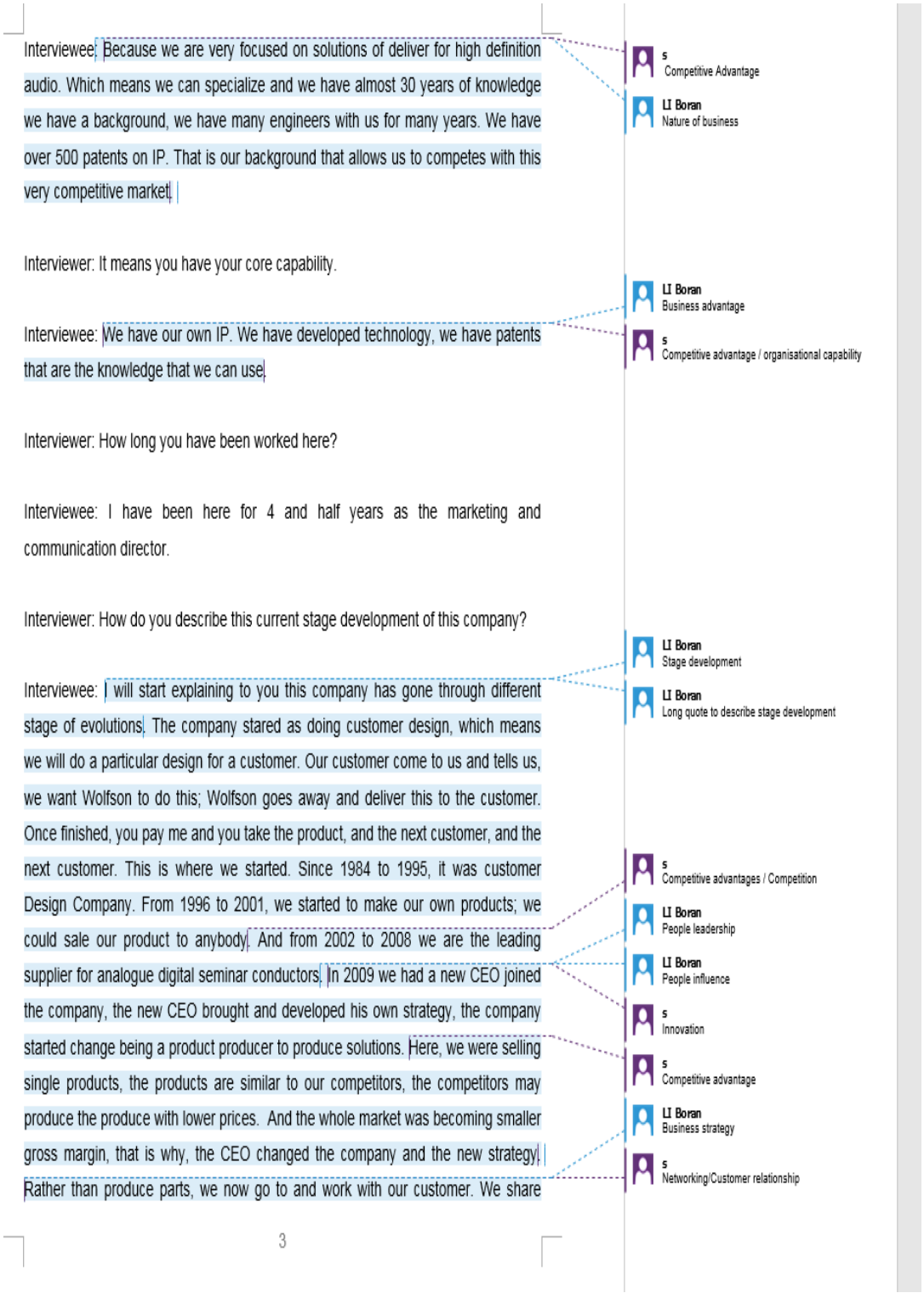


Figure 4-7 Interview Transcripts Sample and Codes 2

4.6.2 Themes, Sub-themes and Codes from Interview Transcripts

After all transcripts were coded, the author collated all codes into distinct themes. For example, the following are examples of how codes were collected into key themes.

Table 4-5 Sample Theme: Networking

Theme 14: Networking

	Words	I	II	III D	III G	IV	V
Client Network	Go to work with clients	22	21	17	19	4,15	
	Look for people or other company	7,20	6,13,21	17	5,12,14,19	4,15	
	Social media network to attract more clients	22	10		23		8,24
	Keep contacting with clients	11,20	10,21	17	19		
	Employees individual clients network	7,11,20,22	6,10,13,21		5,15,19	18	
	Build (internet) platform and forum network to find clients	11		17	19	18	8,24
Collaboration Network and WOM Referral Recommendation from collaborators (Intermediaries, agencies, Clients, Competitors etc.)	Collaborate with experienced employees network	11,20,22	10,13,21		5,15,19,23		
	Get clients from WOM, referral and recommendation	22	6		14,15,19,23	4,18	24
	Collaborate with supportive organisation	11		17			
	Collaborate with competitors				19	15,18	
	Intermediaries or agencies, partner network	20	6,	17	23	18	24
Business Events or conference Network	Sponsor Business Events				19	4,18	3,8
	Trade show network	22					
	Business Conference network	11,20	21		12,23		
	Networking breakfast				5		
	Exhibition network	11,22					
SME Internal Network (Manager-Employees or E-E)	Team network to enhance SME capability	7,11,22	10,13,21	17	12,14	4	
	Social life network					4	8
	SME employees network for work in different geography area	20	6,21		12,23		

(Yellow highlight are applied by more than 10 SMEs, Green highlight are applied by most success or mature SMEs, Blue highlight are applied by SMEs from early stage of development)

Table 4-6 Sample Theme: Influence on Business Success

Theme: 2 Influence on Business Success

	Words	I	II	III D	III G	IV	V
Customer Preference /Competition	Customer (Satisfaction/expectation customer needs and requirement/ Preference/retention/reaction/behaviour)	11,20,7	10,21		5,14,19,23,	15,18,4,9	8,3,24
	Customer money spending	22	21				3
	Competitors	11,20	13,21	17	12,5,14,19,23,	15,4,9	8,3,24
Internal Management/ Operation control	Management accounts				12		24
	Investment					18,15	3,
	Use of social media/search engine	22			23		24
	Management/operation system	20,7	20,21		5,14,19,23	15,4	8,3
	Organisational Capability	11,22		17	12,5,14,19,23,	15,4,9	8
	Business growth speed	22					
Product/ Service/ Innovation Control	Technology development	11,20			23		3
	Project involved				12		
	Intellectual capital (patentable)	11			5,16	15,18	8,3
	Innovation/creative	11,20	21		12,14,16,19,23	18,15,9	3,8
	Deliver Timeliness (Time management)	11	10,21		19,23		
	Service/products updates (Price)	20	10		5,14,19	18	3,8,24
	Reputation	20			12,5	18	24
	Quality of Service /product	22	21		12,5,16,19,23		3,8,24
	Product/service sales	22			23		
	Visibility/product recognition/location	20,22	21			9	24
Financial	Cash flow	11		17	12,14,19		24
	Financial figure				14		24
	Management financial capability	20	21		14,19		
	Financial performance				12,5	4	3,8,24
Employees/ Leadership / People Affect	Human Resource Factor	11,20	10,21	17	12,5,19	18	24
	Employees' capability (networking)	11,20,22	10,13, 21		12,5,14,16,23,	15,18,4,9	3,8,24
	Leadership	20,22		17	19,23		8,24
	Family/non-family	7	21		5,16		
	Shareholder wealth	11,7			16		8,3
	Business vision (understand)		21				
	Employee Communication		13				
External Market and Business Context	Good Supplier Relationship/collaboration	22	21		19,	9	3,8
	Whether/climate						8
	Seasonal factor/Tourism/festival				14		8,24
	Tram						8
	Marketing strategy	20,22	10		19,23		3,8,24
	Regulatory (Law)	11			12,5		8,24
	Political environment (VAT)	22	21		12,14,19,	9	8,24
	Business & Economic environment	22	10,21		5,14,16,19,	18,15,4,9	8,3,24
	Job security						3,8
	Market-orientation	11,20	21		12,14,16,19,	18,15,4,9	3
	Social Culture	20		17	16	4	8
	Business context		21				
	Target market /market understand / market saturability/size of market	20	21				24
	Distractions /personal reason	7	21				

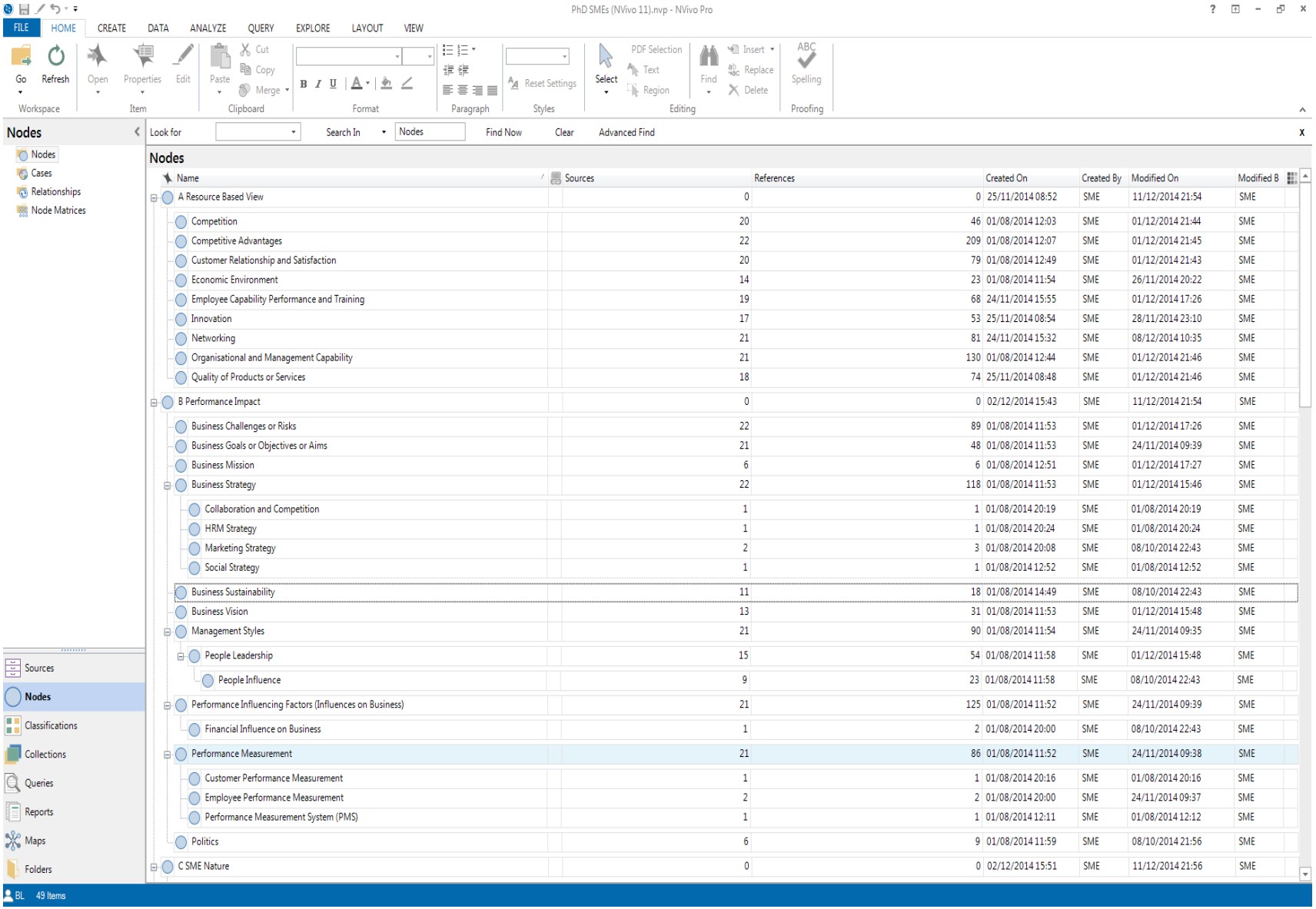
The above are two main themes found, based on the review process of interview transcripts. For example, for networking theme, the author found there are many sub-themes such as client network, collaboration network, business network and SME internal network. Under each sub-theme, there are several codes. In terms of the sub-theme client network, it comprises many codes, such as “work with clients”, “client referral”, “social media networks”, “employees’ relationships with clients”, “online platform networks”, etc. The different number code represents each interviewed SME. The number highlighted in each code represents the numbers of SMEs related to the particular code under the sub-theme. For example, the highlighted numbers in the codes “customer value performance”, “customer feedback” customer satisfaction” demonstrate that there are more SMEs focused on these business processes.

All interview transcripts were coded into sub-themes under various main themes. The details of main themes collected from all interview transcripts can be found in Appendix 7, SME Success Measurement Theme Analysis Findings.

4.6.3 NVivo, Themes, Sub-themes, Codes and Quotes

Once the author had collected all the codes from all interview transcripts and generated all the main themes, the author used NVivo to categorise all relevant information. For example, the author put all codes from transcripts into Nodes under different main themes and sub-themes. All codes samples are shown in Figure 4-8 and Figure 4-9.

Figure 4-8 NVivo Themes and Codes 1



Name	Sources	References	Created On	Created By	Modified On	Modified B
A Resource Based View	0	0	25/11/2014 08:52	SME	11/12/2014 21:54	SME
Competition	20	46	01/08/2014 12:03	SME	01/12/2014 21:44	SME
Competitive Advantages	22	209	01/08/2014 12:07	SME	01/12/2014 21:45	SME
Customer Relationship and Satisfaction	20	79	01/08/2014 12:49	SME	01/12/2014 21:43	SME
Economic Environment	14	23	01/08/2014 11:54	SME	26/11/2014 20:22	SME
Employee Capability Performance and Training	19	68	24/11/2014 15:55	SME	01/12/2014 17:26	SME
Innovation	17	53	25/11/2014 08:54	SME	28/11/2014 23:10	SME
Networking	21	81	24/11/2014 15:32	SME	08/12/2014 10:35	SME
Organisational and Management Capability	21	130	01/08/2014 12:44	SME	01/12/2014 21:46	SME
Quality of Products or Services	18	74	25/11/2014 08:48	SME	01/12/2014 21:46	SME
B Performance Impact	0	0	02/12/2014 15:43	SME	11/12/2014 21:54	SME
Business Challenges or Risks	22	89	01/08/2014 11:53	SME	01/12/2014 17:26	SME
Business Goals or Objectives or Aims	21	48	01/08/2014 11:53	SME	24/11/2014 09:39	SME
Business Mission	6	6	01/08/2014 12:51	SME	01/12/2014 17:27	SME
Business Strategy	22	118	01/08/2014 11:53	SME	01/12/2014 15:46	SME
Collaboration and Competition	1	1	01/08/2014 20:19	SME	01/08/2014 20:19	SME
HRM Strategy	1	1	01/08/2014 20:24	SME	01/08/2014 20:24	SME
Marketing Strategy	2	3	01/08/2014 20:08	SME	08/10/2014 22:43	SME
Social Strategy	1	1	01/08/2014 12:52	SME	01/08/2014 12:52	SME
Business Sustainability	11	18	01/08/2014 14:49	SME	08/10/2014 22:43	SME
Business Vision	13	31	01/08/2014 11:53	SME	01/12/2014 15:48	SME
Management Styles	21	90	01/08/2014 11:54	SME	24/11/2014 09:35	SME
People Leadership	15	54	01/08/2014 11:58	SME	01/12/2014 15:48	SME
People Influence	9	23	01/08/2014 11:58	SME	08/10/2014 22:43	SME
Performance Influencing Factors (Influences on Business)	21	125	01/08/2014 11:52	SME	24/11/2014 09:39	SME
Financial Influence on Business	1	2	01/08/2014 20:00	SME	08/10/2014 22:43	SME
Performance Measurement	21	86	01/08/2014 11:52	SME	24/11/2014 09:38	SME
Customer Performance Measurement	1	1	01/08/2014 20:16	SME	01/08/2014 20:16	SME
Employee Performance Measurement	2	2	01/08/2014 20:00	SME	24/11/2014 09:37	SME
Performance Measurement System (PMS)	1	1	01/08/2014 12:11	SME	01/08/2014 12:12	SME
Politics	6	9	01/08/2014 11:59	SME	08/10/2014 21:56	SME
C SME Nature	0	0	02/12/2014 15:51	SME	11/12/2014 21:56	SME

Figure 4-9 NVivo Themes and Codes 1

Once the author input all themes, sub-themes and codes in NVivo Nodes, the author input all interview transcripts into NVivo in order to generate all quotes from interview transcripts. For example, the following Innovation, Employee Capability Performance and Competition samples show all quotes were collected from the interview transcripts.

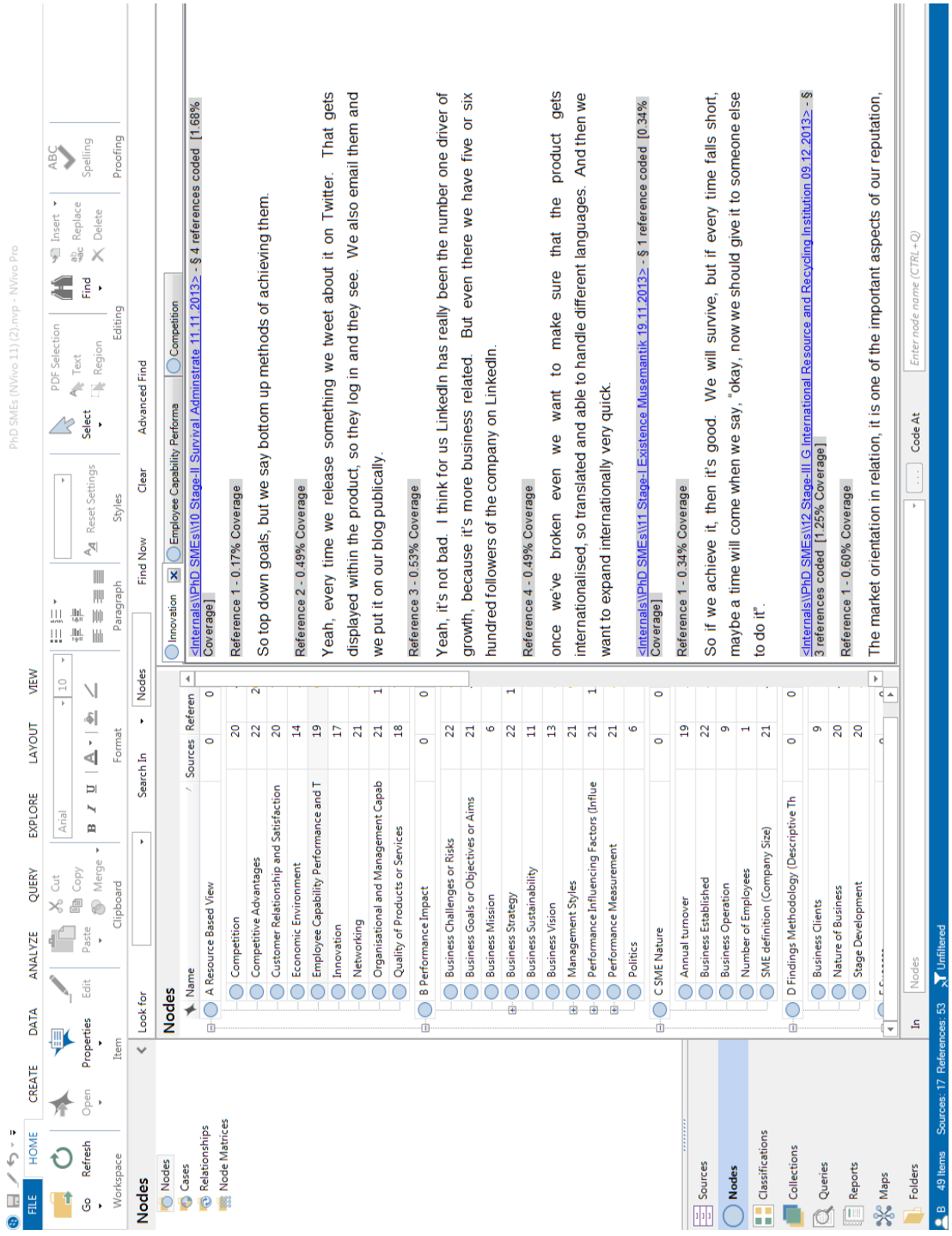


Figure 4-10 NVivo Themes, Codes and Quotes 1

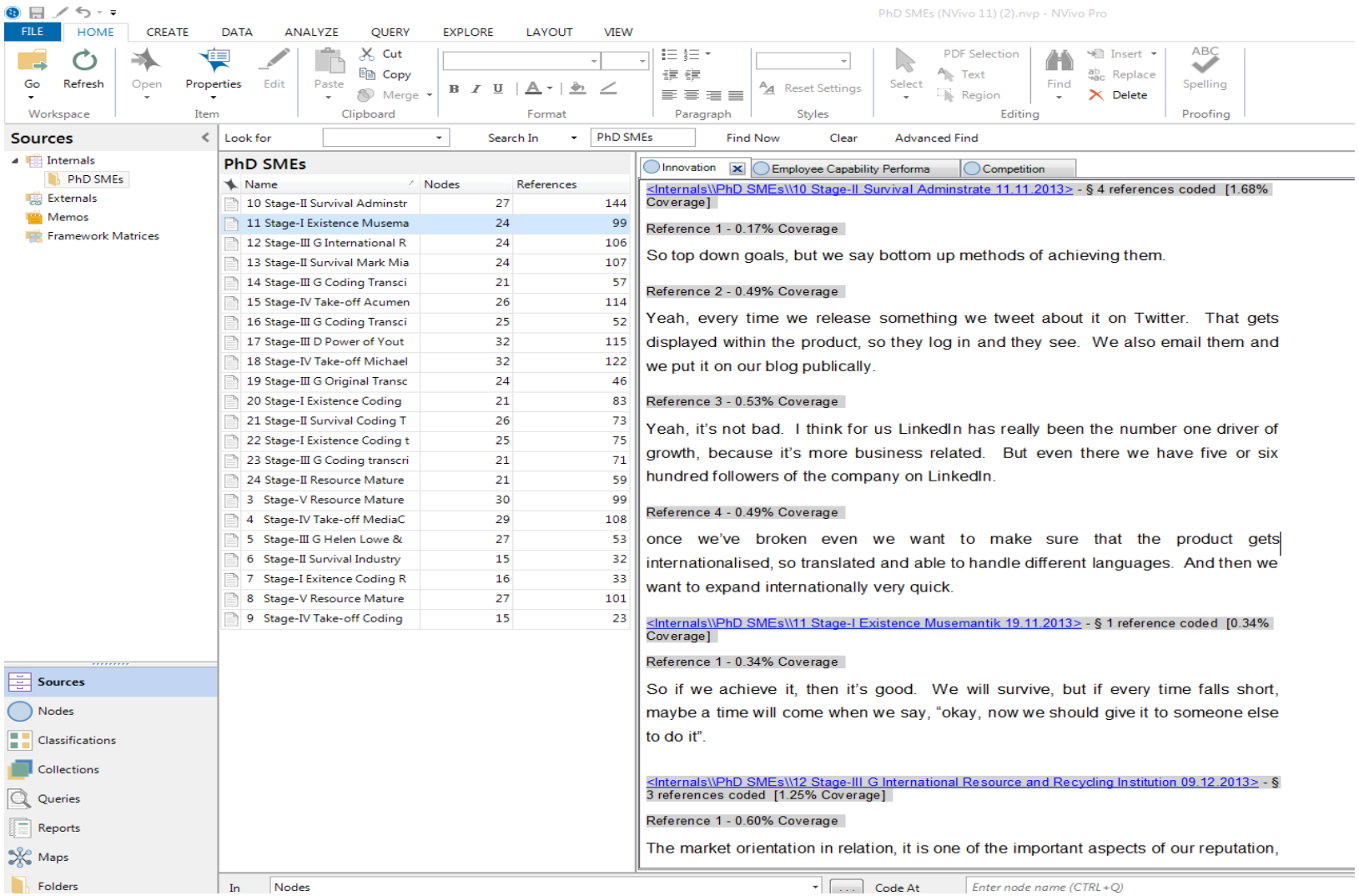


Figure 4-11 NVivo Themes, Codes and Quotes 2

All interview transcripts were used within NVivo and each interview transcript was coded. All the main theme quotes and codes can be found in Appendix 4 NVivo Themes, Codes and Quotes.

After the research data had been coded, an induction process was used to identify the meaning and boundaries of research categories and relationships between different categories (Lacey and Luff, 2001). The coding data used were selected to answer the research questions and so provide insight into SME success (Caudle, 2004). Figure 4-12 shows the inductive reasoning of the research.

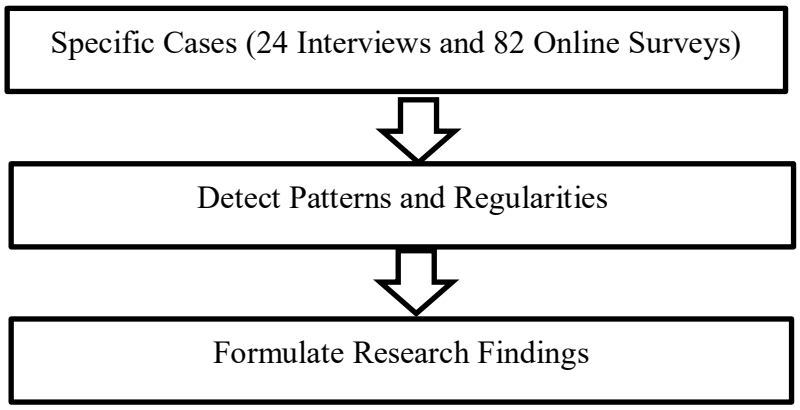


Figure 4-12 Research Inductive Reasoning

The data analysis includes firms' own definition of SMEs, covering the diverse range of businesses and different stages of development. The research explored how SMEs defined their success from both financial and non-financial aspects. It also investigated SMEs' measures used to assess their success. Factors that lead to SME success were also investigated. The research framework was used to explore the patterns within the data, by considering dissimilarity and commonality within the research themes. A feature was the contrast between the various development stages.

4.7 Research Validity, Reliability and Replication

Research validity, reliability and replication depends on the research design (Easterby-Smith et al., 2012). Research validity arises from the collection process. Research reliability equally comes from the data collection process and data analysis process and is enhanced by transparency. Research replication refers to the research design process which could also be applied by other similar research.

The author followed the research design process to avoid personal biases which may have influenced the findings. All interviews have been recorded meticulously and a clear decision trail was established to ensure the data were consistent and transparent. The rich descriptions of participants' accounts support the findings and demonstrate clarity in terms of thought processes during data analysis and subsequent analysis. Data triangulation, whereby the different methods are used, helped to produce a more comprehensive set of findings.

4.7.1 Research Validity

Research validity is also known as credibility, especially for qualitative research. Thomas and Magilvy (2011) argued that validity can be achieved through pragmatic research that can establish trust or confidence in the findings or results of a research study. Remenyi et al. (1998) defined validity as the extent to which the data collection method or methods accurately measure what they were intended to measure, as well as that the research findings are really about what they profess to be about.

Validity is crucial in a research study because the defined research process can be affected by diverse factors, either researchers' position or external influence, that can render the research invalid. Validity is concerned with the integrity of the conclusions that are generated from a piece of research that comprises measurement validity, internal validity, external validity and ecological validity (Bryman and Bell, 2015). The researcher eliminate some potential factors that can affect the research validity through readjusting the research process, relying on the situation in order to maintain research validity.

The research maintained content validity by the extent data collection tool, for example the questionnaire, provides enough data to answer the research questions and meet all objectives. This research collects data that are needed to answer the research question and meet the objectives. The research collected data from a large enough number of respondents to answer the research question and meet the objectives. The author ensured the questions asked were understood and interpreted by the respondents in the way the researcher wanted them to be.

In order to maintain the validity of research data collected from both interviews and the online survey, all interviewees and respondents were selected by the researcher, based on research requirements. The researcher selected interviewees who met the research criteria carefully, for example particular CEOs, Managers, Directors, etc.: namely the senior administration management level with thorough SME understanding. For the online survey, only those respondents who fitted the research requirement were used. Also, the quality of the responses were scrutinised and some responses excluded because they were of poor quality. Therefore, both methods of data collection maintained the research validity. The data collected in this research met the research aim and objectives requirements.

Since all the data came from SMEs themselves, it ensured that the author collected first hand data to ensure the validity of research respondent validation by providing the interviewee with a transcript of their interview and also an account of the findings (Bryman and Bell, 2015). Hence, the author ensured corroboration between the findings and the perspectives and experiences of the research participants. It is, though, highly questionable whether the participants can validate the author's analysis, since this entails the research participant being able to understand the audience for the research. Whilst the author may receive a corroborative response from a participant, the author still has to make a further leap through concept and theory development, providing a framework for the resulting publications. So the author had more control over the ultimate perspective and pursued their focus on SME success, dynamic capabilities, adaptive capabilities, ecosystems and networking.

4.7.2 Research Reliability

Remenyi et al. (1998) said reliability can be the extent to which data collection methods and analysis procedures produce consistent findings. There are many factors that influence research reliability. In order to achieve consistent results, the researcher processed the data in the same manner both in collection and in interpretation: for example, asking the same questions and not misleading the interviewees. Krippendorff (2004) argued that using all the gathered data should be a precaution against potential biases. A measure is reliable if it provides the same results on two or more occasions, when the assumption is made that the object being measured has not changed and when repetition gives similar results, it is possible to say that it has high reliability (Scott and Morrison, 2005). External reliability suggests that a qualitative researcher replicating similar research needs to adopt a similar social role to that adopted by the original researcher. Internal reliability refers to the fact that, when there is more than one observer, members of the research team agree about what they see and hear (Bryman and Bell, 2015).

There are three basic elements of research reliability: research stability, research reproducibility and research accuracy (Healy and Perry, 2000). Research stability enables the entire research process to be consistent and ensures research accuracy. The researcher should always focus on data collection based on the research aims and objectives. All interviews were through a similar semi-structured guideline. Research reproducibility refers to the way the research process can be used and duplicated by some other similar research. Research accuracy refers to fact that the research data should from dependable sources such as interviews or survey data. The researcher only used dependable data from either direct interviews, the online survey or SME official resources. The researcher focused on the three research reliability components and ensured they were implemented throughout the research process to maintain the research findings' accuracy and relevance.

4.7.3 Research Replication

Mays and Pope (1995) characterised research as replication, in that the research findings from the survey could also be used in other similar research with the same research process. It is close to another criterion of research, replication and more especially replicability. In order for replication to take place, research must be capable of replication and replicability. This is highly valued by many business researchers because some people feel that the original results do not match other evidence that is relevant to the domain in question (Bryman and Bell, 2015).

Since this research took place in the UK service sector SMEs, the research findings may be applied to other sectors, such as the manufacturing industry and the technology sector. Other researchers could also conduct the same research process based on the design of this research. Authors from different backgrounds need to adjust their research processes to fit their research requirements but could apply the research data collection methods and research design processes. The research questionnaire can be used by other authors with similar questions that also focus on SMEs sustainability, success research, dynamic and adaptive capabilities, ecosystems and networking.

4.8 Research Difficulties and Limitation

This research focuses on investigating UK SME success across the service sectors in various industries. Although there are many small and medium-sized companies in UK, it is impossible to involve all companies or company types. In terms of qualitative in-depth face-to-face interviews, the author has to envisage difficulties such as companies refusing to take part in the research because they did not realise the benefit for their businesses.

Although there are a very large number of SMEs in UK, not all companies fit the research criteria. The most difficult thing is how to target SMEs that fit the research requirements. The researcher was determined to search for a broad range of SMEs. In terms of the research aim, exploring SME success, those interviewed need a good knowledge of their firms. This led to the research target participants being CEOs, Managers, Owners, Founders or Directors. However, people in senior positions are

difficult to contact, which increases the difficulty of collecting data through interviews. In order to find more SMEs, the researcher attended many business conferences, events, and forums in order to enlarge their network to research SMEs. However, it is very difficult to build networks at such business events if you cannot offer something regarded as helpful. Most people go to business events because they perceive them to be a good opportunity to look for potential businesses or clients. The researcher went to several business events looking for interview companies. Most SMEs were not willing to respond.

To successfully build a relationship, the researcher should have a good understanding of SME business before approaching potential interviewees. This research used interviews as the major data collection method, and so there is a lot of preparation need to be done before the interview meeting starts. The researcher has to envisage difficulties from various aspects such as travel to SME locations, checking the transport timetables in case of any cancellations or delays. Double checking interview times and emailing people to ensure they will attend the interview meeting on time; checking whether the recorder works appropriately or not; and preparing the interview questions and not offending to interviewees, etc.

Looking for SMEs to interview was difficult. It took a long time to find SMEs that fitted the research criteria. Even though there are many service SMEs in the UK market, refusals and the ability of respondents to produce good quality data meant that the data was more limited than desired at the beginning of the research. For example, some people who agreed to participate potentially might have given superficial responses or been unwilling to share details about their businesses. It was therefore necessary for the researcher to establish a good personal relationship with subjects to increase the opportunity of obtaining valuable information from them.

4.9 Research Ethical Consideration

Consideration of the ethical dimensions of the research is required to protect the researcher and those being researched. In terms of this research, the researcher kept in mind the need to follow the ethical requirement and ensure research integrity based on School and University policies. The researcher explained the policy to interviewees

before the interview in case they felt uncomfortable or offended due to the research process or interview questions. The researcher asked permission of the relevant authority within the organisation in order not to cause offense. The subjects of the research had the right to stop the interview at any point. All information they provided was treated confidentially and it was confirmed that no third party could access it without participant permission. The researcher agreed to ensure research accuracy and not mislead others who may use these research findings. Other authors who use these research findings should refer to and acknowledge the author's contribution to their research.

4.10 Conclusions

This chapter discussed the method employed for research on service SME success. Both interviews and online surveys were used. The interviews were the main method of data collection and an online survey was used to triangulate the data. A pragmatic research methodology was deemed the most appropriate approach for collecting the data and ensuring the accuracy of research findings. The research aim was to explore the UK service sector SME success. It has investigated SMEs financial success but has mainly focused on non-financial success. Three research objectives were fashioned to achieve the research aim of understanding SME success.

A well-defined research design process has been outlined. This research explores SMEs success through their own perspectives. An eight steps model was used to facilitate the research. A research framework is designed to guide the research data collection and analysis. Interviews and online surveys were used as the data collection method. Twenty-four semi-structured interviews were recorded with SME CEOs, Directors, Managers and significant employees. Eight-two responses from the on-line survey were deemed to be of sufficient quality to be analysed. The data were coded and an induction process was used for analysis, establishing meaning and the boundaries of the research. It explored the dissimilarity and commonality regarding SME success, performance assessment, behaviour for success and factors leading to success.

The pragmatic research conducted used appropriate methods for data collection and data analysis to ensure transparency to maintain the validity of the results. The author maintained research process consistency to achieve research validity. The data collection methods of the research met the requirements of the research aims and objectives to ensure research stability, research reproducibility and research accuracy, to increase research reliability. The research data collection methods and research design processes could also be applied by other researchers to ensure research replication.

The researcher kept in mind the need to follow ethical requirements and ensure research integrity. He asked permission of the relevant authorities in case of any offence, in all instances. Participants had the right to stop the interview and were informed that all their responses were held confidentially and would only be used in this research.

Chapter 5 Service Sector SMEs Views of Success

5.1 Introduction

There is now a wider acceptance that success covers both financial and non-financial elements (Kian Chong et al., 2011;Simpson et al., 2012b). From the interviews, it is clear that all the businesses interviewed wished to be viable and many saw a positive financial outcome as important, but they also regarded other dimensions as important. However, this is heavily affect by entrepreneurs' potential and intentions (Lucas and Cooper, 2009): they established their businesses with different purposes, such as earning benefits; maintaining survival; growing a business to a certain size; bringing social influence; maintaining a work-life balance, etc.

There is an element of chance about success. The following quote illustrates many aspects of luck:

> *"... a lot of luck I would say. Luck in being in the right place with the right people. Meeting the right people, for example, if you go to a networking event, who is sitting next to. It is all about finding the right people at the right time. If you meet that person, your ability to influence that person, to make a good impression and knowledgeable about your services, and understand your business" (4G, Senior Staff, Survival).*

Hence, ultimately one should not over-emphasise aspects of success without bearing this chaotic behaviour in mind.

This research generates some common factors that will have an influence on SME success, as shown in Table 5-1. It contains a few main themes that are relevant to SME success and the number in each column represents the number of SMEs involved in the business activities. For example, there are some major factors that have an influence on SME success, such as managing customer relationships, managing financial capabilities, entrepreneurship and leaders' vision, the nature of SMEs and their business goals, etc. as shown in Table 5-1. More details about the themes relevant to SME success can be found in Appendix 8.

Table 5-1 Themes Involving Influences on Business Success

	Words	I	II	II I D	III G	IV	V
Customer Preference/ Competition	Customer (Satisfaction/expectation customer needs and requirement/ Preference/retention/reaction/behaviour)	11,20,7	10,21		5,14,19,23,	15,18,4, 9	8,3,2 4
	Customer money spending	22	21				3
	Competitors	11,20	13,21	1 7	12,5,14,19,23 ,	15,4,9	8,3,2 4
Financial	Cash flow	11		1 7	12,14,19		24
	Financial figure				14		24
	Management financial capability	20	21		14,19		
	Financial performance				12,5	4	3,8,2 4
Leadership/ People Affect	Human Resource Factor	11,20	10,21	1 7	12,5,19	18	24
	Employee capability (networking)	11,20,2 2	10,13,2 1		12,5,14,16,23 ,	15,18,4, 9	3,8,2 4
	Leadership	20,22		1 7	19,23		8,24
	Family/non-family	7	21		5,16		
	Shareholder wealth	11,7			16		8,3
	Business vision (understand)		21				
	Employee Communications		13				
External Market and Business Context	Good Supplier Relationship/collaboration	22	21		19,	9	3,8
	Weather/climate						8
	Seasonal factors/Tourism/festival				14		8,24
	Tram						8
	Marketing strategy	20,22	10		19,23		3,8,2 4
	Regulatory (Law)	11			12,5		8,24
	Political environment (VAT)	22	21		12,14,19,	9	8,24
	Business & Economic environment	22	10,21		5,14,16,19,	18,15,4, 9	8,3,2 4
	Job security						3,8
	Market-orientation	11,20	21		12,14,16,19,	18,15,4, 9	3
	Social Culture	20		1 7	16	4	8
	Business context		21				
	Target market /market understand / market saturability/size of market	20	21				24
	Distractions / personal reasons	7	21				
Improve Management Practice	Maintain small size and very focused		10		16	15	24
	Sell business and establish new business	11			16		
	Maintain cash flow	11					
	Cutting cost					15	
	Improve working efficiency and effectiveness	7	10,21		5	9	3,8
	Because leading company	11	21				3
	Use / improve online social media	20	10		19	18	8
	Geography benefits/convenience				12	15	
	Be flexible in management		21		12,16	18,4	3
	Use of online search engine	22	10		5		8
Grow/ Expand Business	Going global		10			15	
	New (international) market/Partnership /market size	20,22	10,6		19	15	24
	New channel for business /sales	22			23		
	Carry on business				12		
	Grow the number of organisations			1 7			3
Improve Products/ Service	File patent	11					3
	Expand business/service category	22	21,10,6	1 7	12,16,19,23	18,4	3

Quality	Achieve more project/business		13		12		
	Be innovative		21	17	12,5	18	3,8
	Service/product quality updating	11,20,22	10,6	17	5	18,4	3,8
	Build brand awareness/recognition	20,22	21,6		19		
	Customise product	22					
Customer/ Market	More client communication/relationship	20,22,7	13,21	17	5,19	18	3,8,24
	Improve customer retention		10			15	3,8,24
	Build client base					15	3,8
	International clients				19		
	Improve market understand	20	21		19		
	Target familiar/right market	20,22	21,6				24
	Build market/customer loyalty						
	Look for well-paid/good quality customer		6		19		
Improvement in Employee Performance	Recruit more (skilled) employees	20	13,6		12,19,23	18	
	Empowerment					18	24
	Improvement in employee capability	7	10,21				3
	Bonus to employees		10				
Financial	Apply more funds				16		
	Bring in more money						
	Crowdfunding				16		
Marketing	Active marketing strategy	11	10,21		5,19,23	18,4	8
	Ads	20					
	Open a shop	22					
	Word of mouth	7	6				24
	Newspaper marketing	22					
	Launching party for new products	22					
	Referrals				19		

This chapter will discuss the definition of success based on the research findings. It explores SMEs' attitudes to achieving success from both financial goals and non-financial objectives but mainly focuses on non-financial goals. The important aspect is letting the SMEs express their views of success rather than dictating the definition of success from the researcher's perspective.

5.2 SME Stage Development and Success

SMEs at Stage I are start-up businesses with few employees and are usually attempting to acquire customers. Based on the research findings, SMEs at this stage find it difficult to target the right market and attract the right customers, mainly focussing on sales. They are finding their feet, dealing with issues of running the business and attempting to ensure their services are acceptable to their potential customers. Research reveals that this stage is tough. They face great challenges on various fronts and often lack a full range of skills to cope. They tend to be vulnerable, with unfortunately a high likelihood of failure and bankruptcy. Once they generate sufficient customers, they

will move on to the next stage. As claimed by the Founder of a software service firm: "*the business is getting sustainable and it is making a profit and we can invest developing to some other new features and start new things into a wider market*" (QL, Owner, Existence). This research confirms that SMEs do not stay in this stage long: either they fail or pass to the next stage. Four SMEs are classed as in Stage I in this research.

At Stage II, SME have found a market and are earning income for the business. It may take a long time to reach Stage III, though, some will grow quickly. SMEs experience fast growth at this stage and spend a lot more energy on searching for potential customers and developing their business. They are still small and tend to control operational costs to maintain sufficient cash flow. SMEs may be in this stage for over 10 years, depending on the nature of their business: *"Even though it is ten years business we definitely still have the start-up vibe"* (MCC, Owner, Survival).

This research reveals that most businesses at Stage II focus on niche markets and target specific customers. Often restructuring or merging occurs in an attempt to overcome issues in development. Primarily they are looking for every opportunity to expand their businesses and increase sales. The following highlights a typical strategy:

> *"Once we bring in a new employee, they can also only do so much work and hopefully it will be multiplicative instead of additive… because we will have more people, more things coming in, less down time, it is just about getting out there, meeting people, getting more business and getting the work" (*ML, Senior Staff, Survival*).*

Some Stage II SMEs wish to maintain their current situation rather than rapidly develop. This is often the decision of the owner, who perceives the difficulty of dealing with the complexity of the market place. They find it difficult to obtain access to skills and resources with which to develop their strategic plan. Hence, it is easier to maintain the current situation than develop.

As expected at Stage III, SMEs have a more rounded view of their businesses. Their goals are different, with some wanting to achieve rapid development while others prefer to maintain their current size and customers. One senior member of an accounting firm highlighted slow growth: *"They (customers) come to get advice. We rely much on mouth to mouth, even during the crisis, the business is still growing"*

(HLCL, Senior staff, Success Growth). One CEO argued that their further development was to diversify:

> "We've developed a secondary business, a spin off business, which is able to map this sort of data… will replace the traditional impact measurement and impact evaluation forms that a lot of third sector organisations traditionally have to do. So that's the first spin out business. And this is already looking to be a great success" *(*POY, CEO, Disengagement*)*.

One business owner from a recycling service firm demonstrated their ambition to grow their business rapidly:

> *"I definitely think that the size of our team at the moment is restricting our growth. So, this is down to cash flow. The more money we get in the door, the more staff we can bring on, the faster we can train people"* (IRRI, Owner, Success Growth).

Given the sluggish nature of UK economic at the time of the research, it is difficult to expand with limited resources. Hence, SMEs are more willing to maintain their current clients. One owner said of the poor financial climate: *"At this time, you find a lot people want to make sure they run their business properly"* (TPT, Owner, Success Growth). A few SMEs indicated that they would not wish to expand during the downturn but had confidence that they can expand when the UK financial situation improves.

At Stage IV, the businesses are well established, with a formal organisational structure, and have generated sufficient finance. They tend to serve broad markets and their main task is to strengthen their organisational capabilities. An owner of a catering service firm argued that the difficulty in expansion was due to unpredictable risks: *"And to certain extent, we also try to make sure our business has a little bit of capacity built into it. We hope to continue grow slowly and stably. Because the thing is I do think if you become robust."* (GR, Owner, Take-off). It is still a struggle to gain success in the marketplace in the current economic climate, even at Stage IV. SMEs blamed the financial environment for a reduction in market opportunities:

> *"I think the other issue we face is the on-going economic environment is tough. The fact is the economic is not growing. It means our clients spend*

no money on advertising. Therefore, their growth for their business is challenging" (MCS, CEO, Take-off).

Others, though, are still experiencing fast growth, as illustrated by a Marketing Director of a legal services firm:

*"I think we are high-functional business. I think we operate very professionally, even just small business. I think we make good profits. I think we should strive to be creative whatever we can. There is always working progress" (*CCW, Marketing Director, Take-off).

There may be challenges due to the environment. An owner from a PR service firm even claimed it would be much better if the business could be acquired by another larger company, enabling the business to develop further with more resources.

Three SMEs in this research were at Stage V, Resource Mature. The findings reveal that they put more emphasis on innovation, with the launch of a new programme in the market. The underpinning rationale for this was that their resources had reached a mature stage and with sufficient financial success they could expand their business and reach a larger market. They had detailed strategies for future development, focusing much on expressing their business vision and building their reputation. They tended to have developed loyalty for their services amongst their customers/clients. The current economic environment, though, still has an impact: *"We think we see some signs of improving, things like economic climate and lack of consumer spending do influence our success"* (WMP, Marketing Director, Resource Mature). They have developed organisational capabilities and are willing to take on competitors: *"Competitors, yes, we are in the competitive situation."* (WMP, Marketing Director, Resource Mature). They clearly wish to diversify their customer/client base for their own security:

"What you do not want is for one company, to become 50% or more of your revenue, because if you lose that customer, it will be a huge damage. You have to make sure you get broad customers and make sure your service satisfies your customers and not depend on a small number of customers" (TS, Manager, Resource Mature).

5.3 Financial Success

Finance is always an issue for SMEs but it does not mean it is the only goal. Business success is more often seen as being viable rather than making millions. Some SMEs indicate a traditional focus on using financial measures to assess their success. As confirmed by the CEO of a survival digital marketing firm, they wish to earn more and so start to expand their business. Some people prefer to establish their businesses and then sell their business to make money, as illustrated by the Marketing Director from a digital music software development firm: *"So I make an exit plan prediction…we make it (business) successful then Mr Google and Facebook will come and buy us...we can use the money for other investment…"* (MTL, Marketing Director, Existence). Owners or founders establish their business for various purposes, but it is assumed commonly that all want to achieve success and long-term business sustainability. Yet often young businesses are sold (acquired), since it will help the business develop further with more resources, such as Skyscanner, which was recently acquired by a large Chinese firm.

The research found well-established SMEs or mature businesses focused more attention on their financial measurement compared to start-up SMEs. A CEO from a marketing firm at Stage-IV argued that: "*We (have) reach(ed) full financial sustainability as an organisation. And that's ultimately a measure of its success."* (MCS, CEO, Take-off). These sentiments were common across all mature SMEs interviewed. The concept of viability can be seen as the ability to effectively manage. It stems from managing the cash flow well, as confirmed by a PR service firm at Stage-IV*:*

> *"We've got quite good cost controls. We don't waste money. We're quite efficient. It's quite well managed financially".* This can be because of skills developed: *"we are very experienced in what we do so that kind of counts for a lot, our cash flow is good, our clients pay us on time we have no bad debts"* (APR, CEO, Take-off.)

Alternatively, because of the nature of the business: *"It could be very successful because (of) very low amount of money need to be used and the running cost is very low. Potential risk is very rare"* (IRRI, Owner, Success Growth). This partially reflects

the day-to-day management of survival encountered in many businesses in the early stages.

Companies regard financial security as a sign of success, allowing the business to maintain financial sustainability. Some SMEs believe businesses should make money and the main aim of an established business is to achieve commercial benefits, as confirmed by the CEO from an established marketing agency that focused on financial performance. Some SMEs argued in favour of achieving financial profits through selling their business or being acquired, as indicated by the following quote:

> *"For the long-term, at the end the day, we want to sell the project to somebody or license it to somebody"* (XE, Owner, Success Growth). *"We may, I am not saying we will, we may look to sell the business or maybe have it acquired by some other company or whatever we do not know"* (APR, Owner, Take-off).

As SMEs progress through the stages of development they experience different businesses environments, and take appropriate actions to deal with the change of context; and the business can be more sustainable with the help of others.

5.4 Non-Financial Success

5.4.1 Success is Stability and Survival

SMEs are vulnerable so survival is often critical. Even well-established businesses need to ensure stability by maintaining their current size. An example is the claim by a CEO from a marketing firm: *"...I would not say increase, but we do not have to decrease"* (MCS, CEO, Take-off). In the current economic situation, some SMEs want to maintain business stability rather than grow. A founder of an education school argued they had been in existence for over 20 years, though small, but that many of their competitors had failed by to attempting to grow too rapidly. Other respondents believed they have achieved the right size: *"I think we have the right size of business, and this would be our aim, not to let it grow to become too big"* (CCW, Business Partner, Take-off). A business owner of a biotechnology firm claimed their success was to maintain a reasonable size and be stable:

> *"We (will) stay smaller, one time we thought growing to 15 employees, but it might be better to stay small, because it is just ideal. We have ideas, we work with Partner organisations. It is very flexible"* (XE, Owner, Success Growth).

Maintaining the right size to make full use of company resources and maintain survival can be considered a success, as illustrated by a business founder: *"I think what I protect from (Competition) that way by keeping small. Staying that size makes it easier"* (MCC, Owner, Survival).

Many start-ups said that success is survival:

> *"Having started trading in 1989 as a sole trader, and grown to a size after ten years, at which I deemed it necessary to incorporate, the business has continued to grow and is in its 25th year"* (S5, Survival, Sole Trader).

Even some well-developed businesses claimed that survival was their most important goal, as mentioned by the owner of an education-training firm that has seen many of its competitors disappear: *"I am proud of that, I had no experience at all before this, it is still here after 12 years. I am happy. It is more like lifestyle thing"* (CSE, Owner, Survival).

5.4.2 Growth of Business is Success

For non-SME businesses growth is regarded as success, whether this means a greater market share, sustained business expansion or even growth of reputation/recognition. Growth of market share is clearly a success, as seen in this quote, *"Because we are still gaining market share, and influential customers in the UK market are choosing us over global companies who offer a similar service"* (S2, Take-off, Advertising). Nearly all businesses interviewed were looking for growth. Some business owners expressed their intention to extend their business to the international market and increase their customer base globally. Some SMEs claimed they had expanded their market and attracted a broad range of customers: "*And the company has grown, it has grown quite a lot, internationally, and that is very attractive, it allows us to claim to be in a unique position so that is quite important, it's a very worthwhile company*"

(WMP, Marketing Director, Resource Mature). Other businesses also highlighted this internationalisation*: "China's a huge market for us. Brazil is a huge market for us. Yeah, any of these developing – you know, China's more developed, but even Africa is a big market for us, starting to become*" (XE, Owner, Success Growth).

Generating more customers is necessary for continuing SME survival. Start-up businesses especially require customers to ensure continuation as illustrated in the following quotes: *"I do follow up. My clients can recommend their friends or families to me. I think it is a good one. I like the way money works"* (4G, Senior Staff, Survival) and *"we're winning more customers now, we do it all right from the beginning and it'll be good"* (QL, Owner, Existence). Many start-up SMEs have few employees initially and so every employee is an asset. Experienced employees can help SMEs to update their services or improve quality to gain more customers and have more growth. Increasing company size and the number of customers, whilst it might not generate a larger income, creates more market value. Customers are important for mature SMEs: *"I have spoken to about 500 clients in five years"* (VG, Owner, Success Growth).

Success to entrepreneurs could also involve establishing a spin-off business. A CEO who owned a membership model business and set up a new second spin-off business was very proud of its current development: *"We're having a lot of success at it at the moment; our main business model at the moment is a very positive cyclical model*" (POY, CEO, Disengagement).

Growth may also include acquiring more skills by recruiting experienced staff to grow the company size, thus:

> *"The main part of the long-term strategy of success business is to bring in an Accounts Manager. Somebody can look after my clients. Because of the staff and the standard we have and keep trying new things like that. I think it is a success business"* (VG, CEO, Success Growth).

Another social media marketing firm said that*: "We keep hiring. We have 37 staff but try to think and operate like a big business. We have given fantastic opportunities to people to enable them to grow"* (S6, Success). Fast developing SMEs also look for opportunities to develop more spin-off businesses when they have sufficient resources.

A content writing company in its second year in business regarded itself as successful because the business system is well-established and it has gained a good reputation. The founder said:

> *"I consider we are successful and everything is in place, the system is in place, just waited for the right people who are really useful for the business growing. I am happy with that and my customers are also very happy because a lot people make nice money from it"* (VG, CEO, Success Growth).

This is also illustrated by a CEO at a marketing firm, who said: "*Even it is downturn time, there are still people come to get advice. It is (the business) ... the business is slightly growing"* (MCS, CEO, Take-off). These people believed they were successful because they had established trust among their customers.

5.4.3 Updating Quality and Innovation

SMEs in the early stages of development focus on developing and improving services to build credibility and generate clients/customers, as illustrated by an owner from a young start-up SME, who said: *"The big problem when you are a new company and smaller company is to build credibility*" (QL, Owner, Existence). SMEs intend to achieve credibility through launching customised services or differentiating their service from their competitors. However, they usually lack resources. The research found that many SMEs updated their service regularly in order to meet customers' needs in an attempt to achieve higher customer satisfaction. A CEO from a software development firm argued for the importance of software updates:

> *"We all have timelines to develop a particular features for it. And we have a development plan with different stages which features will be done in one particular month when we are ready for this particular time … so that's just some of the customer things that we – and also just like number of issues in versus number of issues, so how many bugs, how many tickets support requests do we have? How old are they or have they been dealt with quickly? We monitor that on a daily basis"* (AL, CEO, Survival).

This was true across many of the SMEs, as illustrated by the following quote: *"we have and keep trying new things like that. I think it is a success business"* (TS, Manager, Resource Mature). Enhancing the quality of services offers more customer value and therefore can be regarded as success. A CEO at a marketing company confirmed the importance of customer value for enhancing the firms' reputation through innovation and that this can lead to gains over competitors: *"This is a Scottish market; because we are the biggest; If they are looking for a media agency, we quite often will be on their list"* (MCS, CEO, Take-off). Innovation is needed to maintain sustainability and growth:

> *"We regard the business as successful but are very aware of industry turbulence and that constant innovation and review of strategy is needed in order to remain sustainable"* (S4, Success, Business Coaching & Training).

5.4.4 Gaining Social Influence as Success

It was found that many respondents consistently indicated that their business was established to pursue the owner's/manger's goals. SMEs not only want to achieve a sustainable business, they also have other goals: altruistic, professional pride and status considerations. For example, some interviewees claimed they wanted to contribute to society, and hoped that their firms could engage in social activities through social leadership:

> *"We effect the change we want to create. So we are succeeding in developing these leaders who drive business performance, but in a sustainable way. We know because we measure their skills before and after our learning programme. We still have some challenges around market share, but I'm okay with that for now"* (S4, Success, Business Coaching & Training).

Some of the SMEs interviewed demonstrated their intention to make a social contribution and have a significant impact on their local community. The technology innovation company's Marketing Director claimed their businesses had become more concerned with their societal influence, as a measure of success. The two following

quotes highlight this*: "We are the main sponsor for international (science) festival … The school children coming to the festival ensures that science can be seen as fine and can be interesting"* (WMP, Marketing Director, Resource Mature) or positively supporting social responsibility

> *"In terms of social culture, social responsibility is a big thing for us… integrated in the local community, we help charities in the local community. We make sure we don't do anything detrimental to the environment"* (WMP, Marketing Director, Resource Mature).

Some SMEs not only engage in social charity activities, they move further and adjust their business model to become an environmentally friendly business. One CEO from a marketing company explained that they had taken social impact into consideration since the business began: "*We make sure we don't do anything detrimental to the environment. So we take our corporate social responsibility very seriously"* (MCS, CEO, Take-off). Being socially responsibility and contributing to eco-friendly activities was important to some businesses that firmly believed businesses should aim to have a more positive social influence, as illustrated by an owner of a resource recycling service firm: *"The commercial sector is doing some damage to the environment. We are trying to put it right"* (IRRI, Owner, Success Growth).

5.4.5 Lifestyle Business is Success

It has been confirmed by Jennings and Beaver (1997) that businesses not only look for financial benefits but for other benefits, such as maintaining a particular lifestyle, social impact and responsibility, and creating a decent business model (Walker and Brown, 2004;Jarvis et al., 2000;De Bettignies, 2008). The research findings also demonstrate SMEs' various non-financial goals. An Owner of a content writing business argued that their goal was to achieve a decent business model and maintain a reasonable work-life balance: "*what I want to achieve is a lifestyle business"* (VG, Owner, Success Growth). A number of owners said that success involved achieving their desired lifestyle*:* "*Well, I want to achieve a happy life. My business gives me sufficient lifestyle. I do not want to become a millionaire, I want to make something I*

am proud of that has dignity" (PJ, Owner, Existence). This also highlights the pride that owners have in their businesses.

Some people are happy with their business model, as one Owner argued:

> *"It is not the best way to run business but it gives me a best way of living. Everything is in place, the system is in place… I am happy with that. My customers are very happy, a lot people make nice money from it"* (VG, Owner, Success Growth).

This Owner further suggested that success can be something that fits in with family commitments:

> *"What I want to do is to create a business that (I) did not need to run it all… I can spend all the time with my daughter… What I want to do is until my little girl goes to school just run the business as lifestyle business. And now it is ready and set up, and running smoothly"* (VG, Owner, Success Growth).

Another CEO from a media marketing firm also agreed on the benefit of SMEs to people who need to take care of their family *"We have employees who have young children. We give them a bonus"* (MCS, CEO, Take-Off).

A good business model needs a lot of time and energy to set up and there is no doubt that mature businesses are more experienced and likely to establish a good business model than start-up SMEs. A business owner argued that success might be doing something interesting that can be enjoyed as lifestyle rather than increasing the size of the business or earning profit, as the founder of the education training company confirmed:

> *"I am happy, I think the school offers value for money, I think we offer the quality, most of the students like the experience here. I like my experience here. It is more like a lifestyle thing…"* (MCC, Owner, Survival).

In this research, many interviewed SMEs of smaller size claimed their preference was to establish a more pleasant lifestyle business, these being not only start-up business owners but also some take-off business owners.

5.5 Conclusion

Each SME interviewed was unique and hence their definition of success varied based on the nature of their business, the stage of development and their objectives. For most of the service SMEs, success was not solely defined by financial profits, though, financial sustainability is key. Due to the diverse characteristics of SMEs, business owners or founders establish a business for different purpose. Because of entrepreneurs' different business visions, they also viewed success as a range of outcomes, such as growth (employment and market share); maintaining survival and stability; lifestyle business; or social influence.

One aspect that comes through many of the owner/manager interviews was their desire to be recognised for the success in creating a functional business model. For some this means that they can build a suitable lifestyle for themselves and allow their employees to achieve a balance between work and family. A few viewed success as developing a business that could be acquired by others, perhaps so they might engage in another project.

Chapter 6 Dynamic Capability and Success

6.1 Introduction

As indicated in the previous Chapter, SMEs have their own definition of success. Partially this is due to the nature of their businesses and the different stages of development of each service SME. Business founders and owners also have distinct business goals. This chapter focuses on SMEs' internal dynamic capabilities and their relationship to achieving success. The findings reveal that there are some common approaches SMEs employ to be successful, related to their stage of development and organisational capability. The aspects cover developing customer relationships and satisfaction, updating services and managing employees working capabilities. Table 6-1 below shows some of the main themes which have emerged from the study that are relevant to SMEs' dynamic capabilities, such as customer relationship management; managing employee capabilities; organisational capabilities and innovation capabilities; leadership skills, etc. More details can be found Appendix 8.

6.2 Organisational Capability

A few SMEs argued that organisational capability can be regarded as the fundamental element affecting their decision-making and the achievement of objectives. As confirmed by previous research, organisational capability refers to a company's ability to accomplish its managerial processes through which it aims to develop a company's competitive ability and decision-making processes (Dyer and Singh, 1998;Teece et al., 1997). A lack of organisational capability can restrict an SME's further development due to a lack of explicit planning and managerial methodology. Given the diversity of each SME they have their own characteristics and capabilities.

Some authors have argued that empirical research has highlighted the impact of organisational capability in supporting SME development (Astrachan and Shanker, 2003;Hisrich and Drnovsek, 2002) and the findings show that a lack of organisational capability can frustrate this process. Yet SMEs employ diverse approaches to developing their organisational capabilities to achieve success.

Table 6-1 Themes Relevant to SME Dynamic Capabilities and Success

	Words	I	II	III D	III G	IV	V
Customer Relationship Management	Customer Value Performance	20,22,7	21,		5,14,19,23	15,18	8,3,24
	Customer attrition		10				
	Average customer value	22	10,21		14,23		
	Customer performance/loyalty	20,22	21	17	14,23	9	24
	Customer acquisition cost		10		23		
	Meet Customer expectations	20,22,7	21		14,16,23		
	Customer feedback	20,22,7	13,21		14,16,23	18,4,9	24
	Client service	20	21		14,16,23	15,18	
	Customer satisfaction	11,20,22,7	21	17	5,14,16,23	15,4,9	8,3,24
	Customer contact/relationship	11,22	21	17	5,19	4	8,24
Employees Capability	Staff annual review		21		12		
	Employee suggestions	20,22	13,21		23		
	Employee performance	22	13,10,21	17	12,5,19,23	4,9	8,3,24
Products/ Service/ Project Management	Business process Performance/problem solving	20,22	13,21,		14,23	9	
	Deliverable (timeliness)/time investment	11,20	21	17	16,19,23	15	8,3
	Use of product/product	20,22	10				
	Project review	11					3
	Number of projects/business growth/sales target/referral	20,22	21	17	12,19,23		
	Quality measure/projects	11,20,22,7	21		12,14,16,19,23	15	8,3,24
Financial Performance/ Standard	Financial standards	22	21	17	12,5,14	18,9	8,3,24
	Size of turnover	22	13		12,5,23	15,18,9	8,3,24
	Recurring revenue run rate/revenue	11	13,10	17	14,16	15,	8
	Cash flow	11	13	17	5,19,23	4,18,9	8,3,24
	Profit	22	13,21	17	5,14,16,23	15,4	3
	Target earnings			17		18	24
	Annual budget					18	
	Financial performance	11,22	13,21	17	14,19	18,4,9	8,3,24
Innovation and Competition Management	Competition ability /comparators	22	21			15,18	24
	Promotion score		10				
	Innovation Performance/creative	11,20,22	13,10,21		14,16,19,23	15	8,3
	Survival		13			15,18	24
Entrepreneurship/ HR/ Employees/ Leader Issues	Leadership issue (lack of communication)					18	24
	Employee capability	7				4	24
	Distractions /personal reasons)	7				9	
	Lack of employee loyalty				23		
	Decision-making			17	12		
	HR Recruitment				5,	4	
	Retention of employees		10,13			18,4	

6.2.1 SME Self-realisation

It was found that nearly all SMEs understand their current market situation and business operations. In early and late stages, all SMEs claimed they set up business plans/strategies which are either short or long-term strategies based on their organisational capability. For example, a Marketing Director at a music software development firm confirmed their market situation: *"we know all our strengths, we have very good technical colleagues, we have a very good market, we know the market very well, we know the customers very well" (*MTL, Marketing Director, Existence). A senior staff member at a telecommunication firm explained that they knew their market and tried to find a niche within it:

> *"So as far as sustainability goes, our success is going to (be) measure(d) by our ability continue to understand what is happening in our industry. What we can do is to understand what is happing in this industry and find a niche market"* (4G, Senior Staff, Survival).

Furthermore, they argued their short-term plans concentrate on developing their organisational capabilities to face the challenges through evaluating and repositioning their service:

> *"In order to achieve that, we constantly need to re-evaluate our branding and what we are doing. It is good we are an SME as that means we can change quickly. We are always questioning ourselves, for any entrepreneurs in small businesses you need to learn, you always should make sure you are doing the right thing"* (4G, Senior Staff, Survival).

A CEO at a digital marketing firm indicated their strategy was to produce a variety of services and test the quality:

> *"We are trying to make a lot of intangible products that have a lot of return, like PPI, and need to make sure we know exactly how everything is measured and checked against performance indicators, milestones and goals"* (INML, CEO, Survival).

A firm should operate its business based on market information and be innovative to offer better value:

> *"Market orientation and innovation is incredibly important in being able to gain and retain market share as well as diversify. This relies on having*

the employees who are capable of implementing innovation and change" (S2, Take-off, Trading).

Almost all well-established and mature SMEs argued that they explicitly knew their target market and had a business development plan. Based on the knowledge and experience they have generated from the market, they were more likely to establish appropriate strategies to develop their business further. For example, a Marketing Director at a mature firm expressed their understanding of the market and how they responded to the market:

> *"knowing what our market opportunities are, knowing what type of products the market and customers will want determines the skill base and the balance of skill you need to satisfy their requirements"* (WMP, Marketing Director, Resource Mature).

This Marketing Director continued describing the action they would take to meet customer requirements: "*we have a 3 years plan, so we will look at the market and the opportunities. We will look at the balance of skills. When we started our business, we had a lot of analogue designers, IPs, circuits"* (WMP, Marketing Director, Resource Mature). One owner from an employee training service firm said they would try to be innovative to stand out from the crowd:

> *"And innovation is important, because we do not just want to do as the tradition has done. It is about taking understanding and knowledge and delivering in a way that means people can see some change and differentiate us from the traditional training. So it's about innovation on how you deliver the materials, what you deliver and why, the context"* (TPT, Owner, Success Growth).

The comment above shows that, unlike early stage, in which SMEs are primarily concerned with what is happening in the market, mature businesses explore further opportunities to grow their business.

There are a range of business options for each SME. As indicated in the previous chapter, self-realisation can bring success through updating services or repositioning them, and even appreciating the need to quit the market or sell the business. This is not only true for start-ups but for well-established businesses who also prefer to sell or be acquired for the business to develop through the injection of new resources, as

illustrated by a PR company owner, who said that they might look to sell their business to another firm. Another owner from a take-off biotechnology firm also argued they would be likely to let others take over their business.

6.2.2 Managing Organisational Structure and Size

SMEs, especially in the early stages, often have limited resource, and so increasing their employee number seems a natural way to develop. The research, though, suggests most SMEs feel the need for a good functional organisational structure and to maintain a reasonable number of employees for their business development, rather than just increasing organisational size. An owner confirmed the need to recruit more staff to address specific issues: "*and now it is ready and set up, and running smoothly, and just down for somebody in sales and account manager to grow the business*" (VG, Owner, Success Growth). Another owner of an employee's training firm made a similar point:

> *"In the long-term, we need to bring in money to enable us to have somebody to help me. We want to employ other people in the business. Our sales person should bring in twice the salary he is earning now"* (TPT, Owner, Success Growth).

It is increasingly common to propose accelerating SME business development through increasing organisation size. As a CEO at a training software development firm said, they wanted to get more people for this purpose: "*once we get break even, we'll probably hire somebody to take care of the market*" (AL, CEO, Survival).

Several SMEs argued that they would be more likely to maintain reasonable employee numbers, usually a relatively small amount, to maintain their businesses stability. Over half the SMEs in this research claimed their desire to establish a feasible organisational structure with relevant size to improve working efficiency. A marketing director at a mature firm claimed they would maintain a balance of the number of employees across different departments:

> *"Then we had a few digital designers and the software (department) was small. But now they are the same size. So what we have to do is to reshape the company and reskill some of the analogue engineers to become digital*

engineers. When the analogue engineers leave the company, the digital engineers have to replace them" (WMP, Marketing Director, Resource Mature).

In smaller firms, they consider whether they have covered the skills base, allocating employees to roles, a CEO of a training software development firm claimed: "*we've got somebody in charge of sales, we've got somebody in charge of technology and we've got somebody in charge of customers and then there's me with the marketing*" (AL, CEO, Survival).

An ability to recognise the need for delegating or sharing management roles is a driver of success. This is confirmed by a CEO from a membership service firm where the two directors split the management roles between them to develop a good leadership team:

"So the management style of the company is flat. The two company Directors that are full time have completely different skill sets. With two very different personalities and two very different skill sets, this has proven to be a real strength of our business performance. It has taken us three years to optimise this but it now works incredibly well" (POY, CEO, Success-Growth).

Structuring depends on the demands of the business clearly, as illustrated by a business partner at a law firm:

"You want to have lawyers and as few other people as possible. Of the thirty-five people I mentioned I would imagine maybe thirty people are lawyers. Five people do everything else. It's the right size of business for a law firm, given that there are major changes taking place" (CCW, Business Partner, Take-Off).

The partner further stressed the advantages in having an organisational structure which preserves the values of the business:

"So we should aim to be no more than thirty five lawyers, or it's going to start altering the ethos of the firm too much. So that would be a conscious decision to limit the size of our business" (CCW, Business Partner, Take-Off).

An Owner of an education service firm argued that the business had run for over 10 years and was very stable, saying that there had been over 20 main competitors around 10 years earlier, but that currently only a few remained due to the change of business environment. Therefore, he argued that it would be better to maintain a smaller business that is easier to run the business and be less risky:

> *"I think it is established. I do not have plans to become a very big company. Actually, for me, it is quite mature and quite well established at this moment, quite fixed, quite stable; I think what I protect from that way by keeping that small."* (MCC, Owner, Survival

As argued by a CEO at a marketing firm, the unstable economic situation meant that a few poor decisions could possibly lead to huge damage to their business:

> *"I think the other issues we face is the on-going economic environment is tough. The fact is the economy is not growing. We hope to continue to grow. But slowly and stably"* (MCS, CEO, Take-off).

Due to the diverse nature of SME businesses, they all have their unique organisational structure design and maintain a size that can improve their working efficiency.

6.2.3 Flexible Organisational Culture

Some SMEs confirmed the importance of organisational culture for their success. This research found that smaller SMEs tend to have a more open and flexible organisational culture, enabling employees to be more innovative. SMEs confirmed the advantage of creating a highly motivated and trustable working environment, which can improve idea generation and develop working flexibility. A CEO at a software development firm said they expected their employees to be innovative and to generate fresh ideas to support the business:

> *"Because we want it to be an environment where a good idea can bubble up to the top very quickly. So if anybody has a good idea or they've got something to add, they know how to do that and they put it in… So we take a very long-term view of that"* (AL, CEO, Survival).

A senior member of staff at a telecommunication firm also confirmed the advantages f have a flexible organisational culture because it can build trust and respect:

> *"I would say there is a lot of freedom. No really strict rules, there has been a lot of trust and individual respect between people"* (4G, Senior Staff, Survival).

As illustrated by one senior member of staff at a management consulting firm, whilst the CEO was still in charge of decision-making, he was willing to listen to staff:

> *"At the end of the day, most of the decisions are up to him because he is the CEO, he is the Founder. He does listen to what people have to say and he will hear your opinion"* (ML, Senior Staff, Survival).

The above suggests that SMEs, at an early stage development, often employ a flexible organisational culture. This is not restricted to start-ups: a flexible organisational culture can be maintained in a well-established business allowing a good friendly working environment. A Director at a careers service firm explained their preference for a democratic working environment:

> *"Because we are very much a democratic operation. We have meetings we just discuss how we are improving, how we are performing, how we are not performing, we will bring all others into the meetings to establish what we are doing"* (TCMO, Director, Success Growth).

An Owner of a PR service firm also confirmed that being democratic was an efficient way to improve their business development:

> *"We are very open to suggestions. We keep it very democratic. We've grown organically and we have a fun environment, you know. I mean it's very informal. It should be kept on very much a firm business footing but having a bit of fun as well. It's a good way to grow a business*" (APR, Owner, Take-Off).

Many respondents regarded efficiency to be based on the relatively flexible working culture encouraging employees' work commitment, as a CEO of a membership service firm with a flexible organisational culture leading to better success explained. The CEO further confirmed the two business partners with different management styles fitted well into their organisation and maintained a good balance over their work:

"Our management style is, I personally am a persuasive person, and I'd say paternalistic is a good one as well, and empowerment are important ones for me. XXX's management style is completely different, he's consultative, organic, and we, all of us, set milestones and make sure we achieve them, and that works incredibly well" (POY, CEO, Disengagement).

6.2.4 Managing Financial Capability

Managing a firm's financial capability is necessary to ensure sustainability and is essential for SMEs, especially when young. Cutting unnecessary costs is a way to improve financial performance. For example, a CEO at a training software development firm found that the lack of capital restricted their ability to develop and so cutting costs was necessary: "*if you are in business, you are looking to cut costs*" (AL, CEO, Survival). A Marketing Director highlighted the significance of cash flow, which is often critical to early stage SMEs: "*Cash flow is more important than your mum*" (MTL, Marketing Director, Existence). This is also true for more developed SMEs. A business owner argued: that "*we are trying to manage our financial performance effectively*" (GR, Owner, Take-Off). Another Director at an accounting firm said that: "*We need to be strong and professional in management financial capability*" (HLCL, Director, Success-Growth). Running cost control and minimising outgoings were equally essential for mature businesses. As a biotechnology firm indicated, they preferred to maintain a smaller size to minimise running costs. The CEO from a marketing firm confirmed this:

"At the end of the day, if you do not manage financial return, you will not be in business. No matter your profit making or non-profit making, because you need to manage your finances" (MCS, CEO, Take-Off).

The business Owner of a PR firms highlighted the need for control through a variety of methods:

"I'll say that based on the turnover, our profit is very healthy. We are largely profitable. Even in the downturn, we were still profitable; we have to ensure that we don't have lot of outgoing costs. Hopefully this year we

will be in a much more prudent position to be able to look at increasing our cash flow, increasing our turnover" (APR, Owner, Take-off).

An employee training service firm also stressed this: "*We've got quite good cost control. We don't waste money. We're quite efficient. It's quite well managed financially*" (TPT, Owner, Success Growth).

6.2.5 Partnerships and Collaboration

Due to the nature of SMEs, they often lack the resources to develop their businesses. One way to overcome this shortcoming is to collaborate with others or establish partnerships. A CEO at a marketing firm explained their collaboration strategy of working with other firms to develop their business:

"*We work with a company called XXX in Wales. It is one of the biggest private producers of media in the world and an independent producer of television content. We work with them to come up with some innovative ideas for television formats for this content*" (INML, CEO, Survival).

Similarly, an Owner of a jewellery firm argued that their business development relied on partnerships with other businesses. This is not restricted to young SMEs, as more developed SMEs also look for partners to broaden their resource base. Often this is achieved through establishing collaborative networks. For example, the owner of a biotechnology firm demonstrated their desire to find business partners to promote sales: "*We want to work with at least three partners. I will work with them and they can distribute these products*" (XE, Owner, Success-Growth). Another business owner from an employee training service firm also confirmed the benefit of collaboration work with business partners:

"Like us, collaboration is you have different partners working with you, some can trust me, or they trust others, through that relationship, you can get work in. It will bring me more work and a lot of resources" (TPT, Owner, Success-Growth).

This business Owner further explained how the collaboration worked Based on their partnership and collaborative work, they had established an informal work relationship with similar businesses to support each other:

"The idea is we want to provide a platform for these trainers to come together, to get to know each other's materials and therefore to have trust in each other and know each other's clients. So it was a referral system for each other, we associate with each other, sometimes I work for them and sometimes they come along work for me. I contract somebody for something that I am not good at doing" (TPT, Owner, Success-Growth).

Similarly, a law firm established collaborative relationships with their competitors:

"*It is quite cooperative in fact a lot of our work we get from other lawyers so in theory we compete with them as well. No doubt we are competing on some projects but on the other hand we do get business back from them. It is a kind of synergy between cooperation and competition*" (CCW, Business Partner, Take-Off).

SMEs who operate their business in different markets are aware that they have to take account of the characteristics of local markets. This often requires them to innovate to meet customer needs. The Founder of a biotechnology service firm said they wanted to work with partners from other countries, which enabled them to adjust their service base to local needs:

"We want to find at least three partners for dengue devices. I want to find one in Brazil, they have 75% of the dengue cases. I also want to find somebody in India, they have 33% of dengue cases all over the world. I also want to find one in the Far East such as Thailand, Indonesia, or Singapore. I will work with three partners who know the (local) market better and distribute these devices more efficiently" (XE, Owner, Success Growth).

6.3 Developing Customer Relationships and Satisfaction

It is obvious that customers are key to success in any business, requiring the organisation to have a good relationship with their customers. Building the relationship is often critical to achieving the necessary context for success, as a Marketing Director of a digital music software service firm underlined: *"So the customer satisfaction measure should be number one"* (MTL, Marketing Director, Existence). Customer

satisfaction generates business, as confirmed by an Owner of an education school: *"we got a lot of referrals from customer satisfaction"* (MCC, Owner, Survival). This desire drove many of those interviewed to the concept of customer value: *"I would say customer value yes, because if it wasn't for that we wouldn't be in business. Because the product we sold to them is what they want"* (PJ, Owner, Existence). For some it is a basic tenet of business: *"If we do not value customers, we will not have our product sell or service provided…We are the service industry, we should have value…"* (APR, Owner, Take-off). It can, though, be taken to the extreme for some SMEs with laudable but possibly implausible goals*: "you have to make sure every single job and every single customer is 100% happy"* (TS, Manager, Resource Mature).

Ensuring customer satisfaction was seen to be difficult for SMEs. Getting feedback on customer satisfaction was perceived to be less easy in the service sector than the industry sector:

> *"So if you were operating making widgets or such like it is actually much easier to get relevant customer feedback. If you have got a limited operation you can get quite good customer performance feedback"* (CCW, Business Partner, Take-off).

Its criticality was expressed in terms of retention:

> *"if we please the customers they can come to us and be loyal to us. If somebody is not happy, they will go to your competitors. You need to ensure you provide better services"* (HLCL, Senior Staff, Success Growth).

They were also aware of follow up through a variety of forms:

> *"After sales, what we want to do is send email to them and let them respond and talk about their experience and upload onto our website and social media."* (4G, Senior Staff, Survival)

6.3.1 Provide Customer Value and Improve Satisfaction

Despite the fact that respondents in this research commented on customer satisfaction there was a misunderstanding of customer value amongst the SMEs. They proposed customer value to be the value creation from a customer to the SME. Yet customer

value refers to the value firms provide to customer, such as entire services (Armstrong et al., 2012). SMEs interviewed indicated that customer satisfaction and customer attitudes towards SMEs are major elements of overall business success. As confirmed by previous research (Simpson et al., 2001), this research also confirms that understanding customer value is important to SMEs, since without customers perceiving high customer value they may not choose to buy their services. Understanding customer needs and requirements are the best way to develop SME businesses, as indicated by a senior member of a telecommunication service firm:

> *"We are not only selling, we read what is happening within the industry…Our success is going to be measured by our ability to continue to understand what is happening in our industry… and find a niche market"* (4G, Senior Staff, Survival).

Hence, an SME may achieve more customer value. This process develops customer satisfaction and enables SMEs to stand out from the crowd, as confirmed by a senior staff member at a telecommunication firm:

> *"Customer satisfaction drives more on actions. Customer satisfaction can make you stand out, because you are an SME, it is very difficult to compete on price because you cannot make profit on a scale that provides a small quantity by paying more" (4G, Senior Staff, Survival).*

Some SMEs, both young and mature, realised the importance of providing customer value. For example, an owner of a jewellery-producing service firm claimed their understanding of offering customer value. An owner of a catering service firm also confirmed it:

> *"If we do not value customers,. we will not sell our products or services. It has meaning to what we do. We are in the service industry, we should have value. We have to see the result of what we do."* (TS, Owner, Resource Mature).

The Founder of a research software producing firm argued the following:

> *"An ability to stand out from your competitors and market orientation is your ability to really know where you stand and who you should be selling to. Cause you could have the greatest product in the world, but if*

you sell it to the wrong person, it is a waste of time" (QL, Owner, Existence).

Most start-up SMEs in the sample stated that they cared about their individual customers. For example, a small jewellery firm said they would like to offer more customer value with lower prices compared to larger firms:

"With my products, we do not really make huge profits on that. But it is a handmade design service, it is precious as it comes with beautiful packaging. So you actually are getting quite a good deal for what you are buying and it is not going to lose value and it is going to last for a long time" (PJ, Owner, Existence).

A Marketing Director indicated that knowing their customer requirements was the major element in deciding the skill base of the company:

"What I am saying is, knowing what market opportunities are, knowing what type of products the market and customers will want determines the skill base and the balance of skill you require to satisfy their requirement" (WMP, Marketing Director, Resource Mature).

Developing customer value in a way that leads to customer satisfaction is a path to business success. Whilst SMEs value their customers and aim to achieve higher customer satisfaction based on their needs, there are other constraints which can affect the relationship:

"Customer needs and requirements are our primary driving force. However, statutory compliance is one of the reasons for our service and if clients are not, or will not, comply with these requirements we are unable to act for them. This can affect the company's financial performance. If we have regularly to contact clients to persuade them to comply, it can detract from the time available to other clients" (S2, Take-off, Trading).

Thus, SMEs face constraints on their behaviour, as it is essential to ensure they are viewed as legitimate.

6.3.2 Targeting Valuable Customers

The ability to target the right customers is important. A CEO at a marketing firm argued for the importance of attracting the right customer: *"Even if you've got the greatest product in the world. It is waste of time if you sell it to the wrong person"* (INML, CEO, Survival). The Owner of a software development service firm also agreed on the importance of targeting the right market.

Some customers will value the service offered by SMEs at the price and quality offered. As illustrated by an owner of a jewellery-producing firm, their customers value and understand their services. The owner services a particular set of customers who appreciate their offering.

There are many reasons for targeting customers. A CEO of a marketing firm prefers to target a few large customers who can bring them more financial income rather than many small customers with less profit:

> *"we are looking for big projects that can bring big amounts of money that we can take a bigger step to become a big company. So one of the things we do not do is looking for the clients that are too small."* (INML, CEO, Survival).

Another owner of an employee training firm argued that it selected clients with whom it wanted to establish long-term relationships to improve efficiency:

> *"I want to work with a company that has a vision, and they want to take the people with me along the journey, and they want to move forward as a team and… to invest in their people and spend the benefit with them. I want to have a long-term relationship with the companies and understand them, know the culture they want to achieve"* (TPT, Owner, Success Growth).

Again, the Owner wants to attract a few quality customers who are more profitable where the relationship will be mutually beneficial:

> *"We are looking for a few clients that are quality; that pay well. We want to pick … But we want to choose the clients we want to work with and we want to improve their performance and change their staff more effectively, [creating] harmony and collaboration"* (TPT, Owner, Success Growth).

Sometimes retention is not the issue if clients are seen as the poor customers. A Business Partner at a law firm highlighted this: "*And to be honest some of them we wanted to get rid of anyway, and it's convenient, quite helpful*" (CCW, Business Partner, Take-Off).

6.3.3 Personal Relationship Building

Whilst offering better customer value, meeting customer expectations, and delivering a better after sales service improves customer satisfaction, there is always the possibility of developing personal services or relationships with customers, which it may deliver good returns for the SME. The customer relationship can also benefit SMEs such as increasing customer spending. An Owner of a resource recycling service firm indicated the need to build the relationship: *It is about measuring our success by rebuilding relationships in bringing work, measuring the wining in number of contracts*" (IRRI, Manager, Success Growth). Mature (larger) SMEs, though, generally are more interested in mass markets than individual customers.

SMEs in the research often expressed their desire to build personal relationships. Their size allows them to potentially be more responsive to the market. A business Partner of a law firm said that customers want a personal connection: *"because they (clients) do value personal relationships*" (CCW, Business Partner, Success Growth). In their case, this meant by maintaining contact with their clients. A CEO at a marketing firm demonstrated their desire to establish in-depth relationships with individual customers: "*We are trying to socialise business, socialise politics. Make it a one-to-one relationship rather than one to many broader customers. That is called full duplex communication model*" (INML, CEO, Survival). The research found that nearly all SMEs have developed individual communication strategies with their clients. Personal interaction is a two way process: "*So that connection with the user is very important for me*" (PJ, Owner, Existence).

On the one hand, it is very difficult for SMEs to compete with large firms in terms of price, but close communication and personal interaction with customers does help SMEs to achieve higher customer satisfaction and reputation to bring more businesses. A Director of an accounting firm confirmed their personal interaction with customers

to increases their reputation: "*If clients are happy, we get higher reputation*" (HLCL, Director, Success Growth). A CEO of a marketing firm also saw the benefit from better communication with customers, saying that this can create customer loyalty: *"which (customer satisfaction) creates value, creates trust and creates loyalty*" (INML, CEO, Survival).

Personal communication with clients is often through online technology:

> *"In the short term, social media will be widely used - via twitter, Facebook, Pinterest and LinkedIn, in particular. The business plan includes developing the corporate training offer to include taster sessions, self-help for employees and entrepreneurs and an app that can provide solutions to some key issues"* (S4, Success, Business Coaching and Training).

Such strategies enable SMEs to reach more clients.

6.3.4 Managing Social Media

Social media has been around for a long time and is widely used by commercial businesses (Kaplan and Haenlein, 2010;Culnan et al., 2010). Based on the research, social media like Facebook, Twitter, and LinkedIn, etc. can be used for two purposes. The first purpose is for direct advertising, through which it is possible to improve visibility and reach more potential customers, as below:

> *"Responding to shifts in customer trends is essential in a fast-moving environment; it is essential to maintain sales and create a pipeline. Social media from competitors allows me to monitor how customer demands change resulting in an innovative approach to my services"* (S2, Take-off, Trading).

Nearly all respondents used various social media for their business, including direct communication with customers and maintaining a close relationship with them, thus: *"I attempt to use Social Media to gain credibility, and to build contacts to identify potential sales opportunities."* (S3, Survival, Business Consultancy). A social media marketing firm explained that managing social media is a good advertising strategy and attracts customer attention when used appropriately:

"We are looking to develop all of those involved within the business to support this, plus make us an attractive employer in an extremely competitive market place. We use social media to sell the brand, etc. and let the market know what we have been up to" (S6, Success, Social Media Marketing).

Obviously, many SMEs attempt to optimise their website to increase visibility:

"Our business comes quite high in Google [searches]: We have serious strategies to gradually increasing the visibility. You have to keep pushing it. If you use Google master tools. So now Google knows XXX is about qualitative research analysis software… I think it mostly comes down to visibility." (QL, Owner, Existence)

A director of an accounting firm also confirmed search engines significantly help their business: "*If people are Google accounts, I think we come up quite high. That is google one*" (HLCL, Director, Success Growth). Well established SMEs also relied on online search engines to attract more businesses, because it is one of the main methods to reach the social media platforms, as illustrated by an Owner of a content writing service firm:

*"The main one that really causes a problem is the nature of the search, engine documentation, that is the search engine. It affects quite a lot of my new business; through multiple channel marketing, you can choose some very specific marketing strategies" (*VG, Owner, Success Growth).

A CEO of a marketing firm indicated the use of article reports to optimise visibility on social media to promote business: "*but the reason for doing the article report is really to make sure there are some keywords for Google and that has worked*" (INML, CEO, Survival).

Social media is now increasingly used to build business networks. Facebook, Twitter and LinkedIn have been widely used to network with other businesses or to increase SMEs' service and brand recognition. One manager at an energy distributor claimed they used Facebook to build an online social network platform: "*we have some forums and we use Facebook. We get discussed on the forums and get comment*" (RN, Manager, Existence). A Marketing Director at a music software development firm indicated that: "*We have got a Facebook page. We have got Twitter. So all these things*

we write so that users can come and see our stuff" (MTL, Marketing Director, Existence). Facebook is increasingly becoming a common social media for SMEs to announce the launch of a new product or service updates.

Professionals are more likely to use LinkedIn to build their network. Nearly all interviewees had a personal LinkedIn account. An Owner of a jewellery design service firm argued that using LinkedIn makes a business more professional: "*I post LinkedIn, but everything I put on there is good quality content*" (PL, Owner, Existence). A CEO of a training software development firm explained their success in using LinkedIn:

> *"I think for us LinkedIn has really been the number one driver of growth, because it's more business related… We have five or six hundred followers of the company on LinkedIn every time we release something"* (AL, CEO, Survival).

6.3.5 Using Customer Feedback

SMEs at the early stage of development rely on customer feedback to help them to develop their business, but it takes effort to collect and understand the implications of customer feedback. A customer relationship can develop via positive customer feedback, as illustrated by an Owner of an employee training firm: "*We do [get] feedback from customers and that is again mostly conversations to see where we are at"* (TPT, Owner, Success Growth). The Business Partner of a law firm said: "*If you have got a limited operation you can get quite good customer performance feedback*" (CCW, Business Partner, Take-Off). Customer feedback can be used as an efficient method to measure customer satisfaction, it can provide information for SMEs on how to develop their businesses and offer better customer value. Customer feedback reflects user experience and good customer feedback enhances SMEs' reputation:

> *"After sales, what we want to do is send an email to them and let them respond to it and talk about their experience and upload it onto our website and social media."* (4G, Senior Staff, Survival)

Customer feedback is useful to update service quality. It is also an efficient way to increase customer satisfaction and improve SMEs relationships with their customers. A CEO at an entrepreneur membership service firm said that their customer feedback

is often useful: "*So we're able to get a lot of qualitative and quantitative feedback from them. And the information they give is usually very good*" (POY, CEO, Disengagement). Feedback is also a method that customers can use to express their thoughts and complaints. A CEO at a training software development firm argued that they would update their software regularly, based on customer feedback, to meet customers' unique requirements:

> *"We also take a look at usage from a customer support standpoint. So for every week we monitor did they log in and use the software? And if not, then we'll send you an email and ask you why not? Is there is a problem, is there an issue? We'll figure out what's the reason; so for us we spend a lot of time and attention; so anything we can do to keep a customer is a big deal for us that really influences things"* (AL, CEO, Survival).

An owner from one software development firm also said that they relied on updating their software based on customer experience and feedback: "*So we have added features to the version that we will launch next month from user feedback. So that (customer feedback) pushes us to innovate*" (QL, Owner, Existence). Other examples are: *"Constant constructive criticism ensures true customers' experience and drives our results"* (S2, Take-off, Trading), and *"Customer service is a priority, so we need to know our customers are happy, and if there are any issues they are resolved quickly"* (S4, Success, Business Coaching & Training).

It was found that sending emails and making phone calls were the two most common methods of collecting customer feedback. However, a few SMEs claimed they do not collect customer feedback. A business partner of a law firm explained that they did not value the information they received:

> *"We have done this before; it is quite hard to actually get meaningful information. The difficulty we have is we have got such a broad range of businesses and then also a broad range of advice we are giving. It has never been particularly useful for us to carry out surveys; we do not get the numbers to make the evaluations relevant"* (CCW, Business Partner, Take-Off).

Besides these sceptical comments, the research generally revealed that many SMEs regard customer feedback as an efficient way to develop their business.

6.4 Assessing SME Service

6.4.1 Quality Control Approaches

The research found most SMEs aimed to improve their service quality to generate a distinct and unique selling point. One CEO at a marketing firm claimed that, even at the early development stage, they came up with new approaches and applied an innovative system to provide a better quality service:

> *"So we do consultancy and advisory service to international organisations to set a better relationship with their audience by using technology; using our system of new media tools and processes and approach to really make them successful, make money from that and then spend more time on building the system"* (INML, CEO, Survival).

Another CEO at a training software development firm explained that they would respond to their clients' requirements and offer a customised service to achieve a high level of service quality. Mature SMEs not only distinguish their businesses through unique design or better performance, they also respond quickly in updating their knowledge of customers' specific requirements. For example, a Manager of a catering service firm remarked that they controlled their product quality on a daily basis: "*In terms of the quality, we have a set quality of what we do that is always fresh and always done daily*" (TS, Manager, Resource Mature).

Many SMEs believed that the best way to maintain quality is to be an expert in one's industry. A Director argued that a firm should be good at what they do: "*we are very experienced in what we do so that kind of counts for a lot*" (TCMO, Director, Success Growth). SMEs can achieve their success through innovation and offering better customer value, as confirmed by one CEO at an entrepreneur membership service firm: *"By creating a network that is of high value to high value people that attracts wealth; so we're pioneering a relatively new space, in fact a completely new space*" (POY, CEO, Disengagement). An Owner at a resource recycling service firm explained how their professional services helped them to achieve business success:

> *'XXX is designed to look unique, it's designed to deal with resource use in a way that no other organisation does, internationally, and that is very attractive. There aren't people who are doing that, and it allows us to*

claim to be in a unique position, so that is quite important' (IRRI, Owner, Success Growth).

A common SME approach to maintaining high quality service is by hiring experienced employees. One Owner of a content writing firm stated that, in order to maintain their service at high levels of quality, they required employees to have had a rich working experience. They remove poorly performing employees to maintain the overall level of business performance:

"We use contract staff, you can get a much higher quality by hiring them rather than employing them. Because they can work from home. If you find the quality of a contractor deteriorates, you just stop using them" (VG, Owner, Success Growth).

This Owner also explained how to achieve distinct competitive advantages:

"On the positive perspective, it is just offering incredible services. answering all the questions on the website, offering them a really rapid way to upload work, offering guarantees as well and they really feel safe. It is just qualified work we provide, never missing deadlines" (VG, Owner, Success Growth).

One method of quality control is maintaining the size of the firm, since every employees can focus on specific tasks. To maintain a high quality education service, an Owner of an educational firm argued that being small can ensure better quality:

"I like the school being small, I do not want [it] to become a very big school. I like to think of us as a delicatessen rather than a supermarket. So it is not just volume, I like small, I want to know what is going on and focus on quality" (MCC, Owner, Survival).

Most SMEs have many possible competitors so customers have a lot of choice. Customers will select the service that meets their preference. SMEs can better serve a limited number of customers to a higher standard of customer value and hence increase customer satisfaction, which may be harder for large firms with mass markets.

As confirmed by previous discussion, good communication and collecting customer feedback is also a good way to promote quality control. In order to meet customer specific requirement in different geographic areas, a CEO from a software

development firm said they launched their software with different language versions due to customer needs:

> *"To make sure that the product gets internationalised, so translated and able to handle different languages. We've tried everything we can to keep customers on board, and then the last thing is just making sure that we have regular good product updates, that customers who've been with us for a long time can get value from"* (AL, CEO, Survival).

The CEO explained that they have put effort in improving their software quality and updating the function to keep customers happy:

> *"we had a customer that left us, but he stayed on our mailing list and we kept emailing, 'this has been improve' and he came back on board two months ago. He's paying us twice what he paid fifteen months ago and he's really happy. And that's really our goal, you know, always being improving"* (AL, CEO, Survival).

Similarly, another Owner from a research software development firm explained their experience in updating quality by adding more features through communication with both users and software developers:

> *"The idea of the next version, what we will do is some analysis, we really want to be the first one to do some proper analysis. And I have been working with [those] who do machine learning; new features been added every year. And each feature is new and unique to the market, so just always one step ahead, so that is the plan"* (QL, Owner, Existence).

As these SMEs stated, it is difficult for them to reduce prices by producing on a large scale. However, better control of quality can distinguish their service and be helpful in establishing better customer satisfaction. Better communication and client follow up contact can give SMEs a unique competitive advantage.

6.4.2 On Time Delivery / Timeliness

As confirmed by previous research, on time delivery is extremely important to business, because it can directly affect their customer satisfaction (Zimmer, 2002;Tracey and Leng Tan, 2001). The research confirms that nearly all SMEs

recognise the importance of timeliness. A Marketing Director argued their concern about their service delivery time: "*Okay, you said that you are going to finish the composers' tool in March, now its May, what is happening?"* (MTL, Marketing Director, Existence). They further argued that due to the high competition, providing high quality software is not enough, they must meet deadlines.

Timeliness also play a critical role for mature businesses. A content writing business owner explained the importance of meeting customer deadlines as well as providing high quality service:

> *"On the positive perspective, it is just offering increasable service. Offering them really fast way to upload work…It is just the quality work we provide, never missing deadlines"* (VG, Owner, Success Growth).

A CEO from a marketing firm claimed that they encouraged innovative working processes and efficient working procedures. which can get the work done by the deadline: *"You need to make sure staff happy in their job so they get the work and get the work done, to the deadlines*" (MCS, CEO, Take-Off).

A Marketing Director at a mature firm explained the necessity for meeting their deadlines based on their clients' requirements: *"We will look at on-time delivery. We also consider about internal business process performance such as productivity and quality, timeliness"* (WMP, Marketing Director, Resource Mature). He further gave an example about their on-time delivery:

> *"For example, XXX is one of our customers. XXX is introducing a new product which is called XXX to the market in April 2013. It is important if we want to be inside the XXX that launches then. We must have that product in by July 2012 to allow them to check it, test it, make sure it works well in the system; allows them to build product types and decide the products types."* (WMP, Marketing Director, Resource Mature)

The above quote demonstrates the importance of on time delivery. Missing deadlines can lead to loss of market share and damage to clients' businesses. In the above case, if the company has to postpone launching their new products, they may have lost ground to their competitors.

6.4.3 Price Setting

Price affects consumers' decision-making. However, SMEs cannot usually rely on economies of scale to compete with larger firms on price. As confirmed by a senior staff member of a telecommunication firm: "*it is very difficult to compete on price, because you cannot make profit on scale that provide small quantity by paying more*" (4G, Senior Staff, Survival). Yet a reasonable price can also be used as a firm's competitive advantage. The research has demonstrated the price does not have to be low.

Price should be set based on the firm's target market. An Owner of a software development firm argued they set much lower price than the market leaders to attract clients who want to cut costs. An Owner of a jewellery firm said they could set a lower price because their smaller size enables them to have lower running costs, which makes their price lower than their competitors', which targets a luxury market. However, the Owner further argued that it does not mean they set their price as low as possible. The price is higher than competitors who produce lower quality jewellery but the firm has a better reputation:

> *"None of my customer says it is very expensive, they understand the price I think. I am selling to people… and where it comes from"* (PJ, Owner, Existence).

As confirmed by a few SMEs, offering a lower price may lead clients to undervalue what they do, as one Owner of an employee training service firm said: "*we charge very reasonable price. They (customers) will not value our service if we offer a free service*" (TPT, Owner, Success Growth).

The balance between quality and price is important. The pricing strategy has to reflect the quality. Some SMEs raise their price on the basis of offering enhanced quality. One CEO at a marketing firm argued they set higher prices than their competitors but with higher quality, indicating that their service is worth the money:

> *"They told our competitors to charge them less than what we are offering. But we do not negotiate. That is one of the most successful things we did. Clients believe we are seriously doing that, we are not going to do that [price] level. The company started to believe us and that made us better to state our principle in the future"* (MCS, CEO, Take-Off).

The CEO further claimed that, even when they set up a higher price, they did not lose clients because clients respected their service value.

6.5 Managing Employees Working Capabilities in SMEs

The research discovered that overall employee working capability affects SME business significantly, especially start-up firms. Some SMEs set business objectives with targets for every employee. This leads to establishing employee appraisal systems, as confirmed by a CEO of a membership business:

> *"In terms of employee performance, what we do is we set ourselves as I said with the third Director, goals at the beginning of every month. That's reviewed by the third Director, everybody's performance is measured by the third Director, every month, then we set the new goals. And it's kind of a pace setting and it works incredibly well"* (POY, CEO, Disengagement).

SMEs also accept the use of appraisal to achieve goals:

> *"I think we know and work alongside employees, which means we have got the advantage of having very good knowledge of what they are doing. We do have an appraisal system for staff but I would have to say most of it is done day to day. Knowing what training requirements they need, of what areas they should be working in, of how you share knowledge on a day to day basis is key"* (WMP, Marketing Director, Resource Mature).

It is necessary for SMEs to measure their individual employee's capabilities because it provides an opportunity to ensure the best use of employee skills and abilities. This research shows that every SME has its own operating system based on their differentiated working environment, therefore their employees' performance appraisal should reflect their development needs and requirements.

Managing employees to achieve their potential is always challenging for SMEs. A firm will attempt to align their employees' capability to meet their own objectives. Obviously, an important aspect is to ensure that, if things go wrong, staff still feel valued. It is reassuring that businesses realise this key element:

"Because at the end the day, the organisation will manage what your people can do and how your people are. And you also have employee capability" (IRRI, Owner, Success Growth).

Also, as confirmed by some employees, they themselves can see the benefit of being aligned to the goals of the business.

6.5.1 Employees' Working Capabilities and Attitudes

In the research, SMEs claimed that they considered employee performance as one of the most important indicators for measuring SME success: *"As a business consultancy we need to provide a customised, professional service. This requires our employees to be competent and well educated"* (S3, Survival, Business Consultancy). It found that well-trained or experienced employees are more likely to perform well in their work and their working efficiency can also improve the entire SMEs working efficiency and effectiveness, which supports Xerri and Brunetto's (2011) view.

SMEs tend to hire employees with work experience, especially smaller SMEs, as confirmed by a senior staff member from a telecommunication service firm:

"To be honest, if they do take a new person in, and the new person is not capable of working independently and asks a lot of questions, they end up just losing money, cause it needs more time on training them. It is just not possible; it is very difficult to say leaders are good at managing people, because in a small business, it is not the priority. It is always growing their business" (4G, Senior Staff, Survival).

Employees with high working capabilities can greatly help SMEs to recognise problems and create appropriate solutions for the SME (Ardts et al., 2010;Carmeli and Spreitzer, 2009;Carmelli et al., 2006). For example, a CEO of a digital marketing firm expressed their wish to hire more experienced people because they can help the SME to develop their business through idea generation. This was confirmed by one family business:

"Unless the employees have the capacity to understand what they are doing, they will not be able to satisfy customer requirements. As a micro business, employees have to work closely with each other in order to fulfil

their duties. We are a (mainly) family run and operated business with one non-family member of staff" (S4, Success, Business Coaching & Training).

Some SMEs claimed their intention in establishing better relationships with employees was to build a comfortable working environment to make their employees happy with the objective of promoting employees' working attitude. A manager from a catering firm said: *"I need to work on my employees' measures and place sometimes different places to make them happy to feel loved"* (TS, Manager, Resource Mature). The manager continued

"In terms of the employee's performance, if people are needed to be told they are very slow and not working correctly. It is my job to do that. If people are doing a good job like tonight, I will always thank them. I think saying thank you can hold a lot more than anything else" (TS, Manager, Resource Mature).

SMEs in the service sectors rely on employees' positive working attitudes to increase customer satisfaction. An owner from an educational business confirmed the positive methods to manage their employees:

"I trust they can do the job properly ... They should be able to come here and do the job properly. ... I will get feedback from senior staff which she will tell me how good our classroom [and if it] needs some help to improve. The third way would be, go back to the students, how the students feel, they are getting value for money, quality then" (CSE, Owner, Survival).

Some SMEs explained how employees' working attitudes affect the organisation's overall efficiency, as illustrated by a senior staff from a management consulting firm:

"I really like my work, I can be really honest with my bosses about what I want to do and what I want to achieve and they know what my personal goals are and those line up with our company goals" (ML, Senior Staff, Survival).

Employees who are committed to their work can contribute more if they are well trained. Hence, quite a few SMEs want to provide employee training to increase their working capability, if possible:

> *"We need the sort of staff that people think are "wise" as soon as they meet them. That takes very smart, well-educated folks with street experience (capability and capital). Leadership and systems take a back seat to them but are a core component in facilitating their excellence"* (S6, Success, Social Media Marketing).

6.5.2 Employees Team Work Skills

The size of SMEs means that team work is important for their business. Two quotes emphasis this: *"We are a small business, we depend on each other, it is very supportive environment"* (4G, Senior Staff, Survival) and *"But then we rely on our employees and our team members to come back with how we're going to achieve those goals"* (AL, CEO, Survival). Others perceived that there are dangers from not being a team: *"Because if they start doing things themselves, it does not all work together. You have to make sure everybody works together"* (MCS, CEO, Take-off). Some of the SMEs provided evidence of the nature of the relationships as collaborator within the team: for example, as illustrated by a senior staff member from a telecommunication firm:

> *"He has got a lot to share, also, I think it is a very strong learning environment in the company. There is very flat hierarchy, the Manager will listen to everybody. Everybody learns from everybody, it is very open to new ideas"* (4G, Senior Staff, Survival).

It also has, though, to be an atmosphere that is tolerant, according to a CEO from a marketing firm argued:

> *"I try to let them make their own mistakes. Let us try it, if it does not work we will take a different course of actions… We do not want to make a culture in which people are afraid to make a mistake"* (WCS, CEO, Take-off).

Building the team needs action and some SMEs feel this comes through socialising:

"So we have social club events… One is cocktail masterclass. You can learn how to make cocktails... We pay for the drinks Friday night every month. We have a company BBQ every year… We do that for keep our employees happy; The fact is that quite often we get personal relationships with each other" (WCS, CEO, Take-off).

The positive aspects of small enterprises arise from their flexibility and perhaps their creativity through teamwork. Just as argued by some firms, teamwork can generate great ideas and innovation, teamwork allows employees to share their knowledge and build trust among employees. A few other SMEs also confirmed the benefits of building employees' teamwork that it can encourage knowledge sharing and improve innovation.

6.5.3 Employees Business Network Skills

Previous research suggests that employees' business networking skills is a part of their working capabilities confirmed in the current research. Employees' business network skills help SMEs to develop their business and increase the customer base (Nebus, 2006;De Jong and Den Hartog, 2010). Some SMEs in this research said that they used employees' business networking capacities to expand their market, as illustrated by a senior staff at an accounting firm whose business relied greatly on networking:

"What he does is a business networking breakfast club. Down in North Berwick. B&I. It is small businesses breakfast network. They are all different businesses, pass each other, there are mortgage advisors as well. You go to the breakfast and see if there are new clients. We pick up a few clients that way" (HLCL, Senior Staff, Success Growth).

Business networks were widely used by young SMEs, as stated by a senior staff member from a telecommunication:

"Meeting the right people, for example, if you go to a networking event, who is sitting next to. It is all about finding the right people at the right time. If you meet that person, if your ability to influence that person, to get a good impression and knowledgeable about your products, and understand the business" (4G, Senior Staff, Survival).

This research found that both young SMEs and well-established businesses rely on business networks to expand their business by generating more business through employee business networks. As the Owner said their employees have a wide experience and received much business from their employees' business networks internationally:

> *"Well we do work internationally. Last week we were working in Canada. This time last week I was in Barcelona last week working for a client who was at an exhibition. I was in Barcelona from a week past Sunday to last Wednesday I was in Barcelona. I've had coverage across America, North America, Canada, Brazil, right across mainland Europe, in India, in Africa…" (APR, Owner, Take-off).*

6.5.4 Employee Feedback and Suggestions

SMEs need to increase their customer base to develop their businesses. However, this research found that young and start-up SMEs often lacked sufficient experience. Many SMEs, therefore, used their employees' suggestions, especially those from experienced employees, to develop their business, as illustrated by a senior staff of a management consulting firm:

> *"Employee suggestions, we do that. We are working on an online platform, bringing our products online because that was a suggestion of one of our younger guys before I had started. The IT guy said we could reach out to a lot of new people so we are doing that… We are always looking to innovate; our business is change so if we are not changing then we are probably doing something wrong"* (ML, Senior Staff, Survival).

SMEs do have many advantages over other businesses through informality and flexibility. Often their flat organisational structures ensure employees are more likely to share their knowledge and ideas, as a senior staff member from a telecommunication firm explained:

> *"I would say there is a lot of freedom. No really strict rules, there has been a lot of trust and individual respect between people; The Managing Director... Yes, he has got a lot to share, also, I think it is a very strong*

learning environment in the company. There is very flat hierarchy, the Manager will listen to everybody. Everybody learns from everybody, it is very open to new ideas" (4G, Senior Staff, Survival).

The flexible working environment encourages employees to be more involved in the business and that can help to update their services more innovatively. A CEO from a training software development firm said that: *"if anybody has a good idea or they've got something to add, they know how to do that and they put it in"* (AL, CEO, Survival). It was also confirmed by an Owner from a research software development firm: *"Innovation performance, I mean especially from employees' suggestions. We always take this on board"* (QL, Owner, Existence). Employee suggestions offer a good opportunity to review SMEs business and their knowledge can be used to improve working efficiency, as illustrated by an Owner of a content writing service firm:

"I need to negotiate with him because he provides brilliant service. He is really consultative. I tell them what I want, he even comes to me and says to do this. I agree with him or disagree with him, mostly I agree with most of he says" (VG, Owner, Success Growth).

The use of employee knowledge and suggestions was confirmed as very useful by a Business Partner in a law service firm:

"I think we know and work alongside employees which means we have got the advantage of having very good knowledge of what they are doing. We do have an appraisal system for staff but I would have to say most of it is done day-to-day. Knowing what training requirements they need, of what areas they should be working in, of how you share knowledge on a day to day basis" (CCW, Business Partner, Take-off).

Employee feedback and suggestions can lead to development within the SME. The research found most SMEs have no formal mechanisms to evaluate employee feedback and assess the worth of employee suggestions.

6.6 Conclusion

This chapter has explored the importance of SMEs' internal dynamic capabilities for achieve success. Given that SMEs are all different due to the nature of the business, firm size, stage of development, etc., they will use a diverse range of capabilities to achieve success. The approaches taken even within the same industry may be different. Yet SMEs at an early stage of development focus more on generating sales and earnings to maintain survival. Mature SMEs often have good cash flow and are financially stable. They are capable of developing their business given their resources.

This chapter fulfils the objective of exploring SMEs' dynamic capabilities. It has found that a well-established working organisational structure and flexible working ecology environment assists in improving their organisational capability, as stated by Alonso-Almeida et al. (2015). A better reflective understanding of SMEs themselves can help SMEs to develop their organisational capabilities whether they are a start-up or a mature business. The ability to establish a reasonable organisational structure and maintain a good size enables SMEs to have a better working culture. Sustainability is often established as illustrated by managing the finances, primarily cash flow, whether they are a start-up or a mature business. Partnerships and collaborations are important for SMEs, since sharing knowledge with collaborators helps develop organisational capability.

Customers are the main part of any business. SMEs should place great importance on improving their services to engender more customer value, as confirmed by previous research (Simpson et al., 2001). This is obviously undertaken in order to target the customers who value their services. Small SMEs have the potential for a more personal touch and can communicate with individual customers; they are also more agile when interacting with customers and hopefully achieve better customer satisfaction. Social media is the way many people know about an SME, and Facebook, Twitter and LinkedIn are most widely used by SMEs. Using customer feedback greatly helps many of the respondents to improve their service and products.

The quality of SME service can directly affect their business and customer satisfaction. As confirmed by many SMEs, they concentrate on the quality and on delivery times, otherwise, it will lead to huge damage to both their business and possibly the client businesses. Customers are sensitive to price and SMEs find it hard

to set an appropriate price. SMEs price setting is based on the market and their cost, the market trend and customers' feedback.

Human assets affect SMEs' success through employees' working capability. From start-up SMEs have usually few employees, business founders and owners play multiple roles. Owners and founders need to have a clear business plan. Given limited resources many start-up SMEs confirmed the benefits of recruiting employees through informal ways, like through referrals or business networks. Given the importance of employees, SMEs often try to recruit experienced employees, especially if they are small, and do not expect to train employees. Larger and more mature SMEs are more willing to train staff with the associated benefits. In SMEs, employees have more licence in working and are encouraged to innovate. This is often due to more flexible and flatter organisations.

Chapter 7 Adaptive Capability and Success

7.1 Introduction

SMEs adaptive behaviour is their ability to respond to their environment. Such ability requires the SME to understand their environment and be capable to adjust to it. It may be a requisite to their success. Hence in this chapter the capability to react to the environment will be explored and how doing so helps SMEs to achieve their business objectives. The main features are knowledge sharing and the ability to redevelop their employees' capabilities.

In order to react successful to the market, there needs to be a knowledge-sharing environment established, both externally and internally. Such an environment can lead to more efficient working and better development. SMEs rely for their business development on employees and their capabilities, which is enabled by team working. Hence, having a workforce that is willing to expand their skills and knowledge and be open potentially enhances SMEs' success.

Table 7-1 which follows displays some main themes emerging from the research that are relevant to SME Adaptive capability and Success, such as managing innovations, reactions to external market change and business context. Redeveloping the entrepreneur's leadership skills relies on the environment, redeveloping employees' capabilities, etc. More details can be found in Appendix 8.

7.2 An Innovative Knowledge Sharing Environment

SMEs exist often in a coopetitive environment, which allows symbiotic development through knowledge and skill sharing. In such environments, SMEs interact with the other businesses, even possibly competitors, internally with employees and fruitfully with clients/customers. It can boost innovative learning by gaining the knowledge about market trends and customer preferences, enabling SMEs to benefit from co-creation (Yang and Chen, 2008). The dynamic economic environment provides challenges for many businesses.

Table 7-1 Themes Relevant to SME Adaptive Capability and Success							
	Words	I	II	III D	III G	IV	V
Innovation and Competition Management	Competition ability/ comparators	22	21			15,18	24
	Promotion score		10				
	Innovation Performance/creative	11,20,22	13,10,21		14,16,19,23	15	8,3
	Survival		13			15,18	24
	Social Impact				16, 12,19,23		
External Market and Business Context	Good Supplier Relationship/collaboration	22	21		19,	9	3,8
	Whether/climate						8
	Seasonal factor/Tourism/festival				14		8,24
	Tram						8
	Marketing strategy	20,22	10		19,23		3,8,24
	Regulatory (Law)	11			12,5		8,24
	Political environment (VAT)	22	21		12,14,19,	9	8,24
	Business & Economic environment	22	10,21		5,14,16,19,	18,15,4,9	8,3,24
	Job security						3,8
	Market-orientation	11,20	21		12,14,16,19,	18,15,4,9	3
Entrepreneurship/ Leadership/Vision/ Employees/	Leadership issue (lack of communication)					18	24
	Employee capabilities	7				4	24
	Distractions /personal reason	7				9	
	Lack employee loyalty				23		
	Decision-making			17	12		
	HR Recruiting				5,	4	
	Retention of employees		10,13			18,4	
High innovative development	Technology development						3
	Achieve break even		10				
	Leading company in own industry	11					
	Increase growing as quickly as possible				23		
	Be active on business		6				
	Improve organisation capacity		6				
	Look for big projects		6				
	Own IP and developed technology						3
Improvement in Employee Performance	Recruit more (skilled) employees	20	13,6		12,19,23	18	
	Empowerment					18	24
	Improvement in employee capability	7	10,21				3
	Bonus to employees		10				

In such a context, knowledge can be viewed as a competitive advantage (Tsai, 2002). SME ecosystems provide opportunities for gaining knowledge that can enable development. Within an SME, discussion amongst staff provides opportunities: *"We have a weekly knowledge sharing staff meeting where we discuss staff innovation"*

(S3, Survival, Business Consultancy). Managers can play a supervisory role to encourage knowledge sharing within their organisations. There is a need for staff to work together: *"I have to teach them and make sure everybody works together"* (MCS, CEO, Take-off).

Employees' past experience can extend knowledge within the SME. A good atmosphere within the employees' working environment is likely to achieve overall working efficiency:

> *"Face-to-face or group work can also be influenced by the culture of the organisation, the "feel" of the place in which the service is delivered, the atmosphere within the groups, the social interaction within the group and between me and the group or individual"* (S6, Success, Social Media Marketing).

Possibly start-up SMEs have an advantage in the size of their integrated collaboration within the SMEs and so may be able to increase knowledge sharing and idea creation relatively easily. A senior staff member of a start-up consulting firm said:

> *"There is no really strict rules. There is a lot of trust and individual respect between people, when you got important news and knowledge that needs to be shared, most of the time, it is sent by email"* (ML, Senior Staff, Survival).

It was confirmed that collaboration and synergy amongst employees could generate more ideas. A step towards developing a knowledge-sharing environment is to increase both formal and informal interaction between managers and employees. According to a CEO of a marketing firm, managers ensure they join their employees in informal social events to build a closer relationship and develop informal structures. This is reflected in the following quote from the CEO:

> *"So we have social club events… One is A cocktail master class… We pay for the drinks Friday night every month. We do that to keep our employees happy; the fact is that quite often we get personal relationships with each other that helps to share ideas and knowledge"* (MCS, CEO, Take-off).

The CEO also confirmed employees did increase knowledge sharing and encouraged staff to engage in self-learning through such flexible relationships. Senior

staff with more knowledge and working experience can share their experience with new employees which can improve the working efficiency of new member of staff, for example:

> *"Much of the work is at the cutting edge of developments in corporate and personal growth, so being aware of new ideas, new applications of older methods, creating new intellectual products, being entrepreneurial with those ideas and communication them via social media, are the most important aspects, for me"* (S4, Success, Business Coaching & Training).

This is confirmed by a senior staff member from a telecommunication firm who explained how knowledge sharing occurred between the Manager and other employees in their company:

> *"The Managing Director takes some pattern or personality, he has got a lot of experience that he worked in Nokia before. Yes, he has got a lot to share, I think it is a very strong learning environment in the company, the Manager will listen to everybody. Everybody learns from everybody, it is very open to new ideas"* (4G, Senior Staff, Survival).

The senior staff member went on to explain how knowledge was shared amongst the employees:

> *"We are very small, we are very mobile, and we rarely go to the office, it is all virtual communication. When you got important news and knowledge that need to be shared, we share figures most of the time, it was sent by email"* (4G, Senior Staff, Survival).

Mature SMEs also consider knowledge sharing. They are more likely to implement well-designed procedures for such. Some mature SMEs argued knowledge sharing is regarded as an efficient communication process that every employee should involve in. This is confirmed by a Business Partner at a law service firm, in order to share information more efficiently, they built an internal blog to sharing ideas and information across the entire firm: "*(what I have done is) I am about to introduce is a new blog internal web blog service so that we can share knowledge more easily*" (CCW, Business Partner, Take-Off). A CEO of an employee training SME claimed: *"We are a small business, we depend on each other, it is very supportive and knowledge sharing environment"* (TPT, Owner, Success Growth).

It has been demonstrated that a positive employees' relationships in an organisation can encourage teamwork, and in return this can encourage knowledge sharing and idea creation. The research clearly supports the idea that employees' engagement within the firm can promote innovation and improve the working efficiency. SMEs rely heavily on team building since it is the best way of sharing knowledge and working coherently, based on individual's learning capabilities. A CEO at a training software development firm explained that they relied on employees' capability to gain business: *"But then we rely on our employees and our team members to come back with how we're going to achieve those goals"* (AL, CEO, Survival). The dependency on employees' working and self-learning capabilities highlights the need to establish a good knowledge sharing environment and so release each individual's potential, as illustrated by an Owner of an employee training firm who said: *"We are a small business, we depend on each other. It is very supportive environment"* (TPT, Owner, Success Growth). Thus, it proves the flexible relationship amongst the employees that can encourage knowledge sharing and self-learning.

A knowledge-sharing environment not only exists within a firm but also with clients and other businesses. A Marketing Director from a mature firm indicated that not only did they share ideas within the firm but also with clients, in order so come up with better solutions and offer better customer value. A Founder of a start-up jewellery firm said they wished to share their knowledge with their clients, thus the clients' feedback can improve their learning and service updating: "*it is educating the market that is one of the challenges; a success story is always good to share among the clients. Continue learning and improving matters to every SME*" (PJ, Owner, Existence). A Manager from a catering service firm also confirmed an information-sharing network with clients to promote innovation and generate more creative ideas. In return, customers were given more customer value with a better quality service or product, for example*: "Employee performance is used to share best practise between employees to improve customer satisfaction"* (S5, Survival, Sole Trader).

Knowledge sharing can also happen with competitors, some SMEs agreed to share knowledge with some competitors to develop both their organisation and its capability. Some SMEs gained knowledge from competitors, though not those in direct competition. A CEO of an employee training firm confirmed the advantage of

knowledge sharing with competitors and argued that the knowledge sharing environment enables both sides to support each other:

> *"The idea is we want to provide the platform for these trainers to come together, to get to know each other's materials and therefore to have trust in each other and know each other's clients. So it was a referral system for each other, we associate with each other, sometimes I work for them and sometimes they come along and work for me"* (TPT, Owner, Success Growth).

Relying on this coopetitive ecosystem, an SME can improve their knowledge and capabilities through a knowledge sharing network with competitors either formally or informally.

7.3 Integrating Human Assets to Enhance Capability

7.3.1 Entrepreneurship and Business Vision

SMEs, at their early stage of development, often have limited budget and with relatively few employees. Business founders or owners will also act as an employee. Given the limited human resource, the owner/manager will often have a series of roles. One CEO argued that he is not only the decision maker, but most of the time he has direct contact with customers. It is more hands on and allows him to have a better relationship with the customer assisting the business to develop.

An Owner from a start-up jewellery firm argued the business ran well because she knew the market well and customers knew her. The Owner said that she presents the business: "*There are mixed messages, so regarding XXX Jewellery, I am the best to sell XXX Jewellery because I am the product*" (PJ, Owner, Existence). An Owner of an employee training service firm stated that they received most of their businesses because of her, as clients knew her well and she could represent the business: "*XXX, the company is me*" (TPT, Owner, Success Growth). Another Owner of an education school also confirmed that their school had been running for over 15 years and relied on him: "*my teaching school, that is me*" (MCC, Owner, Survival). This shows that owners identify strongly with their businesses, especially with start-up and younger

SMEs:. Reputation is regarded as one vital factor affecting success. For example, an Owner at a PR firm claimed he has been in this market for more than 20 years, and most of his clients knew him very well. Clients choose their service based on a relationship and so quite often the firm gets referrals.

7.3.2 Discovering and Integrating Talent Via Networking

Few SMEs in this research implemented formal recruitment and training processes. Some said that they looked for employees through informal networks such as friends' recommendations, referrals, or by contacting people directly who were familiar in the business networks. The research found most start-up SMEs adopt this recruitment method due to the lack of financial support or human resources to implement formal recruitment processes. In terms of this informal recruitment method, they can often recruit people who have the capability and experience to take on their job, as such employees can expect less training.

An Owner of a software development firm, said that they intended to enlarge their sales and so informally recruited a salesperson through a friend's recommendation *"we have got a salesperson and she can speak German and got a lot sales experience. She is a referral from a friend"* (QL, Owner, Existence). A CEO of a training software firm confirmed that they were looking for individuals who could align with their firm's development goal:

> *"We need our employees to remain committed to the goal. We need our Board to remain committed to the goal and we need our investors to remain committed to our plan"* (AL, CEO, Survival).

An Owner from a content writing service firm explained how his company preferred to hire contractors rather than recruit full time employees, saying that it is an efficient way to select people with more working experience, and there is no need to provide further training. They remarked that this recruitment strategy can bring many benefits, such as saving time on recruitment, maintaining better service quality and cost saving:

> *"We hire contract staff, you can get a much higher quality by hiring them rather than employ them because it is too expensive. I do not need to*

worry about sickness and tentative leave, training them. I do not have to be there to manage them" (VG, Owner, Success Growth).

This Owner also confirmed their small size provides them with flexibility in the recruitment process. A few well-established SME businesses or mature firms confirmed they recruit employees through a formal standard recruitment process and provide employee training. As confirmed by a Marketing Director from a mature business, they are more willing to attract talent and provide on the job training, educating them as part of a long-term business development plan:

"We want to train, educate and help them to build their skills. If we do that, we want them stay in the company. We want to build a career, we can give them more skills, more tools, more help and more assist. We want to provide an exciting career path and give them the training to a long career in XXX. Because it is easier to use people you have on board than try to continually recruit" (WMP, Marketing Director, Resource Mature).

The reason for the training is to enhance the education of the workforce and enhance the fit of employees to their job. It also assists long-term retention. Since the firm has long-term development plans, it wishes to maintain an acceptable employee turnover rate, otherwise they have to spend too much on employee recruiting and training. A CEO from a marketing firm confirmed the importance of employees training for their business: "*Training is of the things that you can ask anybody in the business it is important to them, it is training and development*" (MCS, CEO, Take-Off). The CEO further stated that they preferred to have a formal recruitment process and better training for their employees because it is also better for developing their business:

"We do a lot of training, because there are combined benefits to the company due to training. So the more trained people we have, the better for the business. It is the ideal scenario if we train the graduates because they know better of this company. We are going to train graduates effectively. So we do a lot of that, both internally and externally" (MCS, CEO, Take-Off).

Some larger SMEs said that they preferred to give better training to their employees because it is good for their business development in the long-term. Start-up SMEs or SMEs with few employees, on the other hand, preferred to use informal recruitment methods, as previously indicated.

7.3.3 Managing and Integrating Employee Capability

As expected, many SMEs confirmed that employees are their greatest assets. SMEs often begin small with limited numbers of employees, in which case each employee performance will affect the SME's working efficiency. Referring back to the previous literature, human assets play a significant role in innovation, given their experience and abilities (Delgado-Verde et al., 2015). An Owner of a resource recycling firm argued that employees' capabilities can affect the business because the firm's reputation might be affected by poor work. Therefore, they see it as important to establish good relationships with employees and to trust their employees' capabilities:

> *"Well because the way we organise and manage projects is the thing that really affects our reputation, it affects the success of our projects. And that depends upon the capability on the employees… the people that we work with – we don't tend to measure that because we know they're good"* (IRRI, Owner, Success Growth).

A CEO emphasised that it is important to have faith that employees can achieve their tasks, based on trust between the CEO and employees:

> *"I will help them to deliver what they need to deliver. But to some extent, I try to trust them in the job they have been trained to do. They are good at what they do; I want them to prove it"* (MCS, CEO, Take-Off).

An advantage of a close relationship between an SME and its employees is one where they share ideas to meet work challenges. Some employees said that once one employee makes a mistake, then others ought to learn from it. Yet if it is a culpable error then it is not acceptable. Learning from mistakes and self-learning capabilities are regarded as a desirable learning ability. For example, an Owner of a training service firm said that they assist employees with mistakes in the hope of improving their working capability. It is not acceptable, though, if an employee makes mistakes

because they are lazy or careless in their work. As argued by an Owner of a resource recycling service firm: *"We will get rid of them to ensure our working efficiency"* (IRRI, Owner, Success Growth).

Feedback from employees can enhance SMEs' working efficiency and business development. A CEO from a training software firm said they treated employee feedback seriously because very often their employees come up with new ideas:

> *"We've also worked very hard at making sure we don't have too much of a process, because we want it to be an environment where a good idea can bubble up to the top very quickly. So if anybody has a good idea or they've got something to add, they know how to do that and they put it in"* (AL, CEO, Survival).

In a management consulting firm, the senior staff stated that all employees like to share their ideas and the CEO often listen to everyone's idea:

> *"The CEO, he is the Founder. He does listen to what people have to say and he will hear your opinion and then consider that when he is making his decision"* (ML, Senior Staff, Survival).

It was found that many SMEs interviewed used both formal and informal methods to collect employee feedback, based on their organisational capabilities.

7.4 Conclusion

This chapter has discussed some adaptive capabilities SMEs should have to face the challenges of the external environment, since SMEs said that their surrounding environment may influence SME success. Many SMEs confirmed the importance of re-establishing a knowledge-sharing environment from both their internal and external business environment. A well-developed knowledge-sharing environment can encourage employees' self-learning and engagement in their work.

There is no doubt SMEs rely for much of their business development on employees. Employee capability certainly affects SME business and success, such as employees' working capabilities, teamwork skills, personal learning capability, and their feedback. In order to achieve long-term success, SMEs need to readjust their capabilities based on environmental changes. For example, some mature SMEs

owners/founders confirmed that they provided up-to-date employee training to redevelop their working skills. Some businesses ensured their recruitment process allowed them to select employees to best fulfil the task. Such SMEs offer employees training based on market trends and requirements.

Chapter 8 SME Ecosystems

8.1 Introduction

A lack of knowledge and funding are two critical features that lead to failure of SMEs. The knowledge required may be gleaned from the ecosystem the SMEs inhabit (Loreau et al., 2001). The ecosystem contains both the external business environment and SMEs' internal organisational environment. As such, the SME's ecosystem may be a major element in an SME's success. The ecosystem comprises the SME's suppliers, their clients/customers and other businesses, including competitors as well as support agencies such as advice centres (Peltoniemi and Vuori, 2004). In the external environment, they may not only collaborate with Partners, but with their competitors so the ecosystem can be coopetitive. Within the organisation, many SMEs encourage employees to enhance their knowledge and share it with the rest of the employees. There appears, though, to be a differential in the behaviour of SMEs due to their stage of development and their ecosystems.

The ecosystem can facilitate knowledge acquisition as well as widening the range of potential clients/customers. It develops through the networks that the SME and its employees have developed. These networks come from creating relationships with clients/customers and by the SME participating in a range of business events, trade shows and conferences, and also through informal contacts within the SME community.

Table 8-1 includes some main themes emerging from the research that are relevant to SME Ecosystems such as clients' networks, collaboration with both business partners and competitors, business events and conference network, firms' internal networks, etc. More details can be found in Appendix 8.

Table 8-1 Themes relevant to SMEs Ecosystem

	Words	I	II	III D	III G	IV	V
Client Network	Go to work with clients	22	21	17	19	4,15	
	Look for people or other company	7,20	6,13,21	17	5,12,14,19	4,15	
	Social media network to attract more clients	22	10		23		8,24
	Keep contacting with clients	11,20	10,21	17	19		
	Employees individual clients network	7,11,20,22	6,10,13,21		5,15,19	18	
	Build (internet) platform and forum network to find clients	11		17	19	18	8,24
Collaboration Network and WOM Referral Recommendation from collaborators (Intermediaries, agencies, Clients, Competitors etc.)	Collaborate with experienced employees network	11,20,22	10,13,21		5,15,19,23		
	Get clients from WOM, referral and recommendation	22	6		14,15,19,23	4,18	24
	Collaborate with supportive organisation	11		17			
	Collaborate with competitors				19	15,18	
	Intermediaries or agencies, Partner network	20	6,	17	23	18	24
Business Events or conference Network	Sponsor Business Events				19	4,18	3,8
	Trade show network	22					
	Business Conference network	11,20	21		12,23		
	Networking breakfast				5		
	Exhibition network	11,22					
SME Internal Network (Manager-Employees or E-E)	Team network to enhance SME capability	7,11,22	10,13,21	17	12,14	4	
	Social life network					4	8
	SME employees network for work in different geography area	20	6,21		12,23		
Marketing	Active marketing strategy	11	10,21		5,19,23	18,4	8
	Ads	20					
	Open a shop	22					
	Word of mouth	7	6				24
	Newspaper marketing	22					
	Launching party for new products	22					
Customer/ Market	More client communication/relationship	20,22,7	13,21	17	5,19	18	3,8,24
	Improve customer retention		10			15	3,8,24
	Build client base					15	3,8
	International clients				19		
	Improve market understand	20	21		19		
	Target familiar/right market	20,22	21,6				24
	Build market/customer loyalty						
	Look for well-paid/good quality customer		6		19		
	Build business/client network			17			

8.2 SMEs' Surrounding Ecosystems

8.2.1 The setting of an Ecosystem

Understanding an SME's ecosystem provides insights into their sustainability. It may also aid policy makers to create a supportive environment that can influence SME

survival and success. The previous research indicated that companies within the same industrial sector can be regarded as competitors, but may also serve an important role in the survival of an SME, for they are often a source of knowledge for an SME (Yang and Chen, 2008). Besides knowledge transfer, they also provide referrals and engage in collaborative symbiotic gains. A key issue in the research is the differentiation between young and mature SMEs and their use of their ecosystem, which may be collaborative and competitive (Hunt and Morgan, 1995). The research also confirmed both collaboration and competition exist in SME business environments. The diversity of the use of social media has enhanced the ecosystem, allowing a richer environment for potential collaboration.

The ecosystem is composed of many stakeholders surrounding the SME and beyond other businesses, including politicians and media. These latter two set the tone in which SMEs operate. The following quote illustrates the impact of the tone:

> *"If the economy is reported within the media as being poor then potential clients adopt this message regardless of whether or not the political environment reflects this. Having an upbeat political commentator is key although rare regardless of the success of the country"* (S4, Success, Business Coaching & Training).

An important aspect is company confidence: if the perception of the economy is good that can have an effect on developing a positive attitude: *"if the economy is perceived as growing or strong then customers are more open to spend"* (S3, Survival, Business Consultancy). Clearly, if the economy is healthy then SMEs experience the benefit: *"The amount of work available is directly related to the economic environment."* (S1, Existence, Advertising).

8.2.2 Impact of Coopetitive Ecosystem on Start-up SMEs

Young SMEs are still in the business development phase. They can use their environment to acquire knowledge and enhance their visibility. Their immediate ecosystem will depend on managers and employees, and the SME's social/business networks. As indicated in previous chapters, both owners and employees are equally

of importance in generating working knowledge and developing networks to achieve success.

The development of an ecosystem is aided by relationship building within the organisation. Whilst the firm's manager bring their previous experience and knowledge, their interaction with employees can encourage knowledge sharing within a firm. Managers, who tend to be flexible in dealing with the relationship with employees, are more likely to derive better working performance from employees who may engage with more self-development and self-learning. A senior staff member of a telecommunication service company confirmed the advantage of their learning environment:

> *"The Managing Director ... has got a lot of experience, in that he had worked in Nokia before… He has got a lot to share; also, I think it is a very strong learning environment in the company. There is a very flat hierarchy; the Manager will listen to everybody. Everybody learns from everybody, it is very open to new ideas"* (4G, Senior Staff, Survival).

Mangers play an important role through establishing a collaborative environment and encouraging building networks. Many respondents confirmed the advantage in building a collaborative working internal environment, since it not only develops employees but also may provide opportunities to develop employee networks.

The ecosystem provides a hidden framework that may provide help for an SME, namely the movement of employees around the ecosystem, providing a dynamic environment with the spread of knowledge. Obviously, this will be dependent on the nature of the sector and the feasibility of movement around the ecosystem.

Internal networks are important within the organisation: most SMEs said that group working can enhance innovation/creation and improve working efficiency. Collaboration within an SME may generate more ideas. The CEO of a marketing firm said that they received new ideas and innovations through the internal ecosystem established by the organisation. SMEs, especially the start-ups, concentrate on team building due to having a few employees implying that employees' working capabilities can affect the entire SMEs' business development and success. A CEO at a software SME confirmed the importance of a collaboration environment at a firm to achieve

their business goal. Therefore, it may be critical to success that an SME establishes a collaborative working environment.

Start-up firms are not only encouraged to develop relationships that build trust and so accelerate knowledge sharing and idea generation within the firm, the research also indicates that start-up SMEs also take advantage of their external environment for knowledge generation. For example, start-up SMEs develop their coopetitive capabilities through their external environment, such as attending trade events, business conferences and entrepreneurship clubs. Many SMEs confirmed their engagement in such business activities. A Marketing Director of a music software development firm said: "*(we) keep pushing it… promoting in conference… So I will go in their place*" (MTL, Marketing Director, Existence). One CEO also confirmed their engagement in business events: "*Trade shows, so we go to a couple of trade shows every year*" (AL, CEO, Survival). Quite a few SMEs highlighted how their connections to the external ecosystem, such as developing their business networks or attendance at events, enabled them to increase their visibility and gain more collaboration and clients, as confirmed by a senior staff member: *"we go to business networking club in XXX. It is a small business network. They are all different businesses. We pick up a few clients that way"* (HLCL, Senior Staff, Success Growth).

In summary, for start-up SMEs, the internal ecosystem within a firm helps to generate knowledge. This is encouraged by business owners or managers who create a more flexible coherent working environment. Visibility is a factor affecting start-up businesses that leads SMEs to attending trade events, business events, entrepreneurship clubs etc., which can also develop networks. Both internal organisations and external networks can provide an ecosystem that generates knowledge and opportunities for an SME.

8.2.3 Impact of Coopetitive Ecosystem on Mature SMEs

As with start-up SMEs, mature SMEs value internal knowledge sharing, but are more likely to implement well-designed procedures to ensure the sharing of knowledge. This is illustrated by a Business Partner at a law firm: *"I think we know and work alongside employees which means we have got the advantage of having very good knowledge of*

what they are doing" (CCW, Business Partner, Take-off). He further explained the use of an internal blog to share knowledge: "*(what I have done is) I am about to introduce is a new blog internal web blog service so that we can share knowledge more easily*" (CCW, Business Partner, Take-off).

Mature SMEs not only share information within their own organisation, they are more likely to share ideas with their clients and the broader external business environment. A Marketing Director of a semiconductor firm argued they were more willing to share ideas with their clients because their feedback helped to improve their quality: "*we now go to and work with our customers. We share ideas with our customers. We come to them with our solutions*" (WMP, Marketing Director, Resource Mature). Mature SMEs work with customers to enable them to collect customer feedback that can help them to deliver higher customer value.

The research found mature SMEs not only collaborate with partners, they also work with their competitors. From a competitive situation, mature SMEs find they can generate more creative ideas and innovations. Therefore, a coopetitive ecosystem brings both internal and external benefits. A Founder from a PR service firm said that many competitors within the market existed but they still preferred to collaborate with their competitors rather than attack them. A Business Partner of a law firm confirmed that they also established good relationships with their competitors:

> *"It is quite cooperative; in fact a lot of our work we get from other lawyers, so in theory we compete with them as well. No doubt we are competing on some projects but on the other hand we do get business back from them. It is a kind of synergy between cooperation and competition"* (CCW, Business Partner, Take-off).

The reason collaboration exists between mature firms and their competitors often arises with both parties sharing knowledge and information, which mutually develops their businesses. Mature SMEs may rely on their competitors' networks to gain more businesses and clients. A business Owner confirmed this: *"you get good networks in business… through that relationship, you can get work in. It brings me more work and a lot of resources"* (APR, Owner, Take-off). A CEO of an employee training service firm also confirmed the advantage of collaboration with competitors to support each other achieving an informal association in their industry. Many mature SMEs

confirmed that they had a coopetitive relationship with other SMEs, either formally or informally, in many contexts to gain more resources.

8.3 SME Networks

Networks were a recurrent theme in the research. SMEs are embedded in an ecology which provides opportunities in terms of gathering information, making contact with collaborators and raising the SME's visibility. Many of those interviewed reflected the desire to find customers and increase visibility through networking, trade shows, conferences and other events. Typical examples of tapping into networks were confirmed by start-ups: *"continue to network and build my client list… extending our networks"* (S1, Existence, Advertising).

Visibility is an important issue and the use of social media is seen as a productive tool to achieve this. A CEO of a software development firm confirmed the necessity of network for their businesses:

> *"And I think that around the 15,000 likes in Facebook; We've got about 2,000 Twitter followers I think roughly, I think for us LinkedIn has really been the number one driver of growth"* (AL, CEO, Survival).

One Manager at a mature catering service firm argued the importance of customer networks through social media: *"For instance, I put something in Facebook, so people can see it and it brings people in. Well, people like the stuff as well. …"* (TS, Manager, Resource Mature). Yet this may be illusory without turning the network into customers/clients.

Networking with other businesses can aid referrals, a Marketing Director at a mature law service firm argued: *"So most business we get is coming from either other lawyers, or other surveyors, providing work to us… comes from recommendation"* (CCW, Business Partner, Take-off). Some other firms agreed that they could achieve referrals from their networ*k*: *"We do not go to speak to them (Clients) directly. Quite often we get references from people who work in London…. It is word of mouth"* (TCMO, Marketing Director, Success Growth) and *"…So it was a referral system for each other"* (TPT, Owner, Success Growth).

It is notable that SMEs often treat other businesses not as opponents, since they recognise they may have to collaborate with them in future: *"We do not attack them*

in any shape or form. We work together with many of our competitors. It might be described as symbiotic" (APR, Owner, Take-off). Partially this might be driven by lack of capacity or in order to gain from a competitor's skill base. This provides a reason to attend trade fairs and events, since SMEs can benefit from discussion and direct feedback from both customers and other firms at such events.

8.3.1 Client Networks

SMEs can be successful through building an open and available network that engages with clients (Kearney and Abdul-Nour, 2004). Working within SMEs' client networks can help SME understand better their clients' needs and requirement. Alternatively, some ensure they maintain a close working relationship by sharing information and offering solutions, as indicated by the Marketing Director at a mature firm, who claimed that: "*we now go to and work with our customer. We share ideas with our customers…*" (WMP, Marketing Director, Resource Mature). Staying in touch with clients enables SMEs to clarify clients' needs and so satisfy their requirements. A CEO from a membership model business said:

> *"so we (keep in) touch with our membership community at least once a year and we meet with our paying fellowship several times a year at our events… We are able to get a lot of qualitative feedback from them and the information they give is usually very good"* (POY, CEO, Disengagement).

A customer network can be established through trust, long-term contact, and engagement (Kearney and Abdul-Nour, 2004). A few SMEs claimed they improved their quality of service or product through listening to customers. A customer/client network is helpful for developing SMEs' business: for example, a CEO of a marketing firm argued that losing their client network would lead to bad outcome: "*I would say, first and foremost losing one of our business clients… that relationship if lost, that will be bad. If the relationship with XX is lost, that will be bad*" (INML, CEO, Survival). Hence, SMEs monitor their customer network.

Social media is a very significant route that SMEs use to build their networks: *"When we make new food, we will announce it in Facebook"* (TS, Manager, Resource

Mature). This confirms Taylor and Kent's (2010) view that SMEs employ social media, internet platforms and forums to enlarge their customer base. Some SMEs claim social media has been widely used and is recognised as a powerful communication tool that can greatly help them to build their customer network. It found social media also plays a role in the marketing strategy, while for commercial purposes they used LinkedIn, YouTube, Facebook, Twitter, etc., (Wirga et al., 2013). For example, a few firms use social media as a platform for them to announce the launch of a new service. Some SMEs use social media to gain engagement with their customers given its immediacy. Many SMEs claim their preference for using social media is to build a customer network relationship. For example, a CEO of a training software development SME explained the importance of using social media to develop their business through generating increased activity.

Social media has been recognised as one functional online marketing tool that can reach the customer faster and cheaper, a senior member of staff at a telecommunication firm claimed they use mobile phone marketing and send messages to their customers. Customers can receive service information immediately through social media instead of traditional marketing channels (Bondarouk and Olivas-Lujan, 2013). This is illustrated in the survey:

> *"I need help in the business support networks and they have not let me down. My customers have broad needs and I have one person currently trying to meet them all"* (S5, Survival, Sole Trader).

It was found that over half SMEs in the study claimed they received new customers/clients from social media. It was confirmed by some SMEs that they planned to be more active in using social media and to put more effort into communicating with their customers through social media.

8.3.2 Business Events and Conference Networks

Previous research focused on business networks has said that companies' alliances and mutual collaboration with dependency relationships can help with their business development (Street and Cameron, 2007). However, little research has been conducted to investigate how SMEs build up business network relationships. This research found

many SMEs expand their business through business events, conferences, business seminars, exhibitions, trade shows and other relevant events, where SMEs can get in contact with their potential customers or business partners. A senior staff member at an accounting firm claimed that they attend business events to develop their business: *"I can say through our networking, for example we tend to talk or join some events"* (HLCL, Senior Staff, Success Growth). In the research, many SMEs, both young and mature, said that they attended various such business events. Start-up and young SMEs said they went to variety of business events regularly to expand their businesses: *"we go to a couple of trade shows every year*" (AL, CEO, Survival).

Many start-up SMEs said that attending business events and activities is very useful because they provide a good opportunity to acquire market information, gain potential collaborators and gather information about customer needs and requirements. Developing a business network has become an important method of increasing SMEs market visibility. A research software development SME at Stage I said:

> *"We have a serious strategy to gradually increasing the visibility. You have to keep pushing it… promoting in conferences… Every time there is a big exhibition, they will have an exhibition centre… So I can go and sit in their stand, in their place"* (MTL, Marketing Director, Existence).

8.3.3 Collaborative Networks

Previous research established that collaborative networking can contribute to resolving tough problems. Networks enable SMEs to improve their standards and increase their quality levels (Kearney and Abdul-Nour, 2004). This research found similar cases: an Owner from an employee training service firm appreciated how their network that put them in touch with talented people, saying that maintaining a good relationship with others can help develop businesses: *"You surround yourself with the right people. You believe in yourself… and surround yourself with supportive people"* (TPT, Owner, Success Growth).

For SMEs, value creation can be regarded as generating more business and customers. Over half of the respondents admitted that they received their business or customers from their business networks, such as business Partners and collaborators.

For example, a Marketing Director at a careers service firm claimed: "*Quite often we get references from people who work in London…. It is word of mouth",* (TCMO, Marketing Director, Success Growth). A Business Partner of a law firm argued that they get most of their businesses from their network partners:

> *"I suppose we've been in the fortunate position that most things have been introduced to us… but if I had to estimate I would say ninety five percent of work we get comes from recommendations"* (CCW, Business Partner, Take-off).

A business Owner from a content writing company claimed that their business relied on collaborative network: *"So it was a referral system for each other…"* (VG, Owner, Success Growth) and a business Owner of a PR service also confirmed that their business relied much on referrals: *"Referrals, I know where the referrals come from, I have a system to target that area"* (APR, Owner, Take-off). SMEs do not generally function as single entities and so nearly all of them have established collaborative networks with either clients or Business Partners.

The research reveals that business collaborative networks not only help to grow an SME's customer base but that such networks can improve SMEs' overall organisational capabilities. A specific business network refers to a mutual relationship that allows one business to share knowledge and experience with another firm as well as use other firms' resources (Holm et al., 1999). In terms of informational interchange, a business network enables SME to develop their capabilities and accelerate the value creation process. This was recognised in the research, with SMEs claiming the importance of business collaborative networks in developing their own technology and business capabilities.

8.3.4 Competitor Networks

SMEs' collaborative networks normally include business partners, agencies, intermediaries, or clients. However, a few SMEs in this research claimed that they quite often received referrals from business competitors. A business Owner of a PR service firm confirmed their collaboration with competitors through which they also built a trusting relationship bringing more work and greater resources.

It is unclear why some firms introduce clients to their competitors, but some SMEs claimed competitors are also their co-operators and they also benefit from joint work with competitors. The quote above highlights this. A Business Partner from a law service firm explained the interrelationship between collaboration and competition thus: "*No doubt we are competing on some projects but on the other hand we do get business back from them"* (CCW, Business Partner, Take-off). Therefore, even where competition exists between SMEs, they still engage in beneficial collaborations, as described by the business Partner from the law firm: *"it is a kind of synergy between cooperation and competition"* (CCW, Business Partner, Take-off).

8.4 Conclusion

SMEs employ various mechanisms to take advantage of their ecosystem to increase their businesses and achieve success. The ecosystem develops through the relationship within and without the SME. Employees add to the networks an SME has. These networks provided opportunities for nearly all the SMEs in this research to develop their businesses. Most SMEs, especially at the mature stage, have more collaboration, even with their competitors. SMEs at the start-up stage and mature stage have different views about their ecosystems, their network capabilities and the knowledge-sharing environment.

All SMEs had established their own networks. SMEs confirmed the various networks formed among clients, business events, conferences, business partners and even competitors. They said these were essential to their success and improved the likelihood to achieving success, whether they were young or well-established businesses.

A key factor that drives SMEs is customer satisfaction and customer relationship building. As confirmed by all SMEs, they would not exist if they did not offer customer value and fulfil customers' requirements. A good customer relationship can build a strong customer network that allows the business to gain more clients. A strong customer network with better customer relations and higher customer satisfaction creates both customer loyalty and more businesses from customer referrals.

Chapter 9 Discussion

9.1 Introduction

Whilst SMEs are diverse, their ability to develop depends on their available resources and their ability to use them, their capability. This chapter will explore the common elements that affect SME success, taking a resource-based view based on SMEs' dynamic capabilities, adaptive capabilities and their ability to make use of their social network/ecosystem.

The key findings from dynamic capability which facilitate success are the need to embed employees' training based on customers' requirements and the business' stage of development. Some key elements of SMEs' adaptive capabilities are establishing an innovative knowledge sharing environment and integrating human assets to enhance capability via networking. The networks SMEs develop are partially defined by their ecology, but the ability to develop appropriate networks may be critical to an SME's success. As confirmed by previous researchers, networks provide the opportunity to develop such skills rapidly through knowledge acquisition and gain customers (Dwivedi et al., 2009;Huggins and Johnston, 2009;Sandberg, 2014).

This chapter will also discuss SMEs' competitive advantages through a resource-based view, with the goal of enhancing the insights into competitive advantage by bringing together the current research and previous research results. A new framework is explored for competitive advantage arising from the research findings.

9.2 SME Strategies Towards the Surrounding Environment

An SME may be characterised in terms of its abilities to respond to internal needs, dynamic capabilities, and external needs, adaptive capabilities. These will also define the goals and hence the perception of success. These are both responses to the context within which they are situated, see Figure 9-1.

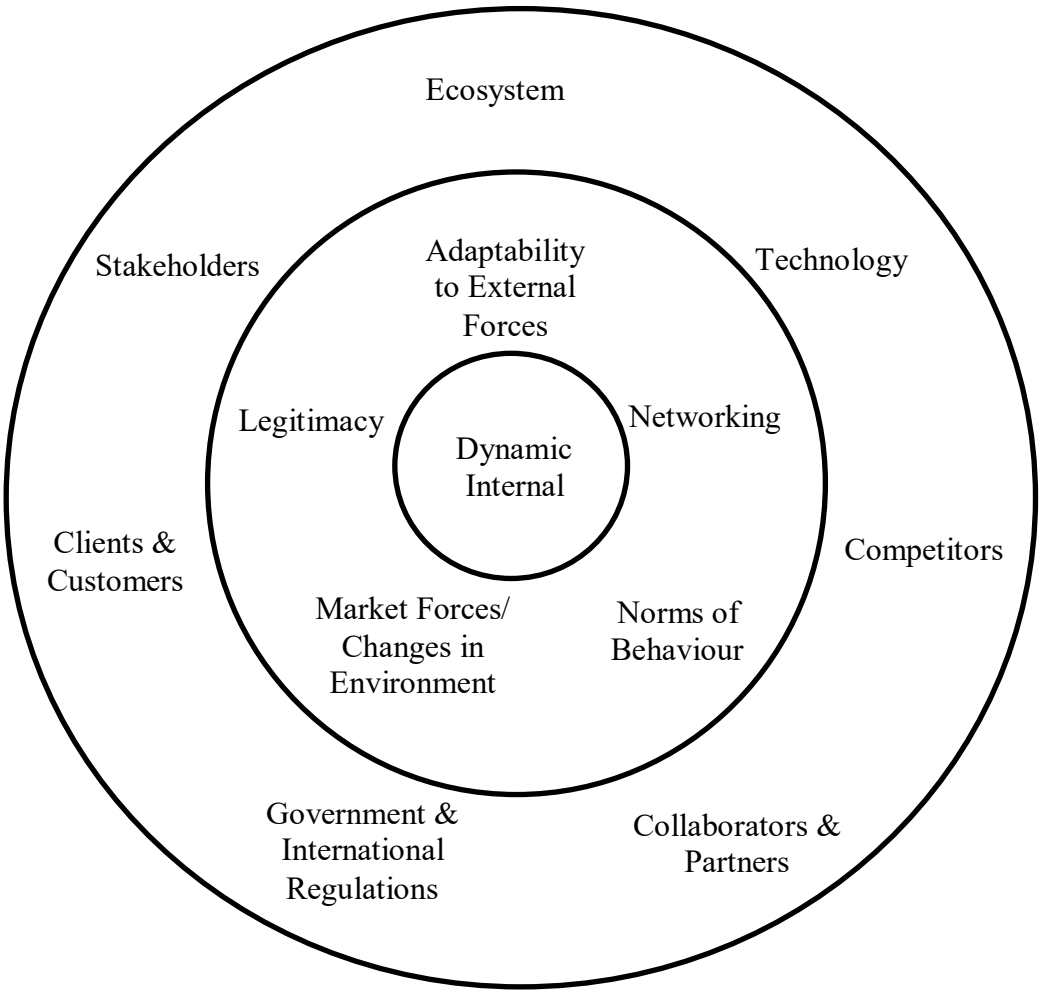


Figure 9-1 SMEs' Surrounding Environment
Source: Current Author

Figure 9-1 highlights in the outer circle the ecology in which an SME exists. There are a range of forces that have an influence on an SME's success. Clients and customers represent an important part, since they provide the justification for the existence of the SME. Without them there is no rationale for the SME. The SME's reaction to the current state of technology will also be a determinant of likely success. The benefits that can be derived from partners and collaborators assist in achieving success, but they may bring about challenges. Stakeholders of an SME may facilitate by aiding the SME in terms of guidance, knowledge or skills, but they might impede through constraining or restricting action. Laws and regulations established by

governments, either locally or internationally, can provide both opportunities by opening areas for activity or impair/constrain by activity. In doing so they can determine the success of an SME.

The second circle of Figure 9-1 illustrates the issues which might aid success or constrain it. From institutional theory the argument is that most business are affected by the acceptable norms of behaviour. This means that an SME should ensure its legitimacy amongst actors in the ecosystem. It cannot be seen to break social or legal constraints if it wishes to be seen as successful. Equally, the movements within the market place influence SME success. Again, they can be both positive and negative, for new opportunities can arise, as well activities becoming less viable. A major role in success is the ability of the management to adapt to external forces. Without adaptive behaviour it is unlikely that an SME will be successful. An ability to network within the ecology is significant in reaching for success, since it provides knowledge which may indicate new opportunities in terms of market or adaption; a network may highlight warnings about change.

The inner circle describes an ideal state. This state is not a prescription for success but provides some elements an SME might wish to consider when contemplating its direction towards success. Equally, SMEs can be successful without fulfilling these elements.

The ability of an SME to respond to market changes does depend on their stage of development. Generally speaking, SMEs at an early stage of development desire development in either income or firm size, as confirmed by previous research (Pasanen, 2006) and in this research by a software development service firm at Stage I and a management consulting firm at Stage II, who tended to increase their number of employees to gain more earnings. Not only do start-up SMEs want to generate more earnings, well-established SMEs want to increase their profits, sometimes solely to ensure sustainability. As confirmed by a membership model firm at Stage III and a content writing firm at Stage IV, they take advantage of recruiting experienced staff to improve the efficiency of business to achieve success. A catering service firm at the resource mature stage said that it is always necessary to look at changes in the surrounding changing environment to prevent uncontrollable risks.

A few SMEs said that they desired to grow their customer base at the early stage of their business and then expand into a broader market; others wanted to grow their businesses internationally. Whilst some SMEs wanted growth, others wanted to remain at their current size due to competition from both the market and the economic environment. These SMEs explained that their intention was to maintain business stability. As indicated by a marketing agency who had been running their business for nearly 20 years, initially the aim was to maintain their business stability because the UK economy had not fully recovered from the recession and most of their clients had cut their costs in marketing spending. It is true that many SMEs blamed their relative lack of success on the downturn in the economy in the UK, such as a catering service firm, a PR firm, and an employee training service firm.

However, while growth and survival have become SMEs' main business objectives, there are other objectives which are important for SMEs. Some believe businesses should aim to have a positive impact on society. Not only can the economy impact on SMEs, SMEs can also have an influence on the social and environment, as confirmed by an education service firm, a resource recycling institution, a marketing agency and a semiconductor producing firm.

9.3 Discussion of SMEs' Dynamic Capabilities

9.3.1 Assessing Common Behaviour in Achieving Success

Given the determinants of the nature of SMEs' business and stage of development, SMEs focus on the issues that seems most relevant to their goals for the business. For example, SMEs at an early stage of development tend to be small and so individual employees' working capabilities are often seen as critical, and the owner/manager may have many roles. They often desire to have more staff to gain further capabilities for their SMEs. Well-established SMEs focus on the entire organisation, not necessarily on individual employees. Start-up SMEs are often more agile in operation and their employees can have more authority in the business compared to larger, more mature SMEs. Many start-up SMEs argued that they focus on financial returns and providing customised services to their clients to ensure customer value and satisfaction, while

mature SMEs confirmed that they were likely to focus on the mass customer base and offer more standardised services.

Though start-up SMEs and mature SMEs have different goals for success, they still share some common opinions. The research confirms that nearly all young and well-established businesses tend to build a knowledge-sharing and innovative-learning environment to enhance their efficiency. All SMEs claimed the necessity of network capability in gaining business, whether in formal or informal networks. Customer relationship building and customer satisfaction matter to SMEs through all stages of development. Start-up SMEs and mature businesses argued that communication is crucial for relationship building and they used various social media to interact with their clients.

The literature highlights a diversity of measures of success and classifies some major factors affecting SME success (Simpson et al., 2012b;Lussier and Pfeifer, 2001). Many of those interviewed perceived it to be important to achieve success across a broad range of measures. SMEs are concerned about financial success (Walker and Brown, 2004;Simpson et al., 2012b;Smith and Amoako-Adu, 1999), but often this is in terms of viability. Those in the early stages often emphasised viability on a day-to-day level whilst mature SMEs have a long-term view. There were those that saw the potential for gain by selling their businesses once fully established, mainly in the software domain. However, many young SMEs argued that the need to increase visibility was a significant factor affecting their development.

This research has generated some common factors that have affected SME success, including networking, a knowledge sharing environment, employee working attitudes, targeting valuable customers, business owners' vision and entrepreneurship. The advantage SMEs have is their size and flexibility, which allows them to be innovative by using their employees' ideas, which is likely to be more problematic for larger businesses. SMEs are less restricted by legislation but seem less interested in investing in employee training. Yet this is in contradiction to past research, which suggested that many firms were willing to offer training to achieve further growth (Kotey and Folker, 2007;Patton et al., 2000). This may be determined by the stage of development: large firms have to follow the legislation more closely and are more affected by market forces.

SMEs generally wish to improve their organisational capabilities to achieve success. In the research, SMEs with greater self-realisation appeared to be in a better position to understand their organisational capacity. This provided an impetus to move their services forward. As confirmed by many SMEs, such as the digital music software development firm, a business consulting firm and a career service firm, self-realisation had enabled them to have a competitive advantage by targeting valuable customers and implementing an appropriate business plan.

SMEs agreed on the benefits of establishing a knowledge sharing organisational culture, as confirmed by a telecommunication service firm. The research found that knowledge sharing happened among CEOs, Managers and employees, mostly in start-up SMEs due to their flat organisational structure. A few senior staff at existence and survival stage SMEs confirmed they realised good opportunities to learn from CEOs' and Managers' working experience for their personal development. This research also highlights knowledge sharing between SMEs and business partners, and even among competitors.

Some SMEs' strategy was to maintain a reasonable size so that they retained a flat organisational structure to facilitate their communication and knowledge sharing. This was true of start-up SMEs as well as some established businesses, as confirmed by a law service firm. Some took the decision to maintain a small size due to the current economic environment and customers' unwillingness to spend.

It was found that SMEs define customer value based on their own capabilities and some firms viewed customer value as the value customers bring to the firm rather than how the SME can offer customers the best value for their service. For example, SMEs who offered jewellery design services and software development services viewed customer value as offering customised design and better quality than others. Service SMEs such as a management consulting firm, an employee training firm, an education service and a marketing service offered customer value as better resolution for their clients' businesses. Service providing firms agreed that on-time-delivery is very important. Timeliness is surely a crucial intangible customer value. Many SMEs said that hey never missed a deadline because this would be likely to lead to negative effects on their businesses and clients' businesses.

Limitations of size affects the ability to target a broad range of customer, but may bring benefits of more personal communication with clients and can establish a closer relationship. Smaller SMEs tend to target niche markets and offer a high value service to enhance their customer loyalty. This research found word of mouth to be an effective means of generating business for SMEs. Early stage SMEs were found in the research to use more informal social media to interact with their customers, such as LinkedIn, Twitter, and Facebook, etc. But well-established businesses and mature SMEs tended to get their clients through optimising search engines rather than relying on referrals. A Director of an accounting firm at Take-off stage confirmed search engines helped significantly with client searches because it increased their visibility.

9.3.2 Diverse Strategies Based on Stage of Development

An SME's development stage affects the strategy they employ in conjunction with the owner's business vision and the nature of the business. It is easy to suggest that early stage SMEs tend to have short-term business strategies, whilst mature firms drive for long-term business development strategy. For start-up SMEs, their organisational structure, small and flat, allows a more reactive approach to the market, gaining agility with both the organisational structure and their potential clients.

Market pressure drives their behaviour and many involve the need to regularly communicate with their customers, thus gaining the ability to provide an appropriate customer service. From customer feedback, knowledge is gained to develop strategy, given that previous examples are from a telecommunication firm and a training software development firm, both at the survival stage.

The strategy will encompass collaboration, which plays a key element to be more successful. Collaboration aids access to the market (for example, a career service firm gets referrals from business partners); or to gain resources (for example an employee training service firm relies heavily on other businesses). At the take-off stage, SMEs claimed they even relied on competitors. Some SMEs understood that they need not divide others into competitors but instead to seek opportunities for mutual benefit, as with a PR service firm.

Mature businesses tend to have broader views of strategy, taking account of employee capabilities, quality control, customer relationship building, social media interaction with customers, etc. A catering firm emphasised the need for quality delivered by committed employees. As with others, social media played a major role in their development by informing customers of their new products. A semiconductor design service firm's strategy was to provide creativity and innovation training to employees and so to offer better solutions to their clients.

9.3.3 Employee Capabilities to Boost Development

SME employees with diverse backgrounds and skill sets are a major asset to the firm. Harnessing such capabilities nurtures business growth, as a catering service firm and employee training service firm at Stage II both agreed, the latter of which took on board all feasible suggestions and so developed their business. Employee capabilities cover more than background and skills. For example, employees are often assumed to be advocates for the business, especially through their own networks (Collins and Clark, 2003), as indicated by a telecommunication network service firm.

Gaining the most capable employees proves to be a major issue for many SMEs, especially smaller SMEs, due to their limited resources. Given SMEs wish to gain competitive advantages they perceive the need for staff with diverse working capabilities who have already had experience, rather than providing training. A positive equality and diversity human resource policy can offer SMEs a cost-effective approach to overcoming some of these challenges by attracting the best talent (Kochan et al., 2003).

Generally, in SMEs at an early stage of development, the owner/manager tends to be responsible for recruitment. Often word-of-mouth (WoM) is the method of recruitment, being resource efficient, though it can restrict SMEs' employment choices.

9.3.4 Leadership and Business Vision

Competitive advantage is achieved by translating external market understanding to a company internal vision (Ulrich and Lake, 1991). An SME's business vision is created by the owner's/manager's leadership, which plays a role in improving organisational capability:

> *"Strong leadership in key roles will ensure sustainable business practice.... The capability/strength of the leaders and organisation is key to the growth of the business. A strong leadership to team and organisation will sustain healthy growth."* (S4, Success, Business Coaching & Training)

Leadership plays an important role in embedding business vision into a firm's business development, as confirmed by the CEO of a membership service SME.

Motivation and intention from the owner/manager should influence employees' actions, empowering them to think and behave as a leader, which builds the potential to achieve competitive advantage (Ulrich and Lake, 1991;Lucas and Cooper, 2009). As confirmed by the Owner of a research software development firm and the Manager from a catering service firm, their passions and attitudes greatly influenced their employees. Leadership also helps with knowledge sharing within the organisation and improves organisational capability through idea generation (Aragón-Correa et al., 2007), as a telecommunication network service SME (Survival) Managing Director said, who shared his experiences and encouraged exchanges between other employees.

9.4 Discussion of SMEs' Adaptive Capabilities

9.4.1 SME Self-recognition and Business Vision

The vulnerability of SMEs (Prananto et al., 2004) suggests that they should have a good understanding of market conditions. Some SMEs interviewed claimed that they were familiar with market conditions and their ability to respond to it, as confirmed by a digital music software service firm. Better self-recognition allowed SMEs to develop

their services based on the market trends and customer preference, as confirmed by a resource recycling service firm and a content writing service SME.

Whilst SMEs should have a better understanding of the market trends and reposition themselves with strong organisational capability and good service, as indicated by a research software development firm, they have to understand their own strengths, and how they allow them to target the right market. Some respondents indicated that they failed in their previous businesses solely because they did not target the right market and customers.

As confirmed by the previous discussion, the owner's/manager's business vision determines SMEs' business development and achievement. Entrepreneurs' desirability and feasibility affects their credibility, which allowed them to have the potential to run their business and establish entrepreneurial intention (Lucas and Cooper, 2009). Those who were more ambitious and had well-designed business plans increased the opportunity to achieve success and maintain long-term business sustainability. As discussed by the CEO from a media marketing firm, their firm set the business vision by relying on social trends, their eco-friendly business vision allowing them to be more profitable. Their vision of donating money to local environmental agencies enabled them to build a good relationship with the local community and enhanced their positive reputation, as confirmed by a research software development service firm.

Whilst many businesses set their business goals to earn money or grow, however, many firms do not survive for long. The research found that maintaining existence was invariably the first priority. Some SMEs who wished to achieve financial success can emphasis on sales, those wishing to achieve long-term sustainability can maintain its structure in a reasonable size. For those who want to achieve a better reputation and social influence, they can focus more on fulfilling their corporate social responsibilities and engaging in charity activities. Hence, SMEs can develop their target business vision.

This research has found that start-up SMEs with a clear business vision find it easier to survive because they have clearer targets. They tend to run their businesses based on their nature and development requirements. Mature businesses with a business vision should achieve long-term business sustainability and success.

9.4.2 Revaluating Adaptive Entrepreneurship

As discussed previously, SMEs are fallible, especially at their start-up stage, due to a lack of clear business development plans, insufficient financial support, a lack of customers and uncertain market knowledge. SMEs, especially those not solely concerned about profits but instead focusing on the quality of service, find it harder to achieve success, as confirmed by the Founder of an English education school. Hence, it asks business owners/founders to revaluate their entrepreneurship and leadership to guide their businesses, especially in the current changeable market environment. Since the research found entrepreneurs in successful SMEs they not only had the capability to manage their businesses but also looked at market environment trends.

Many SMEs insisted on the significant effect of entrepreneurs on success. However, this does not only depend on their specific knowledge about their businesses or their working experience: entrepreneurs should also have the ability to integrate the firm's internal dynamic capability and ecosystem to search for more business opportunities through diverse networking. As confirmed by a CEO of a digital marketing firm, who spent a few years working in local government, their business expanded internationally in collaboration with government. This research discovered that entrepreneurs of successful business had strong in management abilities, establishing a flat working organisational structure and integrating all relevant knowledge into their surrounding environment. As indicated by a Founder of a software development service firm, to better achieve business success, entrepreneurs should integrate all relevant resources to discover business opportunities.

Adaptive entrepreneurs tend to spend much more time with both employees and customers, resulting in employee turnover rate being generally very low and customer satisfaction high. Entrepreneurs should integrate both internal dynamic capabilities and external adaptive capabilities to become fit to survive. As indicated by many SMEs, entrepreneurs should be agile when setting their business goals, rely on their own capabilities, and reselecting the target market based on their strength and competitive advantages. They should encourage employees to share knowledge and let them have their freedom to contribute to developing the business based on their own strengths. As illustrated by a Business Partner in a take-off law firm, they set up target objectives and assess their employees' performance at certain periods, resulting

in employees having more authority and freedom, being more engaged in their work and achieving more business opportunities.

This research discovered that SMEs rely for their business development on entrepreneur networks. Not all entrepreneurs are born to be good at their businesses, but instead rely on the surrounding environment and networks. As confirmed by the telecommunication network service firm, the jewellery design firm, and the business consulting firm, new SMEs rely on skilled employees or business advisors. For example, one Owner from a start-up software development firm tended to have weekly meetings with their business advisor and mentor. Whilst new entrepreneurs lack business capability, they can establish business networks with Business Partners or some collaborative agencies. Many SMEs in this research confirmed the advantages of collaborating with other Business Partners.

9.5 Adaptive SMEs

SMEs need to develop their businesses under the established social norms to be legitimate. Hence, they need to manage their organisation under the social framework of its business environment within the current institutional base. Yet to remain viable they perhaps need to develop an adaptive framework, so that SMEs have a resilient social structure based on the nature of the business and their own development requirements. Whilst one would argue that firms should be adaptive, they still have to retain legitimacy with normative behaviour depending on regulations and their social framework. This research has developed an adaptive SMEs' framework based on dynamic capability, meaning an SMEs' ability to respond to the external environment at its institutional base.

A successful business must conform to the few elements at the outer layer but will have a range of capabilities that can be split into dynamic and adaptive. A firm can be successful with some of these elements: they do not need all of them. An SME will acquire the elements that provide it with a sufficient skills base from both dynamic and adaptive capabilities. Figure 9-2 is an adaptive SME framework which shows the relationship of institutional base, dynamic capability, adaptive capability and success.

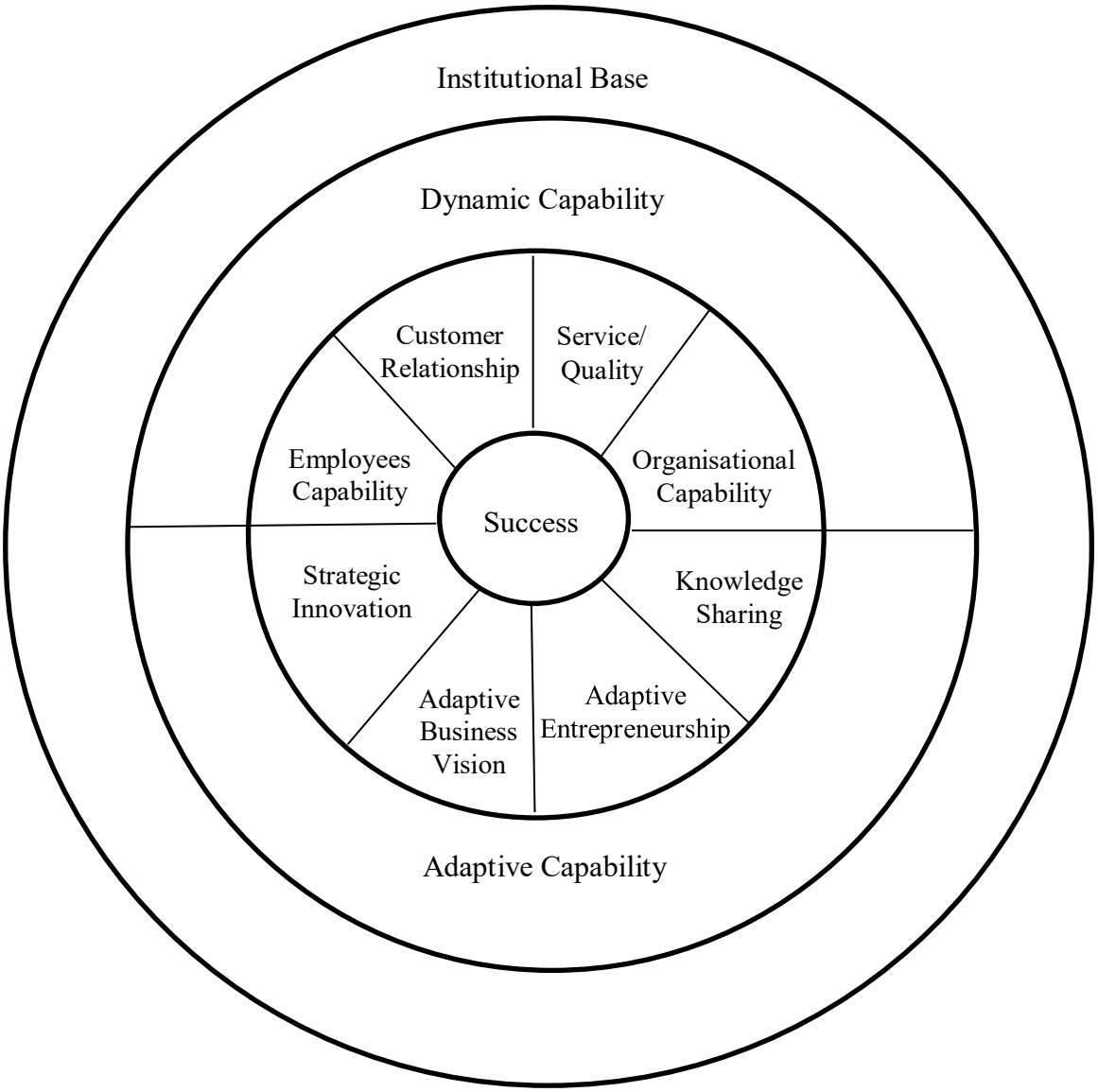


Figure 9-2 Relationship of Institutional Base, Dynamic Capability, Adaptive Capability and Success

Source: Current Author

Based on the research results, SMEs at different stages of development are affected by diverse business elements. First and foremost is the accepted norm for business to achieve general advantages, such as dynamic capability, to ensure service quality, along with well-developed organisational capability, open and inclusive employees management and good customer relationship building. SMEs need to have

the adaptive capability to ensure sustainability and the ability to transform for further development embedded with capabilities such as strategic innovation, adaptive business vision, adaptive entrepreneurship and knowledge sharing.

Building on SMEs' dynamic capability integrated with their adaptive capability, it is possible to develop an SME framework based on previous theories and the current research. SMEs should be adaptable to the market and know their goals and objectives. Their response to the market relies on their dynamic capability, but also their adaptive capability to the changing environment. Dynamic capability offers the theoretical underpinning that SMEs need to strengthen their foundational capability as a core to generating more businesses. The adaptive capability of an SME enables it to develop strategic innovation, resilience and a change strategy in the hypercompetitive market. Generated from the research findings, SMEs develop businesses with integrated knowledge, a mindset culture, adaptive behaviour, and processes and routines based on their internal dynamic capabilities and externally adaptive abilities, combined with their different stage of development.

The argument for this framework is to demonstrate the relationship amongst institutional base, dynamic capability and adaptive capability. Adaptive SMEs are developed based on their unique dynamic capability. SMEs should know their capabilities well, and so be able to offer better and unique customer value to enhance loyalty. Equally, SMEs should be agile when there is market change and develop their adaptive capabilities. SMEs have their own strengths and weaknesses in terms of dynamic capability and adaptive capabilities: some SMEs can achieve success with better adaptive capabilities without the underpinning of dynamic capabilities. As proposed in Figure 9-2, SMEs can achieve success with either dynamic capabilities (employee capabilities, customer relationships, service quality and organisational capabilities) or adaptive capabilities (knowledge sharing, adaptive entrepreneurship, adaptive business vision and strategic innovation) or both.

When this research was carried out, the UK's economy was still in a fragile state from the downturn of 2008 and it was very competitive in the service industry. In such circumstances, SMEs need to be adaptive when the market condition becomes more important. The first requirement, though, is for SMEs to strengthen their dynamic capabilities, as argued by most of the SMEs in the research, ensuring they offer

customer value. As highlighted in the research, there is a requirement for leadership which has a business vision so that they can respond to changing market conditions. This means being open to new ideas as well as being self-reflective, in know their unique selling points. The research also indicates that SMEs, if small, ought to offer a customised service, thus building a strong customer focus.

9.6 Network Ecosystems

Networks were a recurrent theme in the research and appear to be a major contributor to SME success. Kale et al. (2000) regarded the network as an asset of SMEs, relating to Bourdieu's social capital (Bourdieu, 2011), which can be regarded as both positive and negative, in that it increases the opportunity to gain more access to new resource but also can waste SMEs' resources (Bourdieu, 2011). Yet for an SME, the acquisition of knowledge can only be seen as positive. Lin (1999) argues the importance and advantages of building a network from the standpoint of social capital. The social networks facilitate the flow of information and knowledge. For instance, a Business Owner said they recruited employees through referral from their friends, thus reducing costs. The networks enable SMEs to form alliances both with collaborators and competitors, which encourages sharing of resources, knowledge and skills to achieve mutual benefit. The networks' social capital can be regarded as an intangible company asset.

The research illustrates that SMEs are not always in a competitive ecology but can be in a symbiotic ecology where they can collaborate with partners or even competitors to achieve mutual benefit. This concept had already been encapsulated as coopetition (Li, 2015). An SME's success may depend on their ability to network with other organisations. Several examples have been given about referrals from competitors. Networks can develop in other ways too, such as via trade events and entrepreneurial groupings. Thus, their networks represent social capital that they can benefit from. Obviously, the type of collaboration with others depends on the nature of the relationship, which clearly relies on an SMEs' dynamic capability to establish trust. As with any collaboration, both parties need to establish the benefits. Yet this is fraught

with the potential short-term gains against long-term benefits. Figure 9-3 illustrates the ecology that SMEs exist in for their business development.

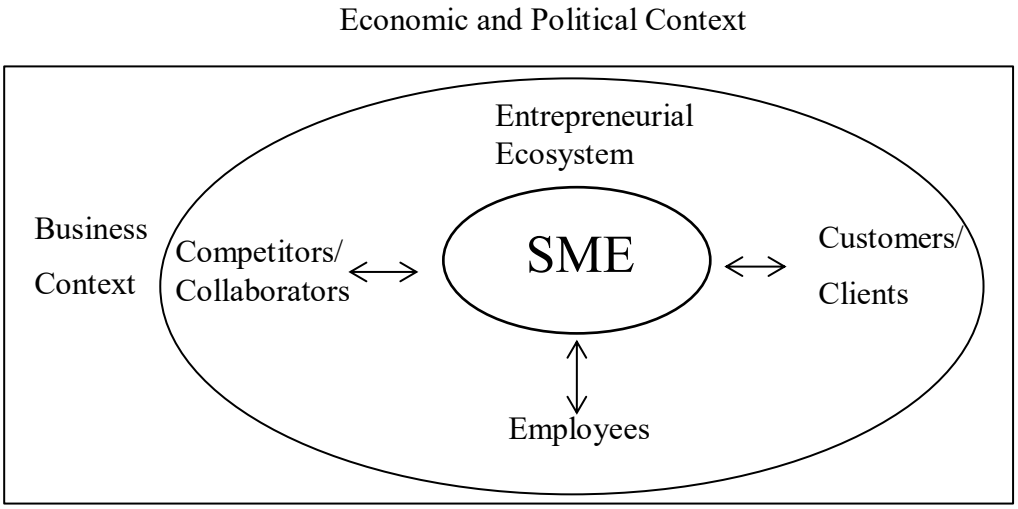


Figure 9-3 Coopetitive Ecosystem
Source: Current Author

Visibility is important to SMEs, especially at start-up, since it aids customers in identifying the SME. An SME's ecology provides opportunities to raise visibility. A major tool in the creation of visibility is social media that can also facilitate the building of networks. One Manager at a mature catering service firm argued for the importance of customer networks developed through social media to gain more customers. Trade shows, conferences and other entrepreneurship events are typical examples of opportunities for both raising visibility and developing networks.

9.6.1 SME Networking Capabilities

Previous research on a firm's networking capability put emphasis on explaining their benefits, but not on what specific networks SMEs can use to develop their business (Lee et al., 2010). The research highlights that SMEs use diverse sets of networks to achieve their success based on their needs and requirements. These networks include

clients, business events, collaborators/Partners and competitors. Every SME interviewed suggested making full use of networks for their businesses.

From the theory of social networks a range of potential models have evolved (Sandberg, 2014). In the current research the use of networks to boost visibility with customers/clients or alternatively to gain referrals seems to have been the most common amongst those interviewed. The former builds on growth strategies for SMEs, the latter is more problematic, since the business providing the referral would appear to be in a dominant position. This latter point, though, may be mitigated if those receiving the referral have a particular capability/skill based on a valuable, rare, inimitable, non-substitutable (VRIN) resource (Katz and Green, 2009). A covert aspect of networking is the desire of SMEs to acquire capabilities or skills by hiring experienced employees. Many SMEs in the study highlighted that they would only wished to hire staff with experience. Whilst most would see it as an acquisition of skills and capabilities, a few admitted it was a way to gain customer networks.

Mature SMEs with sufficient financial income can uses standard methods to attract customers/clients, such as advertisements. Small firms, especially start-ups, need other approaches, such as Word of Mouth (WoM)/referrals. These are effective methods of reaching customers/clients. A few SMEs confirmed that they received referrals from client networks and WoM.

Attending formal and informal business events or activities can be very effective for developing client networks. As the digital music software development firm, the training software development firm and a law service firm stated, they attended some informal business networks and used talk to develop their business network. Most SMEs in this research indicated that they attended various business events and activities, such as trade shows, entrepreneur clubs and business conferences.

Networks, though, also allow SMEs to establish collaboration with other firms. Some SMEs thought it was more efficient to establish cooperative networks than attending business activities, since these seemed more effective in generating further business. Such collaborative networks are also regarded as an efficient way to share knowledge. An employee training service firm said that they improved their service with the support of other businesses in the same industry that had more experience.

They also confirmed that they shared each other's customer profiles to aid access to potential customers.

Many SMEs indicated that competitors were not necessarily seen as a threat. Some were willing to speak highly of their competitors due to their collaborative nature. As confirmed by an employee training service firm and a PR service firm, they could combine resources and gain from knowledge sharing. Some SMEs argued that the market is always changing, so competitors can become Business Partners at some point. Mature SMEs tend to collaborate with competitors driven by a lack of capacity or in order to gain from a competitor's skills base.

9.6.2 Client Networks and Referrals

Customers play a dual role in the business, they not only buy services from an SME, they also play a role in creating new business through referrals (Barney and Wright, 1998) . Early stage SMEs have limited resources for marketing, so good client satisfaction may be a form of marketing which creates referrals through client recommendations. As a business Owner in a PR firm said, they established strong relationships with their customers and often received referrals from existing customers.

The research found that nearly all SMEs at the early stage of development confirmed some of their clients came from referrals by current customers, as mentioned by a career service firm, which said that client referrals brought great competitive advantages to their business. Many other well-established businesses also confirmed that they gained some businesses from clients' networks and recommendations.

Client referrals have become an important indicator for a growing business. Quite a few SMEs said that word of mouth and referral bought them competitive advantages that could be used as their main strategy to develop their business. It allowed for the transfer of resources from marketing to improve product or service quality and add further customer value.

9.7 SMEs' Resource-Based Competitive Advantages

As confirmed by previous research, the ability to capture and organise available resources has been deemed an efficient business strategy to boost business development (Williamson, 1991). Traditionally, the resource-based view considers resources to be heterogeneous in nature and not perfectly mobile (Barney, 1991), since they are tangible resources. Yet increasingly the resources are intangible. For example, Barney (2001) argued that, when a firm collects superior information (knowledge) about a resource in a competitive market, it will gain advantage. Also in the service sector the skill and capability an SME has can provide a clear advantage.

Tushman and Romanelli (1985) argued that a resource should add value either to their final service which outperforms its competitors or offers a superior experience. The resource value should reduce relative costs or improve the quality of a service (Nadler et al., 1995), and this was supported by a Manager from a resource mature catering service firm who added value to their service. Yet SMEs can not only add value to their final service, they also create value through knowledge sharing and idea generation among employees. A competitive advantage can be achieved, through it should conform to the VRIN categorisation (valuable, rare, inimitable and non-substitutable) (Kozlenkova et al., 2014). A resource should be relatively rare so that others find it difficult to gain the same resource, in order to retain a competitive advantage (Witt, 2000). Schön (1983) indicated that, for competitive advantage services should be inimitable. Illeris (2009) suggested that knowledge-based resources are difficult to imitate. Given the different nature of SMEs interviewed, they all claim to have unique resources. Skills at developing good networks and close relationships with customers are other inimitable competitive advantages. In addition, an inimitable resource is non-substitutable, thus bringing competitive advantage (Alheit, 2009). Non-substitutability can exist in a service.

As already demonstrated there are a number of intangible elements that provide competitive advantage. The range covers internal elements, dealing with knowledge and skills within the SME, and external elements, dealing with the ecology composed of other businesses and customers. Those interviewed confirmed these intangible resources gave the SMEs competitive advantages.

Human resources can also be regarded as a major dynamic advantage that can be used to develop a firm's business (Wright et al., 2001). Some SMEs rely heavily on their employees who contribute substantially to their business development and success. They treat employee capability as an intangible resource to develop their business, with some offering appropriate training to increase employee knowledge and align employees' personal goals with a firm's objectives. The advantage of trained employees is that they understand the firm and so perform more effectively. This research reveals that only a few SMEs sampled offered employees training. SMEs, especially young start-ups, often could not provide employee training due to limited funds. Some regarded training as a waste of time, a distraction from the focus on sales. Partially they felt that employees might leave once they had been trained, but also because they often lacked knowledge of appropriate training. Therefore, these SMEs preferred to hire employees who already had working experience and/or a good track record.

The adaptive ability to develop a knowledge-sharing environment has been shown to be well developed in many of the SMEs interviewed, such as a telecommunication service firm, a media marketing firm, a management consultant firm and an employee training firm. Knowledge sharing among employees encourages idea generation and can turn into innovation, as confirmed by a survival digital marketing firm. This research has emphasised that knowledge sharing is more important for service firms than other firms, since service SMEs rely more strongly on knowledge. The form of knowledge is again diverse, from organisational to market knowledge.

A good customer relationship is also regarded as an important intangible resource to achieve success. Customers will feel comfortable when they are treated well or are taken good care of, such as when receiving a better, more customised service, delivery of services on time and good after sales service experiences. In early stage SMEs, a close relationship with customers enhances growth potentially, creating loyalty and visibility via customer satisfaction. Some SMEs confirmed that service delivery time was a major item for them: for example, a Marketing Director from a digital music software development firm, an Owner of a content wiring service, a CEO of a media marketing firm, and a Marketing Director from a semiconductor firm all said that they never missed the deadline because not achieving deadlines affected their businesses.

They regarded meeting deadlines as an efficient method to maintain a good customer relationship.

This research reveals that many SMEs regard ecosystem networks as an essential capability for gaining business. SMEs confirmed that they used various networks to grow their businesses and maintain customer relationships. Many SMEs confirmed the importance of business networks to their businesses, such as a digital music software development firm, a research software development firm, a training software producing firm, a law service firm, a biotechnology firm, a management consultant firm, and an employee training firm. SMEs often rely for their businesses on business networks, since this is a good way to meet new clients and develop business partners.

Obviously, entrepreneurs' and leaders' business vision is a great competitive advantage that can have an impact on SME business development and success. SMEs' manager, owner or CEOs' leadership and entrepreneurship in shaping their business vision are viewed as determinant resources for leading business development. This research also found that SME Managers, Directors, CEOs and Owners' leadership and decision-making affects employee performance and hence business development, especially in smaller firms, as confirmed by respondents from a training firm, a PR service firm, a telecommunication network service firm and a catering service firm.

9.8 New Competitive Advantage Framework

Previous research focuses on a firm's competitive advantages, mostly through its competition capability, such as superior quality, innovation, lower cost over its competitors (Bharadwaj et al., 1993;Hooley et al., 1998;Oliveira et al., 2002). A firm's dynamic capability depends on a firm's internal capability but a firm's adaptive capability in the external environment also leads to superior advantages. An adaptive SME acts with agility in response to market changes and may be more capable of achieving success following such change. SMEs can achieve a better market position and generate more clients through taking good advantage of their ecosystem.

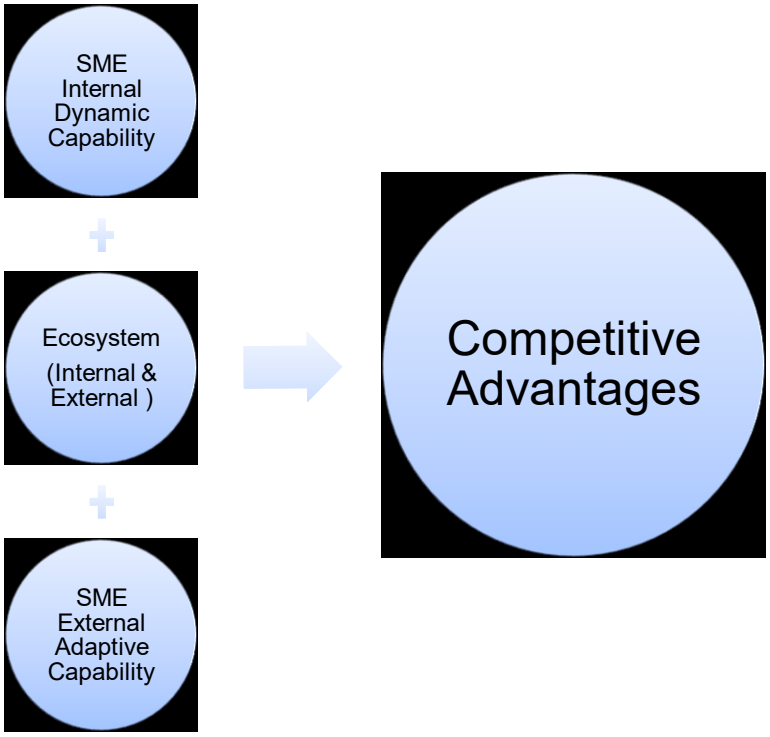


Figure 9-4 New Competitive Advantage Framework

Source: Current Author

The framework in Figure 9-4 illustrates a new view of competitive advantage. It not only focuses on a firm's own internal dynamic capability, as previous researchers have done, but proposes that a firm's adaptive capability and surrounding ecosystem, both internally and externally, enable SMEs to achieve competitive advantages.

As discussed in previous chapters, SMEs' dynamic capabilities within the organisation rely on internal capabilities that comprise the SME's organisational capability, developing and establishing customer relationships, updating their service and managing employees working capabilities.

The adaptive capability emphasis is on SMEs' reactions towards the external business environment, SMEs focus on redeveloping their capabilities based on their environment and the market needs and requirements: for example, establishing an innovative knowledge-sharing environment based on changing market conditions, redeveloping employees' capability based on the business needs, developing a recruitment process and training employees to provide a response to the environment, which may be a competitive advantage.

As discussed in the literature review, previous research on institutional theory focuses on an organisation's external environment (Kraft and Furlong, 2012). However, based on the above research findings, it is proposed that institutional theory can also be discussed in terms of an organisation's internal capability and ecosystem. A knowledge-sharing environment is deemed to be one of the most important factors affecting their success. The use of networks and employees' personal networks can greatly help SME business development. As confirmed by many SMEs, they received referral businesses through loyal customers, collaborators and even competitors.

The internal ecosystem refers to SMEs' knowledge sharing environment and employee relationships. The external ecosystem refers to the market environment the SME exists within, such as collaborating with business partners, customers and even competitors to enhance SME capability and generate more customers. An SME's internal and external ecosystem both contribute to its competitive advantages. On the one hand, SMEs have to follow certain institutional legitimacies to operate their businesses; on the other hand, they can take advantage of both internal and external factors to gain competitive advantages.

9.9 Conclusion

This chapter has discussed the most common factors that lead to SMEs' success, comprising SMEs' dynamic capabilities as well as adaptive capabilities that react to changes in the environment, with SMEs establishing networks to take advantages of their ecosystem. SMEs' objectives are partially determined by their nature and their development stage, hence, each SME has its own definition of success. Entrepreneurs' different business visions also determine SMEs' perception of success. SMEs employ various measures to assess their success due to the varied nature of factors affecting them. This research reveals that SMEs at the early stage of development concentrate on assessing their survival goals to achieve business success and tend to desire development either to become sustainable or to increase firm size to maintain survival. There is diversity, though, since mature SMEs have a broader view of their goals. Young SMEs often devote more energy to customising their services through informal methods and social media. They also tend to be smaller and hence to have a flexible

organisational structure, while well-established SMEs focus more on social contribution and size of business.

There is no doubt that a firm with a strong dynamic capability can provide better customer value. They rely much on their internal organisational capabilities and flexible organisation structure. Their employees have more authority to develop their personal relationship with customers to establish customer loyalty. However, SMEs should also integrate knowledge from both internal and external organisations to be more innovative.

All SMEs in this study had established their own network, confirming the various networks formed from clients, business events, business partners and even competitors. These have been essential to their success, for both young firms and well-established businesses. SME networks encourage knowledge sharing that aids their success. Customer satisfaction and customer relationship building are key factors for SMEs. Establishing a close customer network is also one way to achieve success, according to most SMEs.

SMEs can achieve their success through competitive advantages. Providing better employee training enables employees to fit well into their role and improves their working efficiency and performance. Offering competitive value to customers is also seen as an effective way to get business because customers will refer more clients. Developing a firm self-realisation is also crucial to SMEs' success because it ensures knowledge about the market trends, targets the right customers and better serves a niche market. Many SMEs confirmed that a positive leadership can influence their employees and enable them to share their business value with their customers. Information technology is also confirmed by SMEs to be a factor leading to better working performance and success.

Chapter 10 Conclusion

10.1 Introduction

This research set out to explore the factors that affect the UK service sector SMEs' success, including both internal factors and external factors. The research has focussed on the success of SMEs in the service sector based on their own perceptions, which distinguishes it from previous qualitative research into SMEs. The importance of SME research is reinforced by the contribution SMEs make to local and global economies. This chapter concludes the thesis and provides an overview of the key findings according to the stated objectives, and outlines and discusses the key theoretical, methodological and practical contributions the thesis makes.

In the research, SME owners/managers were interviewed to discover their views of success and the factors that they deemed allowed them to achieve success. Hence, the research reflects the objectives/opinions of the owners/managers. Both the review of the literature and the findings of the research offer insight into SMEs and their views of success, along with their business goals. Financial viability is a critical issue in terms of sustainability, but other issues are also seen as important for success by SMEs, such as work/life balance and social impact. The importance of teamwork in small organisations is significant in gaining success. For all businesses their raison d'etre for existence is to satisfy their customers. The ability to establish broad networks is a major key to success. These networks, both formal and informal, are either internal to the SMEs' organisations or external in the market place, which exists as an ecosystem that can be seen as an asset to an SME.

The research has reached its aim of a better understanding of the UK service sector SMEs' success based on SMEs' own perceptions of success. It has achieved the research objectives: to explore and understand UK service SMEs' success based on perceptions of senior staff/owners; to explore the factors that aid SMEs' success; and to gain an insight into the environment of SMEs and its impact on success, including the role of networks and coopetitive ecosystems. The research contributions serve to enrich the knowledge of SME success.

It is clear from those interviewed in the service sector that diversity is a major characteristic when discussing SMEs. There are, though, some common features of success which may be differentiated by SME size and/or maturity. Additionally, there are some key behaviours that may lead to success. These form the practical contributions of the thesis to help SMEs to be more adaptive in their operations to achieve success. The chapter ends with a discussion of the research limitations and areas for further research.

10.2 Key Findings Related to the Aim and Objectives

10.2.1 Employee Capabilities for Success

The research has highlighted the criticality of employees to the success of the business. Employees' capabilities, such as knowledge, experience, attitude and teamwork, can directly affect SME success. Evidently, employees with more experience usually aid SME business development and success (Xerri and Brunetto, 2011). Several SMEs confirmed that employees with a positive working attitude saw the benefit of being aligned to SMEs' business goals. Therefore, many SMEs wished to employ staff with working experience. This can enhance the entire organisation's dynamic capability. Such employees often brought with them knowledge and skills that are useful but also networks which can bring in more customers and potentially other businesses for collaboration. Their adaptive capabilities also underpin the firm's ability to be more adaptive to the surrounding environment.

Several SMEs encouraged employees to participate in the firm's decision-making because it can create idea generation; and employee feedback helps SMEs to increase their service quality and develop their businesses. As confirmed by SMEs, employees' working performance can be improved through offering greater freedom in decision making and showing their skills and abilities. Devolution of administrative power to employees can increase employee engagement in SMEs.

However, due to changes in external environments, a firm needs to redevelop their employee capability and offer onsite training based on market needs. Many SMEs

agreed on this. The entrepreneur is also a very important asset in SMEs; their ability to renew their business vision to meet the market needs is often critical.

10.2.2 Satisfied Customer Relationship Building

Evidently, establishing customer relationships enhances SMEs' businesses and all SMEs in this research said that they valued their customers and pushed hard to offer more customer value. However, a few SMEs misunderstand the concept of customer value, seeing it as the benefit SMEs can achieve from customers. This research found SMEs offer customer value through several aspects, but generally it is offering a high standard of service with a lower price. Understanding customer value is also an effective way to satisfy customer requirements. As discussed before, it is crucial to target valuable customers.

Customer relationships affect customer satisfaction and hence potentially affect SME success. SMEs wish to establish a close customer relationship, but the methods they use depend on the nature of their business and stage of development. SMEs at an early stage of development typically have more flexible working routines that allows them to have more personal contact with customers. Most start-up SMEs rely heavily on word of mouth and customer referrals. Customer value, by those who appreciate the term, means a willingness to put more energy into meeting customers' needs and requirements. Therefore, they differentiate their services from their competitors.

A danger for SMEs in the start-up stage is that they target too broad a range of customers in an effort to secure business, thus using resources inefficiently. This behaviour is fed by an excessive belief in their service. Targeting the appropriate customer group, though, is not easy and requires experience and good judgement. This may be acquired from their environment or business mentor. Given the right target, how they communicate with their customers is important. It should allow them, where possible, to establish a close customer relationship; yet this will still cost resources. More mature businesses tend to look for diverse target groups and broader markets.

The use of social media increases SMEs' visibility and may attract more customers. Well-established businesses ensure that they can be easily found by clients via search engines. Yet many SMEs argued that informal social media, such as

Facebook, Twitter and LinkedIn, is a more convenient method of attracting customers, especially amongst those at the early stage of development who emphasised the importance of networks and personal contacts. Launching a new service seems much easier for SMEs if undertaken through social media. It also provides direct opportunities to gain customer feedback in order to update services. Alternatively, SMEs send email to collect feedback, but young SMEs tend to interact directly with customers to collect their feedback, either by phone or in person.

10.2.3 Redevelopment of Leadership to Enhance Organisation Dynamic Capability

Business founders, owners or managers are encouraged to develop their business vision via understanding the external market. This research demonstrates that leadership is an important intangible resource that can improve organisational capability and influence fellow employees, as confirmed by previous research (Lloyd-Reason and Mughan, 2002). This research has discovered that business owners/founders often have unique traits, so that they either have considerable expertise within their service or are good at doing business. Some of the CEOs, managers, and owners were entrepreneurs with a strong ability to manage employees, and establish appropriate working and organisational cultures to improve employees' working performance. Many Owners/Managers of SMEs argued for the necessity of entrepreneurship and leadership which encourages a knowledge sharing environment and improves employees' working attitudes through sharing the business vision. Yet this should be based on the market trends and customer requirements.

Some senior staff interviewed argued for the importance of entrepreneurship because entrepreneurs should have a sharp eye on market trends and know customer preferences to increase their sales and achieve success. Entrepreneurship enables SMEs to make faster and appropriate decisions and ensures that SMEs are able to change their strategy based on market change.

Unlike the traditional goals to achieve maximum benefit, this research has discovered that the interviewees, especially those at administrative levels, such as Managers, CEOs, Founders, and Owners, had developed a good business vision to

achieve long-term sustainability. However, most previous research found Managers or CEOs relied on achieving short-term profit maximisation (Jensen, 2010). For example, quite a few entrepreneurs were engaged in social responsibilities and either donated to local charities or served local communities. It was found that these SMEs achieved a better reputation and were more likely to be accepted by customers.

10.2.4 SME Ecosystems and Networks

Networks can be regarded as relational/social capital (Kale et al., 2000) and are widely used by SMEs to enhance business performance. SMEs exist symbiotically with other businesses that may also be SMEs. In the study, it is clear that SMEs interact beneficially with others and for some this behaviour ensures sustainability. SMEs' ecosystems involve a complex set of interacting networks that determine their success. Lack of knowledge is one of the most significant features accounting for SME failure. This research also confirms that knowledge can be regarded as a competitive advantage that leads to SME success and can be acquired from their ecosystem (Tsai, 2002). The research findings enrich the findings that show that SMEs use of their ecosystems often depends on their maturity. Young SMEs need to rapidly acquire a range of skills and visibility, whilst more mature SMEs have generally developed their skills but still employ their networks to engage with customers. Besides knowledge generation through the ecosystem, SMEs gain from collaboration with referrals from both collaborators and competitors, in dynamic symbiotic relationships. Internal networks within the SME can also provide knowledge.

Previous research has argued that SMEs have to face difficulties and challenges in their business development, but has only offered general advice, such as taking advantage of the internet and search engines (Carter and Jones-Evans, 2009;Tetteh and Burn, 2001). However, this research enriches the results regarding what SMEs should do in order to achieve better success. Many young SMEs confirmed that they reached more customers and increased their brand reputation and visibility through networks. Besides customers, business networks are regarded as good opportunities to acquire information and gain potential collaborators. Many of the interviewed SMEs reflected on their desire to find customers and increase visibility through the ecosystem and

networks. Visibility is used as a strategy to increase young SMEs' competitive advantage, but this is also true for other businesses. Yet visibility is illusory unless it generates customers/clients.

Acknowledging other businesses in the ecosystem does not mean that collaboration is inevitable, but equally it does not imply that one regards all other businesses as opponents. Even without gaining direct benefits, businesses can gain from a positive environment with the potential for future collaboration. Such collaboration may be driven by a lack of capacity or in order to gain from a competitors' skills base. The networks developed through trade fairs and events allows them to gain knowledge from both customers and other businesses. Sometimes simply gaining qualitative feedback aids a young SME with its development.

All SMEs wished to establish a good client network to achieve more sales and develop a long-term relationship with their clients. Some research suggests SMEs should use social media as a functional communication tool to engage with clients. This research also found that almost all SMEs had a webpage and use Facebook, LinkedIn, Twitter, etc. to reach clients. Social media is increasingly recognised as one functional online marketing tool that can reach the customer faster and cheaper. The use of social media enables customers to receive SMEs' updated information more effectively compared to traditional marketing channels (Bondarouk and Olivas-Lujan, 2013). Over half of SMEs indicated that they gained new customers from social media. In the future, most SMEs intend to be more active in using social media and to use social media more effectively to communicate with their customers.

The ecosystem, both internally and externally, allows SMEs to gain resources and so increase their business. The networks developed by those SMEs interviewed with both partners and possibly competitors assisted in gaining more business. For example, many SMEs, whether start-ups or well-established businesses, confirmed that they gained many clients from referrals from either partners or competitors.

10.3 Additional Findings

10.3.1 Resource-Based Competitive Advantages

It is necessary to understand market trends and changes in customer preferences that allow SMEs to target valuable customers, and clarify whether they are looking for a niche or mass market. This can lead SMEs into a competitive market position. This research reinforces previous research which has shown that acquisition of knowledge is often achieved by sharing information internally with employees, and this has been shown to assist many of those interviewed SMEs to develop their businesses. However, this research adds that a flexible working environment, as is often the case in SMEs, can encourage employees in idea generation and innovatory endeavour. Knowledge sharing and innovatory learning not only happens within a firm but also exists across the external networks of business partners, collaborators, customers and even competitors.

Previous research argued that organisational structure plays an important role in SME success, and is partly dependent on the number of employees. However, this research found that SMEs need to balance a reasonable organisational structure appropriate to their size. A few fast growing SMEs felt the need to recruit more employees to develop. Not all SMEs, though, intended to grow. For example, many SMEs argued that the difficult current economic situation had led them to maintain a stable or lower number of employees. Flat organisational structures were found commonly amongst start-up and young SMEs, since it enables more effective communication and encourages knowledge sharing amongst all staff.

Many of the SMEs in the research had created highly motivated and trusting working cultures. Compared to large corporations, their flat organisational structure allowed flexible and agile organisation. As confirmed by this research finding, such flexibility often provides employees with greater empowerment and enables greater innovation. Such environments assist in self-development, which aids business development.

This research has enriched our understanding of the way certain sources can bring competitive advantages. For example, many SMEs argued for the importance of managing quality control, delivery times and pricing to their success. Unlike large

firms, which provide standardised services and usually have a greater market reputation, less well-known SMEs are able to offer tailor-made services which differentiate them from other businesses, which can enhance customer satisfaction. Meeting deadlines for delivery was seen as very important by the SMEs in this study. Price setting is always critical for a business. There are a variety of views on pricing. SMEs generally acknowledged their price should be competitive, but said that should not be too low, since customers may not value their services. Another CEO argued, however, that they could set a higher price than competitors but still gain customers, since their service was valued.

10.3.2 SMEs Use only a Few Success Measures

Previous research has suggested many measures to assess SMEs success. However, this research has found that SMEs in the service sector only use a few measures to assess their success. These measures are dependent on the nature of the business, the entrepreneur's goals and the stage of development. Given the nature of small businesses, they are not listed firms and there is not much information to share with their shareholders.

Start-up and young SMEs tend to simplify their success by just using one or two measures, as confirmed by many SMEs interviewed in this research. They focus much on their internal dynamic capability, through improving their service quality to achieve better customer satisfaction. Well-established SMEs may use a few measures to assess their success due to their structure and they usually focus on broader aspects than the start-up SMEs. Mature SMEs not only develop their internal dynamic capability but also adjust their external adaptive capability to meet challenges from the external environment.

All SMEs interviewed claimed the importance of using their ecosystem and establishing broad networks to gain more visibility. Networks are the common factor for assessing SMEs' success, regardless of their stage of development. The coopetitive ecosystem encourages SMEs to establish networks not only with business partners and clients but also with competitors, in order to increase visibility.

10.4 Research Contributions

10.4.1 Theoretical Contribution

- **Perceptions of SMEs**

This research challenges the rigid boundaries set by government definitions of SMEs, which in European countries, including the UK, is a firm with fewer than 250 employees and turnover of less than €50 million. Most previous research has used these criteria to define SMEs. For example, most start-up and early stage development firms regard themselves as SMEs because they have few employees or clients. However, this research enriches the definition of SMEs. A few well-established businesses still regard themselves as small firms even if they have a large number of employees, of around 200, because their competitors are much larger. Surprisingly, a few firms, with around 20 employees, classified themselves as medium-sized firms due to their outstanding business achievements within their specific market and their market size. The extent to which SMEs identify themselves as 'small' businesses has an impact on their business goals and the way they evaluate success in achieving their goals.

- **SMEs' Definitions of Success**

Previous research on small business success is closely linked to meeting business objectives and achieving better financial performance (Jennings and Beaver, 1997). Some researchers have suggested that more flexible definitions of success should be applied to reflect the combination of financial and non-financial objectives, including altruistic goals, status considerations and professional pride (Jarvis et al., 2000;Greenbank, 2001). However, previous researchers did not provide a common definition for success.

In terms of the definition of SME success, the theoretical contribution of this study is the discovery that SMEs have different perceptions of success dependent on their stage of development. The research extends SMEs' knowledge of success from a broad range of service industries. SMEs can set up different business goals based on their

nature and development stage. The research also highlights some common measures that may allow SMEs to achieve success. Whilst generally there is a focus on SMEs that are high growth or innovative, the vast bulk of SMEs still regard themselves as successful and their views of success are worth investigating. So this research contributes to understanding SMEs' views of their success from the perspectives of those best placed to supply it, namely the owners/managers. The theoretical contribution to the measuring of SME success is this research provides a more complete view of success based on SMEs' own perspectives. So initially, the aim was to explore the goals, ambitions and behaviours that contribute to success rather than just financial achievement.

In contrast to previous research that has tended to use mainly financial measures, this research has taken on board the views of owners/managers to define success. SMEs, though, are acknowledged to be fallible, particularly in their early stages. Yet SMEs may be more capable of reacting to the changing global business environment due to their size. As such, it is worth exploring their sustainability through owners/managers own perception rather than the traditional "experimental black box" approach. This research explores SMEs' understanding of success through their own perceptions.

- **Influence of Stages on Success**

This research has made use of the Lewis and Churchill (1983) 5 stages of small business growth model. Hence, it employs a broader view of SME success across the stages of development. It confirms that the 5 stages of SMEs are still valid and used by many firms, and researchers can keep using the 5 stage of SMEs model and classify their SMEs by Start-up, Existence, Success, Take-off and Resource Mature.

The research adds some theoretical value to the 5 stages of SMEs' model. For example, it found many elements that contribute to SMEs success vary, due to the different stages of development. Early stage SMEs rely more on their internal organisational capability. Dynamic capability is seen as SMEs internal capabilities that enhance SMEs' success, such as the value of customer relationships, service innovation, self-realisation, managing employee capabilities and resource-based

development, while well-developed SMEs use more external adaptive capabilities. Adaptive capability refers to the ability to adjust decision-making based on external market changes, such as developing a knowledge sharing environment, redeveloping employee capability and the use of social media. This research adds theoretical value to social network research and proposes network ecosystems exist internally and externally that contribute to knowledge sharing. All the elements of dynamic capabilities and adaptive capabilities enrich the diversity of resource-based theory. From a resource-based view, these elements can be said to provide a competitive advantage as intangible resources that can contribute to SME success.

- **Influential Factors in Achieving Success**

The theoretical contribution of this thesis is that it extends the factors of success by focusing on non-financial aspects. For example, non-financial aspects were deemed important by SMEs, especially start-ups and young firms. The motivations behind establishing a business vary and so do the criteria for success. Moreover, at different stages of development, it appears that there are different objectives. Previous research found that SMEs focus on business growth and job satisfaction (Wood, 2006;Koch and Strotmann, 2006;Simpson et al., 2012b). This research confirms these elements are used to gauge SMEs' success by owners/managers.

This research makes a contribution to discovering some key factors affecting SME success. It has been recognised that businesses are established for a variety of purposes. SMEs, especially smaller ones, tend to be more vulnerable. Hence, longevity of SMEs indicates their likelihood of regarding themselves as successful Timmons (1999) because many SMEs failed during the financial crisis. Therefore, size does matter to their success.

Growth is often deemed a measure of success, but it can take a number of forms, such as increased size of business; expanding to a broader range of markets; recruiting more customers; and recruitment of more employees. Increasing the number of employees provides a tangible feeling of stability amongst small SMEs. Developing new markets, especially international markets, can be regarded as success. Launching a new service may be regarded as success. Some SMEs confirmed that offering

customer value through improving quality if it achieves better customer satisfaction may be regarded as success. The findings suggest that some SMEs believed delivering social benefits was a measure of success. Other businesses saw success as being serial entrepreneurs or creating a decent business model, while others saw it in terms of moving on by being able to sell their businesses. Some owners of SMEs were not solely focussed on their business as such but on achieving a good work-life balance, which they regarded as success.

- **Competitive Advantage Gap**

This section adds to the theoretical contribution by extending the competitive advantages view by adding more elements, such as international dynamic capabilities; external adaptive capabilities; surrounding ecosystems; networks, etc. Previous research on competitive advantage assumes a firm can achieve competitive advantage through a low cost position or a differentiated service from a resource-based view (Porter, 2011;Barney, 2001). The main focus has been on a firm's internal dynamic capability. Dynamic capability refers to a firm's ability to integrate, build and reconfigure resources in a volatile market environment that can sustain a firm's competitive advantage (Teece, 2007). However, a firm's competitive advantage can be achieved not only through internal dynamic capability but also through external adaptive capability and ecosystems.

The contribution is extending the scope competitive advantages to include external as well as internal capabilities and incorporating a broader stakeholder perceptive. The research found a firm's external capability such as establishing a knowledge sharing environment, renewing the entrepreneur's business vision based on the market needs and requirement, redeveloping employees' capabilities and reassess their performance based on the market environment also contributes to a firm's competitive advantage. These capabilities enable SMEs to act agilely towards the market change.

Traditional competitive advantages focus on lower costs or higher quality. However, the ecosystem and the network certainly can allow SMEs to achieve competitive advantages. The term 'ecosystem' refers to firms' external business

environment and this research found that all SMEs confirmed the benefits of using their ecosystem to achieve visibility and success.

10.4.2 Methodological Contribution

Classification of SMEs was informed by the 5 stages of small business growth model from Lewis and Churchill (1983), the model employs a broader view of SMEs success across the stages of development. In terms of the methodological contribution, this confirms the 5 stages of SMEs are still valid and can be used by many firms, and researchers to keep the 5 stages of SMEs model and classify their SMEs by Start-up, Existence, Success, Take-off and Resource Mature.

This research used the 5 stages models as a guide because it maps the natural development of SMEs due to their agile and flexible nature. For example, a public relations service firm only had four Business Partners and the Founders wer still taking care with every aspect of the business. As defined by the 5 stages models, it should be a start-up SME or existence SME. However, as defined by the Founder

> *"We started off as a fairly mature company because we did not go through the traditional start-up route of looking for investors… To get the business off the ground we had already brought into XXX quite a number of clients that we absorbed together"* (APR, Owner, Take-off).

The rigid use of the 5 stages model is not appropriate to all SMEs. Employee numbers is one of the most important criteria for defining an SME. However, the firm may have a different definition from the government. For example, MTL is a digital music software service firm that only has seven employees, and the local government categorised it as a medium-sized firm. However, they still believed they were a start-up small firm because their business faces great development challenges. The marketing service firm MCS defined them as a large SME, though they only have around 45 employees. They claimed that they are the number one in the local market and compared to other competitors can be seen as a large SME.

This research has discovered SMEs classify their development stage based on their perceptions. SMEs' own perceptions have influenced the criteria that scholars and researchers have been using for classification. In this research, we also classify SMEs

as young start-ups and well-established businesses due to the nature of their business. The aim and objective also vary when SMEs are in different stages. For example, a small start-up firm often sees their business aim to be increasing company size and generating more sales, while a medium mature firm may look for an enlarged market share. However, this research found that quite a few SMEs, either start-ups or well-established businesses, aim to maintain stability rather than increase firm size. Hence, further research is needed to take enterprises' own perceptions of SME success into consideration.

10.4.3 Practical Contribution

SMEs are diverse, with a number of contributing factors affecting their success. They also apply diverse criteria to appraise success. From the interviews, there are common behaviours for success employed by most SMEs. A key issue is the ability of the SME to be self-reflective, with an understanding of their business. Once an SME is familiar with its strengths and weaknesses, they will have the ability to direct an appropriate strategy to develop their businesses based on the resource they have. For example, a start-up SME should put more effort into contacting customers and establishing a close relationship with individual customers. Word of mouth, including electronic word of mouth, can be a very effective way of communicating with the market that would increase visibility and hopefully new customers. An advantage of start-up SMEs is their potential agility. This could mean they respond more quickly and better to meet customers' desires and needs.

This research proposes that SMEs that establish a flexible working environment to encourage personal development and increase employees' sense of belonging are more likely be successful (European Commission, 2013). SMEs in general should employ staff with strong capabilities. They should focus on recruiting experienced staff that will save training costs. These employees often bring not only knowledge and skills to SMEs but also their own networks, which can benefit the company. In having such employees the organisational structure of the SME needs to ensure that it is conducive to ensuring that employees can develop themselves and the business, but equally importantly that they are committed to the SME. Internal knowledge sharing

provides both organisational understanding and helps the SMEs with creativity and innovation. It recommends SMEs establish a flexible working environment and engage employees fully in their work. Sharing the owners'/CEOs' vision with employees should increase their engagement with the business goals.

Empowerment, as indicated in the interviews, is a critical aspect of SME success. It recommends that employees should have a certain freedom and power in their tasks and generally that the flat structure of the organisation allows for this. In terms of the research findings, unlike the 5 stages model that suits SMEs with clear organisational structure, SMEs either small or medium to large tend to build a flat organisational that enables them to be more agile and flexible. The previous view has been that firms being large is good (Laforet, 2009), but research is now discovering that flat is good.

Part of understanding SMEs' environments involves clarifying their competitive advantage. This may be difficult for SMEs but can be assisted by their interaction with their environment. Networks, either formal or informal, can be the best way to develop business and enhance success. Internal work networks are one source, but also the networks developed through trade events and entrepreneur clubs assist start-up SMEs. The most important, though, are customer networks providing the opportunity to differentiate their services or provide a customised service to enhance customers' satisfaction, and so customer value.

This research found that SMEs believe they offer excellent service with competitive prices. Often the difficulty is not the SMEs offering but their lack of the ability to reach their target clients. Lack of visibility is often the major issue, especially for young SMEs. Social media and the development of networks is the solution they apply.

To be successful SMEs should be more adaptive in their business context. Every SME has its own capabilities and unique operational model. Hence, this research suggest that SMEs apply adaptive capabilities to generate a strategic innovation and feasible business strategy. Furthermore, they should implement adaptive behaviour to their work routines based on their own characteristics and mindset, and to fit the market.

10.5 Limitations and Future Work

One of the potential limitations of this study is the number of interviews. The author carried out 24 in-depth interviews with SMEs from the service industry across the UK. It should also be stated that the interviews were with a single representative of the SME. The views expressed in this thesis reflect this context. Often, the person interviewed was the owner or manager who may have had a different opinion from the rest of the SME. These individuals, though, might be those integrally involved with the success of the company. Their response can only represent their individual situation and not the entire sector. It was supported by a qualitative online survey of eighty-two other service SMEs.

Focussing on one sector might provide a distorted view and so it might be sensible to explore the issues raised with a broader range of SMEs. The choice of the sector was twofold. This research only focuses on the UK service sector. The decision was taken to tackle a sector which is important in the economy and that might reflect the behaviour of 'typical' SMEs. These SMEs, though, perhaps are representative of the vast bulk of SMEs (Carter et al., 2013). Also, it was believed necessary to focus on a particular sector due to time and resource limitations.

Another limitation might be the data validity, as no standard formula to assess the accuracy of interviewees' responses was available and all the information collected was subjective, although survey triangulation was also employed. The researcher may have generated different responses even when the people interviewed were from the same SME. The author will provide further information on the research findings to others, but the results relies on the information given by interviewees and those who completed the survey.

This research has mainly focussed on the views of service industry SMEs of their own success in the UK context. Future research should explore a broader range of sectors. This would enable the validity of these research findings to be checked. Further research should also explore other geographic domains but also extend to other sectors, such as the manufacturing and technology industries.

SMEs act differently in their businesses and apply diverse methods of appraising success due to their particular nature and stage of development. Further exploration of

ecology and networks can be reviewed based on SMEs' own development needs sand SMEs' operating business context.

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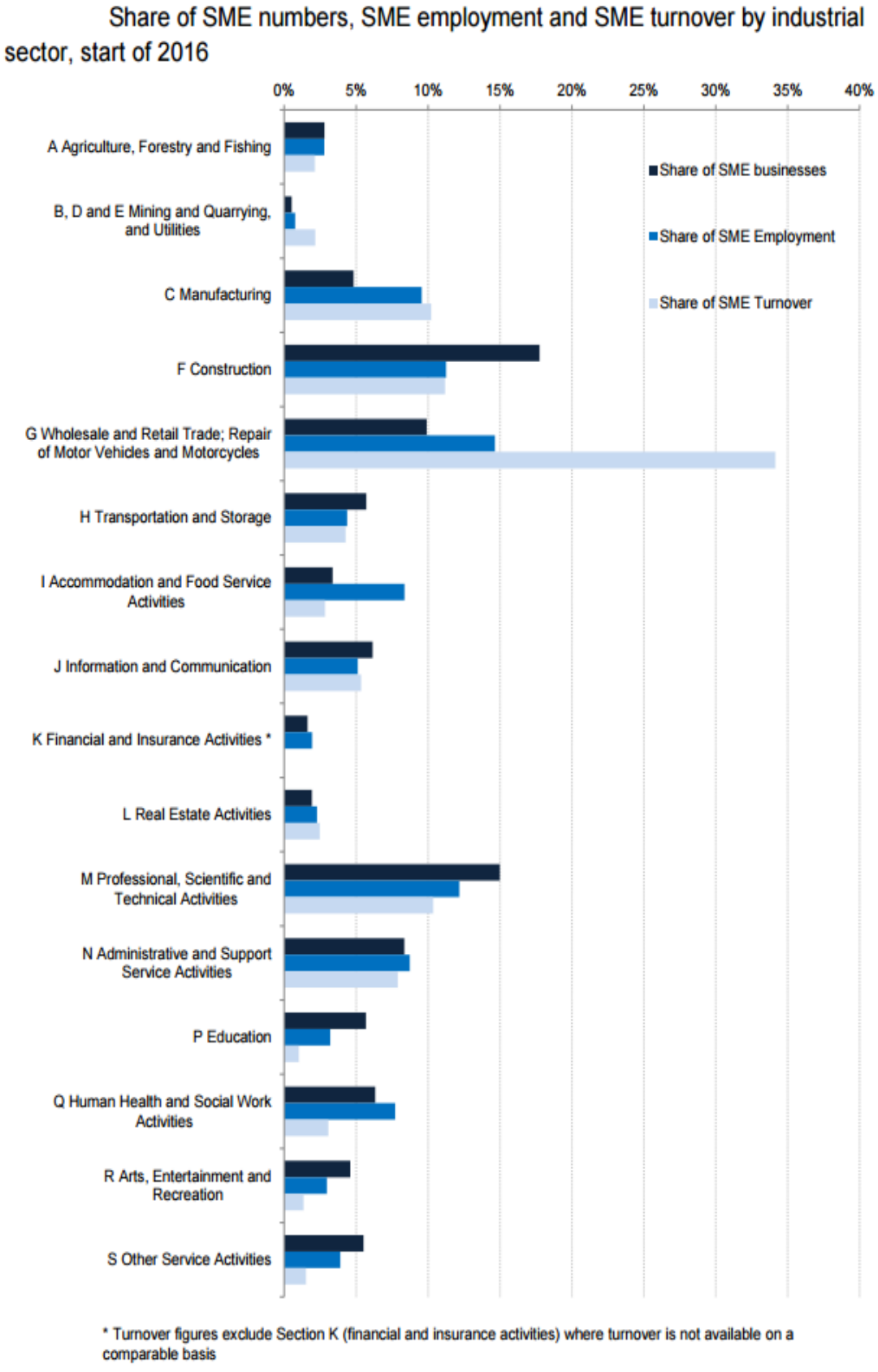
Appendix 1 UK SMEs by Sectors



Appendix 2 Interview Questions

Interviewee:

Interviewer:
Boran Li
PhD Candidate
University of Edinburgh Business School
Room 3.02
29 Buccleuch Place
Edinburgh EH8 9JS
S1145561@sms.ed.ac.uk
(+44) 07928330430

Interview Time:_____Interviewee Signature: _____

Dear Sir/Madam

I am Boran Li a PhD student at University of Edinburgh Business School. My research topic is "Investigating the factors influencing UK Small and Medium Enterprise's Performance and Sustainability". My research areas include financial aspects, but it will mainly focus on the non-financial aspects both internal aspects (Intellectual Capital, Human Resources, Market Orientation, Innovation, Organisational Capability) and external aspects (Customer Satisfaction, Supplier Collaboration, Competitor Influence, Political, Social, Culture, and Business Environment).

Through this research, I would like to explore factors that influence your business and the nature of the impact of these factors on your business. How do you respond to the factors that influence your business? Also I would wish to understand the measures that you use to evaluate your company's performance.

I would appreciate your help in this research by filling in this questionnaire. The information you provide is of great value and your participation is really appreciated. This investigation has been granted ethical approval by the University of Edinburgh. All the data and information you provide will be kept confidential and there will be no disclosure of individuals' responses. All data will be anonymised. If you have any questions/concerns, during or after the investigation, or wish to contact an independent person to whom any questions may be directed or from whom further information may be sought, please contact:

Professor Jake Ansell
J.Ansell@ed.ac.uk
(0131) 650 3806
Dr Tina Harrison
Email: Tina.Harrison@ed.ac.uk
Phone: +44(0)131 6503820

If you take part in this study you will be able to request a copy of the final report.

Research Contact Details:
Boran Li
PhD Candidate
University of Edinburgh Business School
Room 3.02
29 Buccleuch Place
Edinburgh EH8 9JS
s1145561@sms.ed.ac.uk
liren.education@gmail.com
(+44) 07928330430

When this company was established? What is the company's main business? How many employees does it have and what is the average annual turnover?

Would you consider your company to be a small-sized company or a medium-sized company? Why do you say this? Do you think the size of your company affects its business?

How would you describe the current stage of the company's business development? Is it Start-up? Is it Growing? Is it Mature?

How would you characterise the management style within the company? Does this affect your company's business? (Management Style: Empowerment, Consultative, Persuasive, Democratic, Organic, Paternalistic, Autonomy or some others)

Do you currently have any means to measure your company's business and success? Can you explain in detail how these measures work? (By Financial measures, Non-Financial measures or some others measures?)

For example, do you gather the following information? Also, how frequently do you expect to collect the information? Is there any specific reason for choosing these measures?

Measure of Success	
Financial indicators ➢ Revenue ➢ Income Statement (Profit) ➢ Debt ➢ Financial Ratio (Return on investment or capital) ➢ Cash flow ➢ Balance Sheet (Statement of financial position)	Non-financial indicators ➢ Customer Value Performance(market share, customer satisfaction measures, customer loyalty); ➢ Internal Business Process performance (productivity rates, quality measures, timeliness); ➢ Innovation Performance (percent of revenue from new products, employee suggestions, rate of improvement index); ➢ Employee Performance (morale, knowledge, turnover, use of best demonstrated practices).

What are the main factors that are influencing the company's overall business and performance? And how are these factors influencing the company's business?

For example, are there any of the following factors that your company is particularly focused on, and why? Are there any other additional factors? (Number the following factors in order from the most relevant 1, the next 2 and so on, if irrelevant leave it blank)

(A) Internal Factors	(B) External Factors
Management System/Methods/Practices ( )	Political Environment ( )
Organisational Capability ( )	Business and Economic Environment ( )
Management Financial Capability ( )	Customer Needs and Requirement ( )
Family and Non-Family Factors ( )	Supplier Covenants/Collaboration ( )
Human Resource Factors ( )	Shareholders Wealth ( )
Employees Capability ( )	Social Culture ( )
Intellectual Capital (IC) ( )	Competitors Effect ( )
Market Orientation and Innovation ( )	Environmental Reasons ( )
Additional Factors: ( )	Additional Factors: ( )

What are the company's current plan for short term development and future intention or objectives in long-term?

Do you regard your business as successful? How well your company ensure its sustainability?

Does your company engage in any Corporate Social Responsibility (CSR) activities?

What do you perceive as the threats of the company? What factors will lead to the downfall in your industry? What plan/action have you taken to address them?

What is your overall view of this company's business? How do you see your company?

Appendix 3 General Background of Interview SMEs

	1 LB	2 MCC	3 WMP
1. When this company was established?	1970	2005	1984
2. How many employees?	200-300	30	450 (250 headquarter)
3. What is your annual turnover?	X	£200,000	$180 million
4. Main businesses	Fashion clothes retailing	Non-profit Charity education service	semiconductor producing company provide audio solutions
5. Company size	Medium	Small	Small to medium compare with large competitors
6. Current stage of development	Mature (V)	Mature (III-G)	Mature (V)
7. Management style	Paternalistic	Empowerment	Empowerment
8. Methods for Assess Business	Sales turnover Profit Debt Cash flow Customer satisfaction Timeliness Employee loyalty	Social influence reputation Public influence	Sales turnover Profit Debt Cash flow Return on investment Customer performance Internal business performance Innovation performance Employee performance
9. Success influencing factors	1Reputation 2Management system 3Organisational capability 4Family and non-family reason 5Market orientation 6Business and economic environment 7Customer needs 8Suppliers covenants	Government support Social help Organisational capability Management financial capability Political environment Business and economic environment	Rights solutions Right time Management system Organisational capability HRM Employees capability Intellectual capital Market orientation and innovation Business and economics environment Customer needs and requirement

		Customer needs and requirement Social culture	Supplier covenants Shareholders wealth Social culture Competitors effect
10. Business vision	Better service to customers		All smart devices link and connect and Voice control through high technology
11. Business strategy	Improve customer satisfaction	Increase Service quality	3 years business plan Searching for market and opportunities Improving technology
12. Objectives/ future expansion	Open more stores	Maintain sustainable	Improve technology Smart all electrical devices
13. Business challenges or risks	1Fashion Trends 2Customer Expectation 3Suppliers	Fundraising methods Launching projects Time limitation	Attract more customers Satisfy customers
14. CSR	No	Yes	Yes Graduate fund Sponsor Edinburgh Science Festival/International festival

	4 MCS	5 HLCL	6 INML
1. When this company was established?	1997	1928	2011
2. How many employees?	45	5	4
3. What is your annual turnover?	£5 million	£220,000	£150,000
4. Main businesses	Media planning and buying Plan media schedule	Small accounts and tax returns	Consultancy/product development Digital strategy Building and revitalising brands and campaigns
5. Company size	Large company compare with competitors from same industry Small due to the employees number	Small	Small
6. Current stage of development	Growing to Mature (IV)	Continuing (III-G)	Growing (II)
7. Management style	Paternalistic Empowerment	Empowerment	Empowerment
8. Methods for Assess Business	KPIs Profits Gross profits Customer performance Employee performance	Sales turnover Expense New clients Profit Debt Cash flow Customer performance Employee performance	KPIs Projects Clients satisfaction Sales turnover Profit Return on investment Cash flow Customer performance Internal business performance Innovation performance Employee performance
9. Success influencing factors	Management system Organisational capability Management financial capability Employees capability Employee training	Organisational capability Management system Employee capability Management	Employees capability Management financial capability Intellectual capital Organisational capability Management system Market orientation and

	Business and economics environment Customer needs and requirement Social culture	financial capability Family and non-family factors Customer needs and requirement Business and economics environment Competitors effect	innovation Customer needs and requirement Supplier covenants Business and economic environment Political environment Social culture
10. Business vision	Better people Better result	Achieve higher customer satisfaction	Better Marketing service and achieve leadership
11. Business strategy	Employee training, Increase Social activities , Increasing the service charge ,	Personal touch Customer loyalty Increase reputation Online ads Local newspaper Word of mouth	Personal touch/relationship Develop own apps Attracting big clients Building trust
12. Objectives/ future expansion	Increase profits Growing slowly	Continuing Growing	Growing benefits
13. Business challenges or risks	Growing profits Economic situation Political environment	Rules/regulation change	Looking for more clients
14. CSR	Yes Green Committee, Free local church service, Environment Protection,	No	No

	7 R & N	8 TS	9 GR
1. When this company was established?	2012	1991	1990
2. How many employees?	5 (sub-group)	11	28
3. What is your annual turnover?	X	£200,000	£1.3m
4. Main businesses	Service Supplier	Catering Service, Sandwiches, rolls and soup	Catering Service,
5. Company size	Small	Small	Medium
6. Current stage of development	Existence (I) But Growing	Mature (V)	Take-off (IV)
7. Management style	Flexible	Fair	Empowerment, Democratic
8. Methods for Assess Business	Sale turnover, Cash Flow, Customer size,	Sale turnover, Cash Flow, Customer coming back, How busy the business, How many products are sold, Profit, Return on investment, Customer loyalty, Quality measures, Employees' performance.	Staff skills, customer performance, cash flow, employees' working attitude, service quality,
9. Success influencing factors	Management system, Family and Non-family factors, Customer needs and requirement, shareholder wealth, size of team members,	Management system, Organisational capability, Management financial capability, Family and non-family factors, Employees capability,	Organisational capability, employees capability, market orientation and innovation, Political environment, business and economic environment, customer needs and requirement, supplier covenants and collaboration, competitors effect,

		Local political things (VAT), Supplier covenants, Business and economic environment, Customer needs and requirement, Social culture, Weather, Traffic, Product quality,	
10. Business vision	X	Love and passionate	Hard work to achieve better customer satisfaction
11. Business strategy	Direct Marketing and sales, Social media, Team work.	Facebook, Introducing new products, Team-work, Brain-storm.	New recipe, hard work, online social media
12. Objectives/ future expansion	Enlarge the size of team members, attract more clients	Expand business and bring more benefits	Maintain stable due to the poor economic environment
13. Business challenges or risks	Customer attitude, service quality, distribution quality, customer satisfaction	Traffic,	Economic downturn, customer gets less spending
14. CSR	Yes, Certain revenue to local charity	Yes Use disposable packaging that are compostable	No, but try to have charity donation

	10 AL	11 MTL	12 IRRI
1. When this company was established?	2010	2009	2005
2. How many employees?	11	7	14
3. What is your annual turnover?	£336,000	£300,000	£700,000
4. Main businesses	Training software, Learning Management system, Course booking software,	Digital Streaming/Music creation service	Environmental Charity, managing projects, international project founded by European Union, Charitable programme,
5. Company size	Small-Medium	Small But medium compare to competitors	Small
6. Current stage of development	Early Break-even (II)	Existence (I)	Growing (III-G)
7. Management style	Top-down goals, Bottom-up methods,	Flat and Flexible	Empowerment, Democratic, Consultative,
8. Methods for Assess Business	Product sale, Department KPI, Company global KPI, Customer attrition, Customer wins, Recurring revenue, Average customer value, Cost of customer acquisition, Training software selling, Customer development, Customer atisfaction, Revenue from new products on innovation performance, Employee performance,	Monthly KPI, Project review, company review, Technology KPI, The number of customers, Sales revenue, Service delivery time, Cash flow, how much grants from investment, Customer satisfaction performance, Service quality,	Regular Financial Standard, Management account and annual account, Size of turnover, Number of projects, Quality of projects, Impact of quality, Outcome of project, Employee Review, Financial performance: Sales turnover; profit; debt; return on investment or capital; cash flow

9. Success influencing factors	Marketing results, Ranking in search engine, Sales, Customers attrition, Project improvement, Social media Facebook/Twitter, Customer retention, 1 Human resource factors, 2 Employees Capability, 3 Management system/practices 1 Business and Economic,environment 2 Customer bankrupt ,	1 Intellectual Capital 2 Market orientation and innovation, 3 Employees capability, 4 Organisational Capability, 5 Management Financial Capability, 6 Human Resource Factors 1 Customer needs and requirement, 2 Competitor effect, 3 Industry Regulation, 4 Shareholder Wealth, 5 Business and Economic Environment	Reputation, project affects, number of conference address, success rate of winning projects, 1 Management System, 2 Employee capability, 3 Organisational capability, 4 Market orientation and innovation, 1 Environmental reasons, 2 Political environment,
10. Business vision	High quality software product and customer satisfaction	High Standard service and become the leader in music industry	Link public, private and academic sector across international boundaries,
11. Business strategy	Product with different language, Expand globally, Longer term business collaboration, Sustainable organisation culture, Work life balance, Corban offset, Establish reputation,	Facebook, Twitter, improve technology,	Enhance reputation, Be innovative, Expand resource for life, Think internationally, Grow internationally,
12. Objectives/ future expansion	First break even, Business internationalisation,	Become biggest music service company and	Grow business size, Grow projects number, Grow resource of life,

	Product	achieve leadership,	Raise more funding,
13. Business challenges or risks	Risk in managing fast business growth, Growth fast without control,	Business Competitive risk, run out of cash, competitor technological breakthrough and better standard, IP trick and need file patent.	Competitive economy, Mature, crowded, competitive, capitalist economy, Political reason of Scottish independence, Project failure lead to reputation decrease, Reason lead to stop European Union funding,
14. CSR	Yes Charity donation,	Yes Technology free used by NHS	No

	13 ML	14 TCMO	15 APR
1. When this company was established?	2004	2009	2002
2. How many employees?	6	15-20	4
3. What is your annual turnover?	£320,000	£1.2m	£240,000
4. Main businesses	Management consulting, Immaculate thinking,	Career management service	Public Relations, Business to business relations
5. Company size	Small	Small	Small
6. Current stage of development	Start up to growing (II)	Success (III)	Started off as fairly mature company, (IV)
7. Management style	Freedom, Individual empowerment, Democratic, Flat	Democratic, Consultative, Autonomy	Informal, Flat, Democratic,
8. Methods for Assess Business	Current and potential clients, Financial measures, Cash flow, Sales turnover, Profit, Customer value performance, Internal business process performance, Innovation performance, Employee performance,	Customer satisfaction, return customer, customer referrals, Business referrals, Customer size, service quality, Communication process, sales, profit, ROI, employees capability	Clients satisfaction, Advertising spend and its reach, impact; Time used; International influences; Customer value performance; Innovation performance; Sales turnover; Client retention;
9. Success influencing factors	1 Employee capability, 2 Management methods and practices, 1 Political environment, 2 customer needs and requirement, 3 social culture, 4 Competitors effect	1 Management system, 2 organisational capability 3 employees capability, 4 market orientation 1 customer needs and requirement,	1 Market orientation and innovation; 2 Organisational Capability; 3 Management system/method/practices 4 Employees capability 5 Intellectual capital 1 Business and economic environment;

		2 business and economic environment 3 competitors	2 customer needs and requirement; 3 competitors effect; 4 Politics
10. Business vision	Market leader in ethical business and organisational growth, ethically motivate Partners.	Maintain small but agile, offer excellent service	Increase business in renewable industry and expand international business; Be consistent all the time in marketing and PR;
11. Business strategy	Meeting more people, Meet target turnover, Maintain good cash flow and good relationship with target clients,	Maintain small and stable, have more collaboration with business Partners in England,	Referral; Build a client base; Be prudent and careful;
12. Objectives/ future expansion	Bring in more business, Recruit more people,	Increase the employees slightly, try to attract more customers,	Bring in more clients; Be more sector specifically; Grow media training business; May sell the business or have it acquired by other company;
13. Business challenges or risks	Competitor rip-off stuff, Competitor copy-cat,	The poor economic situation, customers cut spending,	Be careful in running a business, Unforeseen situation might arise; Clients' short-sighted Not good at own PR; Market is saturated and many competitors; Bad economic environment and recession;
14. CSR	Yes 10% of profits go back to nations,	Yes Work with local foundation, Charity work to donate food to orphans	No

	16 XE	17 POY	18 CCW
1. When this company was established?	2005	2009	2003
2. How many employees?	5-10	9	20
3. What is your annual turnover?	£500,000	£250,000	£2m
4. Main businesses	New methods for insect control service	Entrepreneur membership model event,	Commercial Law, IC law, Legal service,
5. Company size	Small	Small	Medium
6. Current stage of development	Success (III) but still need to grow	Start up to Fast growing, (III-D)	Growing to Mature
7. Management style	Empowerment, Controllable, Autonomy	Paternalistic, Empowerment, Consultative, Organic,	Empowerment, Democratic,
8. Methods for Assess Business	Innovation performance, Organisational capability, service quality, customer size, employees capability, ROI, Cash flow	Organisation performance, Financial performance, Decision-making quality, Social influence, Relationship with paying embership community, Feedback from community, Employee performance,	Financial figure, Profit, Debt, ROI, Cash flow, Customer satisfaction, employees capability, Internal business process, Referrals,
9. Success influencing factors	1 IC 2 Market orientation and innovation 3 employees capability, 4 HRM 5 Leadership 6 Management	Cash is king, Organisational capability, Leadership, Social culture,	1 Market orientation and innovation; 2 Leadership, Entrepreneurship 3 Employees capability, 4 IC 1Cusstome needs and

	7 Management financial capability, 8 Organisational capability 1Businss and economic environment 2 Customer needs and requirement 3 shareholder wealth 4 social culture 5 environment 6 suppliers		requirement, 2 business and economic environment
10. Business vision	Better service and innovation to minimise the damage from pest	Building a better world through business	Be creative in looking at internal Business process to enhance service quality
11. Business strategy	Licensing, sell the project, create market loyalty, apply more funds, maintain flexible, minimise the running cost,	Build high value network among young entrepreneurs to attract wealth, Increase the value of membership, Grow the amount of organisations, Increase standard and quality of entrepreneurs within network	Provide employees training, oral marketing, referral, Business Partner, collaborators, fill the market niche and gap, establish personal relationship, Internal web blog for knowledge sharing, networking
12. Objectives/ future expansion	Establish more project in different countries, recruit more employees,	Growing bigger and better to reach full financial sustainability,	Expand client service, Expand into other property law service,
13. Business challenges or risks	Sufficient capital for innovation,	Large corporates start their own entrepreneurship membership,	Regulation change, aftermath of the credit crunch, economy downturn, replace of older business Partners, too many business Partners may cause massive confusion.
14. CSR	No	No	Yes

	19 TPT	20 QL	21 4G
1. When this company was established?	2009	2013	2012
2. How many employees?	22	5	5
3. What is your annual turnover?	£1.4m	X	£1.2m
4. Main businesses	Business learning and development Service, employees training service	Designing software for qualitative research	Telecommunication company that offer a consultancy software service for mobile licences
5. Company size	Small to Medium	Small	Small
6. Current stage of development	Success but still start up	Existence	Start-up but growing quickly
7. Management style	Open Equal Democratic	(Not confirmed) Democratic	Paternalistic and collaborative, freedom and trust
8. Methods for Assess Business	Profit, ROI, Cash flow, customer satisfaction, Innovation performance, training quality	Software develop progress, customer feedback, Innovation process, internal business process, customer satisfaction measures,	Daily Gross profit reports, monthly and quarterly financial reports, individual long-term sales targets, innovation, aftersales, profit, debt, ROI, cash flow, sales turnover,
9. Success influencing factors	1 Time management 2 Market orientation and innovation 3 leadership and entrepreneurship 4 management financial capability 1busines and economic environment 2 customer needs and requirement 3 collaboration 4 competitors effect	1 Visibility in the market, 2 Marketing strategies, 3 Market orientation and innovation 4 Employees capability 5 Management financial capability 1 Customer needs and requirement 2 social culture	1 Marketing orientation and innovation, 2 management financial capability, 3 organisational capability, HRM 4 leadership 1 collaboration 2 supplier covenants 3 customer needs and requirement 4 political environment 5 business and economic environment

		3 consumer behaviour	
10. Business vision	Help people improve their performance	Maintain good quality but with cheaper price	Customer satisfaction drive more on actions
11. Business strategy	Work with business Partners to attract more clients, rely on clients referrals, Collaboration with others, Increase sales, pick up clients carefully, establish long-term relationship with clients, marketing plans to get more customers	Attend events to increase visibility, collaboration with University who are more likely to use the software, doing blog in the search engine to increase market visibility, find extra investment,	Establish brand and reputation, Use of social media and marketing plans, go to business conference
12. Objectives/ future expansion	Recruit more staff members, increase the firm size, rebuild the brand and develop active marketing strategy,	Develop the first project to a test stage and then start sales, to generate more staffs,	Short term develop marketing strategy and branding, long-term develop industry changing technology,
13. Business challenges or risks	Clients not pay their fees on time, reputational risk for poor service, fierce competition in the market, not clear business vision and objectives	Risky due to it is small and nice market, market competition, lack of credibility, consumer behaviour and do not want to switch to new service,	Hypercompetitive industry where margins are being squeezed, build a service layer around product, continuous innovation, Lose clients and Partners, high dependency on Partners
14. CSR	Yes Discount for charities, free training to young start up entrepreneurs, free training for junior chamber of commerce	Yes	Yes CSR relevant events and networking

	22 PJ	23 VG	24 CSE
1. When this company was established?	2013	2008	2003
2. How many employees?	5	20-30	5
3. What is your annual turnover?	£30,000	£150,000(Profit)	£300,000
4. Main businesses	Customized jewellery design service	Online marketing for transcription service	English education service
5. Company size	Small	Small –medium	Small
6. Current stage of development	Start-up	Success and growing	Survive and Stable
7. Management style	Democratic, consultative, organic	Consultative, Team collaboration	Empowerment, trust, flexibility
8. Methods for Assess Business	Marketing process, sales, management process, customer satisfaction, internal business process, innovation performance, employees capability, profits, Cash flow, measure spending and cost	Click through clients system, KPIs, deadline, assess number of followers, reversion rates, social media growth, profit, sales, cash flow, customer satisfaction, innovation performance, employees capability	Customer satisfaction, customer loyalty, service quality, sales, profit, cash flow
9. Success influencing factors	1 Leadership/entrepreneurship 2 market orientation and innovation, 3 management system, 4 employees capability, 5 use of social media	1 Management system 2 Leadership and entrepreneurship 3 Employees capability 4 organisational capability 1 customer needs	1 quality of teaching to maintain the reputation, 2 employees capability, 3 leadership 4 use of social media 1 Political environment due to the visa to the students, 2 business and economic environment

	1 customer needs and requirement 2 business and economic environment 3 competitor effect 4 social culture	and requirement 2 competitor effect 3 social culture and consumer behaviour	3 competitor effect
10. Business vision	Establish the ultimate luxury brand in Scotland	X	Quality to maintain reputation
11. Business strategy	Set up the right price not too high, maintain a small quantity with higher quality, develop marketing plan, have sample display in hotel and parties, get a big luxury shop	All about marketing, Hire a business Manager, Multiple channel marketing,	Clients referrals, Word of mouth, use more online social media, maintain the business small and stable
12. Objectives/ future expansion	Expand the business internationally,	Launch another business with Partners, maintain stable and a work life balance	A new IT system, develop agency contacts, get new classroom
13. Business challenges or risks	Many risk and challenge, time is important, lack of fund to further innovation, the acceptance for the market,	Some employees are contractors, competitors in the UK market, Search engine affects quite a lot to the business	Competitor in the market
14. CSR	No Until get bigger and have more revenue	No	Yes, British heart foundation donation.

Appendix 4 NVivo Themes, Codes and Quotes

PhD SMEs (NVivo 11).nvp - NVivo Pro

FILE HOME CREATE DATA ANALYZE QUERY EXPLORE LAYOUT VIEW

Workspace Item Clipboard Format Paragraph Styles Editing Proofing

Look for Search In Nodes Find Now Clear Advanced Find

Nodes

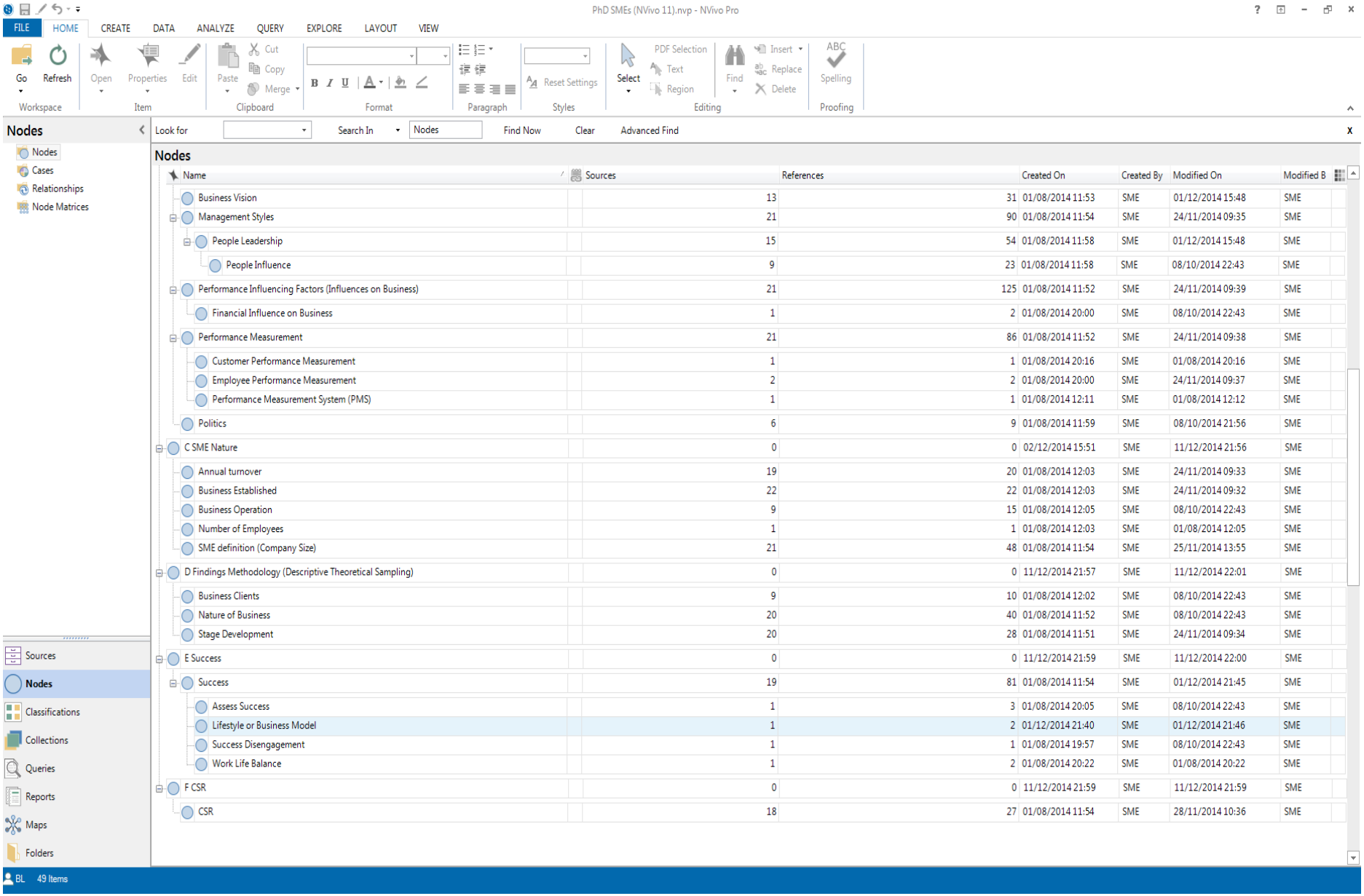
Nodes Cases Relationships Node Matrices

Sources Nodes Classifications Collections Queries Reports Maps Folders

Nodes

Name	Sources	References	Created On	Created By	Modified On	Modified B
A Resource Based View		0	25/11/2014 08:52	SME	11/12/2014 21:54	SME
Competition		20	01/08/2014 12:03	SME	01/12/2014 21:44	SME
Competitive Advantages		22	01/08/2014 12:07	SME	01/12/2014 21:45	SME
Customer Relationship and Satisfaction		20	01/08/2014 12:49	SME	01/12/2014 21:43	SME
Economic Environment		14	01/08/2014 11:54	SME	26/11/2014 20:22	SME
Employee Capability Performance and Training		19	24/11/2014 15:55	SME	01/12/2014 17:26	SME
Innovation		17	25/11/2014 08:54	SME	28/11/2014 23:10	SME
Networking		21	24/11/2014 15:32	SME	08/12/2014 10:35	SME
Organisational and Management Capability		21	01/08/2014 12:44	SME	01/12/2014 21:46	SME
Quality of Products or Services		18	25/11/2014 08:48	SME	01/12/2014 21:46	SME
B Performance Impact		0	02/12/2014 15:43	SME	11/12/2014 21:54	SME
Business Challenges or Risks		22	01/08/2014 11:53	SME	01/12/2014 17:26	SME
Business Goals or Objectives or Aims		21	01/08/2014 11:53	SME	24/11/2014 09:39	SME
Business Mission		6	01/08/2014 12:51	SME	01/12/2014 17:27	SME
Business Strategy		22	01/08/2014 11:53	SME	01/12/2014 15:46	SME
Collaboration and Competition		1	01/08/2014 20:19	SME	01/08/2014 20:19	SME
HRM Strategy		1	01/08/2014 20:24	SME	01/08/2014 20:24	SME
Marketing Strategy		2	01/08/2014 20:08	SME	08/10/2014 22:43	SME
Social Strategy		1	01/08/2014 12:52	SME	01/08/2014 12:52	SME
Business Sustainability		11	01/08/2014 14:49	SME	08/10/2014 22:43	SME
Business Vision		13	01/08/2014 11:53	SME	01/12/2014 15:48	SME
Management Styles		21	01/08/2014 11:54	SME	24/11/2014 09:35	SME
People Leadership		15	01/08/2014 11:58	SME	01/12/2014 15:48	SME
People Influence		9	01/08/2014 11:58	SME	08/10/2014 22:43	SME
Performance Influencing Factors (Influences on Business)		21	01/08/2014 11:52	SME	24/11/2014 09:39	SME
Financial Influence on Business		1	01/08/2014 20:00	SME	08/10/2014 22:43	SME
Performance Measurement		21	01/08/2014 11:52	SME	24/11/2014 09:38	SME
Customer Performance Measurement		1	01/08/2014 20:16	SME	01/08/2014 20:16	SME
Employee Performance Measurement		2	01/08/2014 20:00	SME	24/11/2014 09:37	SME
Performance Measurement System (PMS)		1	01/08/2014 12:11	SME	01/08/2014 12:12	SME
Politics		6	01/08/2014 11:59	SME	08/10/2014 21:56	SME
C SME Nature		0	02/12/2014 15:51	SME	11/12/2014 21:56	SME

BL 49 Items


PhD SMEs (NVivo 11).nvp - NVivo Pro
FILE
HOME
CREATE
DATA
ANALYZE
QUERY
EXPLORE
LAYOUT
VIEW
Go
Refresh
Workspace
Open
Properties
Edit
Item
Paste
Cut
Copy
Merge
Clipboard
Format
Paragraph
Reset Settings
Styles
Select
PDF Selection
Text
Region
Find
Insert
Replace
Delete
Editing
Spelling
Proofing
Nodes
Nodes
Cases
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Node Matrices
Look for
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Sources
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Business Vision 13 31 01/08/2014 11:53 SME 01/12/2014 15:48 SME
Management Styles 21 90 01/08/2014 11:54 SME 24/11/2014 09:35 SME
People Leadership 15 54 01/08/2014 11:58 SME 01/12/2014 15:48 SME
People Influence 9 23 01/08/2014 11:58 SME 08/10/2014 22:43 SME
Performance Influencing Factors (Influences on Business) 21 125 01/08/2014 11:52 SME 24/11/2014 09:39 SME
Financial Influence on Business 1 2 01/08/2014 20:00 SME 08/10/2014 22:43 SME
Performance Measurement 21 86 01/08/2014 11:52 SME 24/11/2014 09:38 SME
Customer Performance Measurement 1 1 01/08/2014 20:16 SME 01/08/2014 20:16 SME
Employee Performance Measurement 2 2 01/08/2014 20:00 SME 24/11/2014 09:37 SME
Performance Measurement System (PMS) 1 1 01/08/2014 12:11 SME 01/08/2014 12:12 SME
Politics 6 9 01/08/2014 11:59 SME 08/10/2014 21:56 SME
C SME Nature 0 0 02/12/2014 15:51 SME 11/12/2014 21:56 SME
Annual turnover 19 20 01/08/2014 12:03 SME 24/11/2014 09:33 SME
Business Established 22 22 01/08/2014 12:03 SME 24/11/2014 09:32 SME
Business Operation 9 15 01/08/2014 12:05 SME 08/10/2014 22:43 SME
Number of Employees 1 1 01/08/2014 12:03 SME 01/08/2014 12:05 SME
SME definition (Company Size) 21 48 01/08/2014 11:54 SME 25/11/2014 13:55 SME
D Findings Methodology (Descriptive Theoretical Sampling) 0 0 11/12/2014 21:57 SME 11/12/2014 22:01 SME
Business Clients 9 10 01/08/2014 12:02 SME 08/10/2014 22:43 SME
Nature of Business 20 40 01/08/2014 11:52 SME 08/10/2014 22:43 SME
Stage Development 20 28 01/08/2014 11:51 SME 24/11/2014 09:34 SME
E Success 0 0 11/12/2014 21:59 SME 11/12/2014 22:00 SME
Success 19 81 01/08/2014 11:54 SME 01/12/2014 21:45 SME
Assess Success 1 3 01/08/2014 20:05 SME 08/10/2014 22:43 SME
Lifestyle or Business Model 1 2 01/12/2014 21:40 SME 01/12/2014 21:46 SME
Success Disengagement 1 1 01/08/2014 19:57 SME 08/10/2014 22:43 SME
Work Life Balance 1 2 01/08/2014 20:22 SME 01/08/2014 20:22 SME
F CSR 0 0 11/12/2014 21:59 SME 11/12/2014 21:59 SME
CSR 18 27 01/08/2014 11:54 SME 28/11/2014 10:36 SME
Sources
Nodes
Classifications
Collections
Queries
Reports
Maps
Folders
BL
49 Items

Appendix 4.1 NVivo Performance Measurement Coding

<Internals\\PhD SMEs\\10 Stage-II Survival Administrate> - § 7 references coded [8.46% Coverage]

Reference 1 - 0.46% Coverage

So right now, what we tend to focus on is our recurring revenue run rate. And what I need by that is because our product is priced on a monthly basis, you pay us £x per month, right.

Reference 2 - 3.11% Coverage

Yeah, so the way – each department has some different indicators and then we have got global company indicators. So on a company level we measure our performance based on customer attrition: so how many customers are we losing. Customer wins: how many customers are we winning? Recurring revenue, which is the £28,000, yes so that's very important. The average customer value: so what is the average amount that each customers pays us per month? Is that going up or going down? And we usually want it to go up. Cost of customer acquisition: so how much does it cost us to get a new customer on board? And then we've got a bunch of other indicators, so like how are we doing with our cash versus projections? How are we doing with you know…? We've got some other minor goals, which are how much training are we selling, how much customer development are we selling?

The last one is, at a high level is, how many of our customers have bought how many of our products? So in other words, let's just say we have eight products and we've got different configurations. If most of our customers have bought most of our products then we consider that to be good. If most of our customers have bought very few of our products, then that's bad.

Reference 3 - 1.64% Coverage

Yeah, so net promoter score, you know, would you recommend us to somebody else? We monitor that at least once a quarter. Every support interaction that we have, so if you send us an email or a ticket that says I'm having this problem, right, once it's finished we email you back automatically and say, "Do you think this is good or bad, yes or no?" Just one click. And if they say no then it flags up and we have a Manager to figure out why did they say it was bad. And we track that over time. So right now we're at about 98% over the last six months, 98% good. And any time we get a bad one we call them and say, "Oh we're sorry, how can we improve?"

Reference 4 - 0.96% Coverage

We also take a look at usage from a customer support standpoint. So for every week we monitor did you log in and use the software? And if not, then we'll send you an email and ask you why not? Is there is a problem, is there an issue? And we monitor that every

week. And let's see, yeah anyone who's not paying their bill or anything like that, we'll figure out what's the reason.

Reference 5 - 0.94% Coverage

Some of the other ones, percent of revenue from new products on the innovation performance, we definitely take a look at that. It's not like a core measurement that we do every week, but we keep a list of who could buy our new products and then we market to them routinely. And any time that they interact with our support staff we try to get them to suggest a new product.

Reference 6 - 0.39% Coverage

And then employee performance, we monitor that but not very officially. And the reason is because it's much quicker than it would be in a large organisation.

Reference 7 - 0.96% Coverage

Yes, we talked about average revenue per customer; cost of customer acquisition; so how much – if you take marketing sales, salaries and marketing expenditure and divide that by the number of customers that we've won, that's our cost of customer acquisition. And we want to make sure that our cost to customer acquisition is always less than the average lifetime value of our customer.

<Internals\\PhD SMEs\\11 Stage-I Existence Musemantik> - § 5 references coded [7.93% Coverage]

Reference 1 - 5.39% Coverage

So every month we have got a KPI, do you know what a KPI is? KPI, key performance indicators. So that is at the start of the year or at the start of the project. So usually one is a yearly review and one is a project review. So a project review is something like what we are doing with TSB. I am applying for a technology strategy for the staff and if I win it then this is one project for me. In the same way that we won the Creative Scotland grant, that is one project for me. So what we do is we do a project review and then we do a whole company review. So the company review is different from the project review. The project review focuses…Yeah, the company review, we focus on the performance indicators, because it's a start up and in a start-up there is no review or nothing. So once we look at technology KPI. The technology KPI is…we make a production plan, a development plan, an R and D plan. It is monthly and weekly and you have to stick by all those plans. So then I become your…I give you over to my technical person, I say, "okay, you said that you are going to finish the composers tool in March, now its May, what is happening?" So I have KPI's, key performance indicators. My performance indicator is that you should have your composer's tool working in March, but you are not able to achieve so you have to give an explanation or change the KPI, amend the KPI. So everyone has got a KPI, technology, I work in indicators, marketing, he is going to ask me

how many customers have you contacted last month? If there is a customer, how many of them have been in sales [00:34:41]. If there is a sale, how much revenue is going to come in? If there is a revenue, how much is the profit? So these sort of key indicators, yeah. So in every aspect of the company, we have got KPI's [00:34:58]. If this is happening, then our performance is okay. We are meeting our performance, and with this project, there is also a KPI. The project is…I took money for developing this product, so am I filing the developments you do? If I not following them, more is happening. If I took the money for market research, am I following the market research you do? So everything is first you do and then we measure against. So if we say that, "oh, my job is to get users", we talked all about how I get users. So companies different, direct contact, but users is social media, [00:35:45] and different, like Facebook. We have got a Facebook page. We have got a Twitter. So all these things we write so that users can come and see our stuff. So we have got, "okay, we have just managed one hundred users. You said that you are going to get 200 hundred users. What happened?" So I have to give an explanation. "I tried out this method but nobody came. So I am going to try something new now".

Reference 2 - 0.35% Coverage

Yeah, the only financial performance which is important to me, which you have put it, cash flow. Cash flow is the…if you see…this, all of them we do, but this, we do only cash flow.

Reference 3 - 0.80% Coverage

Yeah, the customer is god. So the customer satisfaction measure should be number one. If the customers say, "no, go and change the button from red to blue", I say, "okay", and go and change from red to blue, but not every customer because then otherwise I will have multicolour, red blue…because every customers tells you different things. You have to evaluate, you have to say, "Okay, what is the main person…?"

Reference 4 - 0.90% Coverage

what we do is what I told you, KPI, a technology called KPI, right? Quality measures are also very important for us because we have got internal quality stuff, something like 'my software should be bug free', or usually 99% confidence limit, 99% inputs I give you, it's not going to give me garbage, its giving me local results. So quality is very, very important, but this is measured not…how would you call…this is an ongoing measure, this quality. It is a process.

Reference 5 - 0.50% Coverage

So this is for a big company because the percentage of revenue from new products, everything is new, 100%. We don't have a huge number of employees so we don't have employee suggestions, we have got formal suggestions, [00:46:39]. So everyone's suggestions.

<Internals\\PhD SMEs\\12 Stage-III G International Resources Recycling Centre> - § 7 references coded [1.65% Coverage]

Reference 1 - 0.09% Coverage

Oh with all the regular financial standards so...

Reference 2 - 0.41% Coverage

Management accounts, yeah, yeah. Its, that's an interesting question. Certainly we do measure it by financial standards, so management accounts and management accounts and annual accounts. We measure it by size of turnover...

Reference 3 - 0.12% Coverage

And then we also, I suppose we do measure it by the number of...

Reference 4 - 0.10% Coverage

Yeah, the number of projects and the quality of projects.

Reference 5 - 0.68% Coverage

Some of our projects are measured against the outcomes, the outcomes of the project. So the number of people that have been helped...but not all of them. Not so much the European ones, the resource for life is measured against the... Our donors ask for reports that indicate the number of people helped and how they were helped, so outcomes are important for specific projects.

Reference 6 - 0.05% Coverage

We do employee reviews yeah.

Reference 7 - 0.20% Coverage

Well that's an annual review, that's the annual review Where you look at their salary and all that kind of thing.

<Internals\\PhD SMEs\\13 Stage-II Survival Miascape> - § 6 references coded [5.18% Coverage]

Reference 1 - 1.36% Coverage

We have a big board at our office that has all of our current clients and potential clients and who is in charge of that account and then how much it is worth. So we can see or have a rough idea if we are going to make enough money in the next three months to keep going, which we are. Part of it is financial measures and then part of is just making sure that you are talking to enough people and going after good, solid leads.

Reference 2 - 0.38% Coverage

The financial measures are pretty simple right now since we are so small, it is just making sure we have enough cash flow.

Reference 3 - 0.20% Coverage

For financial we definitely look at turnover, profit, cash flow

Reference 4 - 1.29% Coverage

For non-financial we do all those. We do feedback from customers and that is again mostly conversations to see where we are at because we don't really like tick the box type things. For our internal and our employee performance we are so small it is kind of the same thing. We use our tools on our self, so one of our thinks is modelling excellence and I am actually just doing that right now internally.

Reference 5 - 1.53% Coverage

Employee suggestions, we do that. We are working on an online platform, I don't know if you saw that? Bring our products online because that was a suggestion of one of our younger guys before I had started. The IT guy said we could reach out to a lot of new people so we are doing that, we are looking at how much revenue we are bringing in from that. We are always looking to innovate, our business is change so if we are not changing then we are probably doing something wrong.

Reference 6 - 0.42% Coverage

since we focus on that it just goes hand in hand with the internal business process performance because our company is made up of us.

Text Search Query - Results Preview
performance
above
and the public influence . Interviewee : Yes . Interviewer : Yeah , so interpret
Interviewee : Yeah , yeah pretty " much " . Interviewer : Okay , so internal " list
and employees' performance . But what factors will influence the
our company . Interviewer : So what factors will influence those
and non - financial performance which includes clients' performance and employees'
area . And now my research is about SME " , sustainable and
at these two I think . Interviewer : In terms of non - i
business
performance and how are these factors influencing the company's
think that some of them are relevant to your
client's
In small company , yeah , it depends . Mostly placed on
income of this performance you have mentioned about it ,
company
of the companies . Which one is relevant to your
the
absolutely . Interviewer : OK , cool . So in terms of
are ... Interviewer : Because some challenges will definitely influence
company's
this
I want to use your company to develop my
the following methods do you use to measure the
In terms of
So
company's performance , what kinds of factors will influence
Cool . That's so interesting .
you mean , yeah , sure
they not make it . R :
measure
How do you
have some means or some message to
. Interviewer :
celebrate the survive
research development , CTO
of this company's performance .
your
Interviewer : How do you link these challenges with
service and technology . Interviewer : OK . And in terms
terms of the performance , how do you measure
to this question , what kind of factors influence
financial
non -
Customer value
control the business . These factors will affect your influence in
be on the ball when it comes to
give a little explain . Interviewee : I would say
Interviewer : What about the non - financial performance ? Interviewee :
Employee
Do you currently have a means to measure your companies
: 46 : 39] . So everyone's suggestions . Interviewer : So then no
as productivity and quality , timeliness . The innovation performance and
days a bit on the technology side . And then
loyalty , we do not have internal business process performance ,
probably doing something wrong . Interviewer : Yes definitely . What about
really great , but might not be . In terms of
so on , yes . Interviewer : Yes . So what about the
the box type things . For our internal and our
employee's
be organised as " a " whole " it is enclosed with
Interviewee : No none of them no . Interviewer : Even for
of the
doing , because it is different . In terms
something differently . Just like the social reputation
as employees survey 360 . So essentially , we have got
be capable and we are trying to manage our
is . It takes time to present what the company
it's less important for you ? Interviewee : Yeah , the only
financial performance and
do you use the following
have divided the performance into
R : We have talked the
the
know Duncan looks at those . For internal ... Interviewer :
and some financial performance ; do you use
no return on investment or capital . In
of the financial performance . Interviewer : What about
performance , what kind of factors will influence
of
the
of factors will influence the non - financial performance and
margin us give 10 % . R : We have talked
good use of it . We consider all
Interviewer : Okay . In the interim in terms
work with . If donot , we do not make
the following performance category , do you use the following
wide range . A : We have divided the performance into
You have mentioned the internal balance scorecard and some
got a limited operation you can get quite good customer
has proven to be a real strength of our businesses
In terms of the next table I have generated some
innovation
performance you have mentioned about it , client's performance and
fresh and always done daily . In terms of
the
life to make things better . Interviewer : What about
ones , percent of revenue from new products on
process performance such as productivity and quality , timeliness ,
things better . Interviewer : What about the innovation performance ? Interviewee :
to customer value performance . That is the key one .
internal business process
customer satisfaction performance . We also consider about
just goes hand in hand with the
performance , customer loyalty , we do not have
to day basis . As an example of
investment . Interviewer : And the internal performance , you mentioned the project
is happening ? " So I have KPI's , key performance indicators . My
its
to measure
any other non - financial measures are used
you are small company , you still need
What kind of measures do you use to evaluate
its May , what is happening ? " So I have KPI's
,
key
KPI , do you know what a KPI is ? KPI
performance , how do you measure them ? I : Well , the
some key indicators , Key performance , do you have some
specific projects . Interviewer : So just like some key indicators ,
we ask our staffs . So these are the three
know I have read this . You are trying to find
our
measure
of every month . That's reviewed by the third director , everybody's
consumer spending can affect our overall performance . Because all
happening , then our performance is okay . We are meeting
influence your company's performance ? Interviewee : The factors that influence
KPI's [00 : 34 : 58] . If this is happening , then
company indicators . So on a company level we
right , people will not come back . We also
performance . Interviewee : Ok so it is stuff that affects
so we , the other thing is yes , so measuring
with our clients is we ask them to assess
year . We ask them to follow our questionnaire about
overall
the
Interviewer : What factors will have an impact on
nature of our game , so in terms of
the company's
are the main factors that are influencing
influence
is this company and what factors
non - financial performance . What factors will
the economic climate and consumer spending can affect our
pay attention to . Interviewer : Do some other factors influence Wolfson's
the
affect
a facet of each of them . Interviewer : That was
part , I also category some factors that will
skills match . Interviewer : What about external factors that
board than try to continually recruit . Intellectual capital affects
by people from wide range . A : We have divided
does not it ? R : There are some factors influences
none of these . Interviewer : So , yes these are following ,
of
companies to measure their performance . Is that some
in terms
does seem an economic inconsistency . Interviewer :
I have listed some influencing factors
on
yeah . It's some kind of ... so
about us . Interviewer : Oh , referral . And following up
review focuses ... Yeah , the company review , we focus
to
mentioned there must be some influencing financial factor
which of them do you think is relevant
we know exactly everything is measured and check against
the financial performance and non - financial performance which includes clients'
the following
many new clients we get . A : What about
measures , do your company collect some information from
us but not to them . In terms of
the internal
okay . Interviewee : Obviously not internal " investment . Interviewer : And
that's important . Interviewer : Okay , and this is from
their
conduct some research , some new " research in terms of
deals a month between the two of them . So
from your competitors ? Interviewee : Competing firms ? Interviewer : Yes , does
have somebody been affected by family issue . They affect
I brought in and I would be responsible for
measure
obviously have their sales figures . But not necessarily
these are mostly used by the companies to
this
affect
there is a problem . Thus , we consider the customer satisfaction
some financial figures , which kind of factors will
of
the performance , there must be some factors that
profitable . Interviewer : Oh , That's very good . The income
to measure . Interviewer : Yeah , sure , So in terms
way to put it . Interviewer : So all this form ,
you showed me on this . What factors will influence
your
with any small business . Interviewer : In terms of your current
work and we build a client base . Interviewer : Okay . Cool ,
,
in a little bit about why these factors affect
is something over there that you used to measure
" a " whole " it is enclosed with employee's performance and
before and do you think it is relevant to
do you use to measure your performance and evaluate
is only one owner . Interviewer : Does social culture affect
do you
measure
current measure . What kind of ways
we can use . Interviewer : Okay . So
what kind of means do you use to
So are any of them relevant in terms of
So do you have any other factors that influence
their challenge and if your challenge is their challenge
?
and
what kind of measures ... ? Interviewee : So every month we
with this project , there is also a KPI . The
because the clients will do that . Subway , for example , they
but it has taken us three years to optimise that ,
customer loyalty , we do not have internal business process performance .
do you have some key performance key indicators ? Interviewee : No .
how do you measure
them ? I : Well , the key performance
your company's performance ? Interviewee : Each fee
I
have here collected from Bain & Company and these are
think your company focuses on ... ? Interviewee : Yes , since we
if people are needed to be told they are very
it covers a broad range of subject just like sustainable ,
or in terms of the long running , what about risks
our client retention is very high so that's always something
there must be some factors that affect this performance , what
we
definitely take a look at that . It's not like
monitor that but not very officially . And the reason
what
is your company's objectives ? Interviewee : We have our turn
kind of
factors will influence the non - financial performance
methods or what kind of means do
kinds of factors will influence this company's performance ? Interviewee :
we
are doing in the moment is we are
do is we set ourselves as I said
you mentioned the project performance of ? Interviewee : I would say
Again , it's about being creative , about being stimulated and so
Because all our performance are sales and revenue , if people
But what factors will influence the above performance . I : Right ,
Can you pick out what are they ? I : Internal factors ,
Do
things some , which of the following factors . . . Interviewee : I
you think any of them are relevant to your
Employee performance yes . A : Will you take more exams in
Employees' capability can definitely affect us because if you hire
Generally , it is twice a year . Sometimes , once a year .
How do you measure this company's performance , and what kind
I : Right , we probably neogiate with our clients to contract
In this year , have we delivered , if not , why not .
Interview : Yes , so the challenges ... Interviewer : I think , in my
Interviewee :
For non - financial we do all those . We do
Oh I see yeah . Interviewer : So . . . Interviewee : Well I
Ok so it is stuff that affects our performance .
We usually just write up an invoice and they
Yes . Interviewer : Yes , and some innovation [0 : 16 : 53 .
Interviewer : What about the non - financial performance ? Interviewee : Customer value
Is that some of the performance you also use in
It is much easy to have a big impact than
So
from the internal perspective and external perspective , the internal
it would be a little bit more hierarchical but
what do you think would be the main influencing
That is the key one . Innovation Performance . Again , it's about
This company how do you assess it ? Interviewee : Oh with
We
also consider about internal business process performance such as
have got to look at the market , we have
What
factors will influence the company's overall performance ? I : The
kind of measures do you use to evaluate its
other things we do . we work hard at first
; do you use the non - financial performance ? Interviewee : The internal
And if it's related you can pick them and arrange
Can you explain in detail how the measurements work ? Financial ,
I :
The business environment as a whole probably . Because in
We probably measure our accounts previous years , quarterly , annually .
Interviewee :
Are you saying internally , what do you mean ? Interviewer :
By how much money we have in the bank .
Customer value performance as what I said the customer
Each fee earner in our firm will have monthly
Good client retention . We tend not to – we don't
Having the right solutions for our customer at the
I think
the
economic climate and consumer spending can
management system / methods / practices obviously . And
this measures , which is with Bain and
Innovation performance ? Interviewer : It means to make something new ,
Scottish independence might influence what happens , just because I
So you mean like these sorts of factors ? Interviewer :
Social culture that really comes down to how much
That's a good question . We don't have any metrics
The
factors that influence our performance is that if
internal balanced scorecard includes customer satisfaction , manufacturing success ,
Things like the tram have a negative impact on
This
is ... Interviewer : The customer , yeah ? Interviewee : Customer satisfaction ,
very a stable country , so political environment does
Those are the ones we report to the external
We have a big board at our office that
Well
, the people that we work with – we don't
because the way we organise and manage projects
What kind of factors ? Interviewer : Yeah , and it means ...
Yeah
I think the big influencers are marketing . Interviewer :
so the way – each department has some different
. Interviewer : Just like within this organisation . So what
Yes , sales turnover is always relevant . Profit is relevant .
Interviewer : It means to make something new , come up with
So the main factor , like cash is king , everybody says
also are considered by our company . Interviewer : So what factors
and
employee performance also are considered by our company . Interviewer :
employees' performance . But what factors will influence the above
evaluate your performance ? Interviewee : Yeah , so the way – each
financial performance ? Interviewee : So you mean like these sorts
how are these factors influencing the company's business performance ?
innovation performance and some financial figures , which kind of
non - financial performance
, What factors will influence the company's
indicators ? I : Sales turnover and profit ,
which includes clients' performance and employees'
some financial figures , which kind of factors will affect
sustainability
. And what you have told me just now
and what makes companies perform well and sustainable .
what methods do you use ? Interviewee : Well , turnover , sales
which
factors influence you mostly ? Interviewee : Market Orientation and
one is more important that we can rank
your performance . Interviewee : Oh I see yeah . Interviewer : So .
are sales and revenue , if people are not comfortable or
as what I said the customer come back , they are
based on customer attrition : so how many customers are we
because
if it wasn't for that we wouldn't be in
our company is made up of us . When you
by
how busy we are and how much food we
some financial figures ? Interviewee : Yeah . Interviewer : It only depends
category , do you use the following financial performance and non -
do you think ? Interviewee : No . Interviewer : Just none of them ?
effect your business ? Interviewee : Yes , I think if people start
effectively . The family and non - family factors , I think to
feedback . The difficulty we have got is we have got
I have gathered from you know a broad " range " . And
indicator
(KPI) for this business is gross profit . If our
is that you should have your composer's tool working
indicators
,
because it's a start up and in a start -
milestones and goals . Otherwise , the clients think how they
My performance indicator is that you should have your
So that is at the start of the year .
? I : Sales turnover and profit , debt and cash flow ,
we work to . R : Do you think some of
influencing factors . I have categories for some of them for
into financial performance and non - financial performance . What factors will
is
, I need to talk about the business strategies we
measured by the third director , every month , then we
okay . We are meeting our performance , and with this
that if we are ... Interviewer : Because some challenges will
key indicators ? Interviewee : No . and none of these . Interviewer : So ,
measurement
? Interviewee : I think working in a law firm means
and which one do you use ? And if you
measurements ? Interviewee : For financial ? Interviewer : Non - financial and financial yes ,
measures , do your company collect some information from the following
no [laughter] . Interviewee : We do employee reviews yeah . Interviewer : Employee
of ? Interviewee : I would say the main fact is that
one think I am about to introduce is a new
or something . Interviewee : Some of our projects are measured against
such as productivity and quality , timeliness . The innovation performance and
that you showed me on this . What factors will influence
to measure growing profit . We ask our clients essentially their
we are so small it is kind of the same
which
includes clients' performance and employees' performance . But what factors
is important to me , which you have put it ,
will
be very good and then you can get more
definitely influence ... Interviewer : Yeah , definitely for the influence . Interviewee :
with our community . So we touch base with our paying
yes . A : Will you take more exams in the future ?
you
also use in your company and you can pick
have
mentioned about it , client's performance and innovation performance
not mentioned before and do you think it
mentioned there must be some influencing financial factor to
must have faced some risk , some challenges ? So what
use ? Interviewee : I think there is definitely a facet

Appendix 4.2 NVivo Performance Influencing Factors Coding

<Internals\\PhD SMEs\\10 Stage-II Survival Adminstrate> - § 9 references coded [5.37% Coverage]

Reference 1 - 0.46% Coverage

Yeah, so some of these are kind of like lower level for us. So in other words customer satisfaction, yeah, that's something that on this customer service group we monitor very heavily.

Reference 2 - 0.69% Coverage

Yeah, so that's just some of the customer things that we – and also just like number of issues in versus number of issues, so how many bugs, how many tickets support requests do we have? How old are they or have they been dealt with quickly? We monitor that on a daily basis.

Reference 3 - 0.12% Coverage

Yeah, I think the big influencers are marketing.

Reference 4 - 0.77% Coverage

So anything we can do to keep a customer is a big deal for us that really influences. That's been one of our problems this year is that customers have been leaving and not going with the software. And so we've tried everything we can to keep customers on board and as that comes down then it grows faster.

Reference 5 - 0.83% Coverage

So that's been the challenge. And then the last thing is just making sure that we have regular good product updates, that customers who've been with us for a long time can get value from. So if you're a customer today and you hate our product, right, you hate maybe half of it, but you see that every two weeks or every three weeks…

Reference 6 - 0.70% Coverage

Yeah, sure, so I think for us human resource factor, that's number one. Right, so our people influence everything we do, number one, yeah. And very closely to that would be employees' capability, two. I think that the third one would be the management systems and practices and…

Reference 7 - 0.51% Coverage

Yeah, I think the business and economic environment is important to us, because what tends to happen is in a lot of industries when there's an economic downturn the first thing they cut is training, right?

Reference 8 - 0.64% Coverage

So half of our customers have left this year because they don't like the product. So of the customers that left, half of them were because they don't like the product. Of the other half, half of that, so 25% of the leavers are because of bankruptcy.

Reference 9 - 0.65% Coverage

So we're hoping the economy will pick up, because somebody, one of our customers said, "Training is the bellwether of the economy." So it's the first to get cut and it's the first to recover when the economy starts to pick up again and I think that's true.

<Internals\\PhD SMEs\\11 Stage-I Existence Musemantik> - § 7 references coded [5.72% Coverage]

Reference 1 - 0.12% Coverage

Customer satisfaction. For a start-up, this is number one.

Reference 2 - 0.23% Coverage

because the customer is, like cash flow is more important than the mum, the customer is more important than the cash flow.

Reference 3 - 0.46% Coverage

This is…even before this and this, this we measure, timeliness. As I told you, if you tell me that this software will be ready in March and the technical team gives me the explanation, "oh, I fell sick", or whatever, then it is a problem.

Reference 4 - 0.96% Coverage

I think, for me, I think for our company, this is number one because…intellectual capital, because our company is…all the things we develop is with the mind-set of protecting it.So ultimately, what we are developing should be patentable. So this is number one for us because we have to have an IP. Second is this one, market orientation and innovation. So that is very important. Employee capability is third because the employee is not all [00:50:52], if I cannot perform then it's not possible.

Reference 5 - 2.99% Coverage

This is also very important, organisational capability, because in small companies, someone should be able to run the company very well without affecting the other people. So if all of my employees, or all of my Founders or employees are going to run the company, then there are less skills, or nobody runs the company [00:51:29], no legal form, take everything you like, why not get everything. So this is very important. This comes next because if we cannot manage the cash flow, then the business is dead. This is important when hiring people, human resources, only when hiring people. This, the small company, I told you, will do everything with consensus. So management system, we don't have any management system, it's like we work…its management by consensus. Everybody talks to each other to settle everything. External factors, I think they are

regulatory here. Oh, the first thing is competitors, number one, yeah. Even before competitors, I think number one is customer needs and requirement, without that we can't move forward. So number two is the competitors and I don't know, regulatory is not there, you must put it in, because regulatory is something like the…every industry has got regulations. We have to follow the Data Protection Act and the I-don't-know-what-not Act. So we cannot sell the music, copyright, plagiarism, you cannot steal the music and put it on my website. Then I get caught, not you. So that is called regulatory. So for us, regulatory is very, very important. We have to follow all of the international laws.

Reference 6 - 0.40% Coverage

Privacy law. So you must have seen in our thing, all the laws that we put, we follow this law, we follow this law, we follow this law…so for us it is very important, more important than other factors here.

Reference 7 - 0.56% Coverage

Obviously shareholder wealth is also important because that is…shareholder wealth is actually Founder's wealth, because most of the shares are held by the Founders. Our wealth is only going to increase. Political, not important for us because…unless some country decides not to allow music.

<Internals\\PhD SMEs\\12 Stage-III G International Resources Recycling Centre> - § 19 references coded [6.07% Coverage]

Reference 1 - 0.14% Coverage

Well I have already mentioned really those are all in the management accounts.

Reference 2 - 0.18% Coverage

Well it, I would call it... Our reputation affects the number of projects that we are invited to.

Reference 3 - 0.20% Coverage

To, and the number of conferences we are asked to address. And our success rate in terms of winning projects.

Reference 4 - 0.44% Coverage

Well then what affects our reputation is the success of our projects, so if we, if we are, if our projects are successful and effective we are, our reputation gets better. If our, if our projects are bad then out reputation will start to suffer.

Reference 5 - 0.05% Coverage

So reputation is crucial.

Reference 6 - 0.17% Coverage

Well I would say anyway those are the two…The two employees capability and marked orientation.

Reference 7 - 0.38% Coverage

Well because the way we organise and manage projects is the thing that really affects our reputation, it affects the success of our projects. And that depends upon the capability on the employees to do that...

Reference 8 - 0.60% Coverage

The market orientation in relation, it is one of the important aspects of our reputation, our ability to win projects is our creative ability to design, and to create innovation in projects. To design projects which are going to be innovative, and that's something that we need to do here, we have to do in order to make it work.

Reference 9 - 0.10% Coverage

And I would say maybe one, two environmental reasons...

Reference 10 - 0.96% Coverage

And political* environment, and the reason for that is because so much of our income is generated by the government, the European government. The European Union grant... Regimes they are very responsive for the kind of political* environment, and the way the political environment is going. And the attitude to the environment is crucial to affecting* that because that is very much our theme, and the attitude to the environment pretty much affects the political views. So the carbon* agenda has become very important recently.

Reference 11 - 0.28% Coverage

Formal* objectives*, we have got financial projections which shows how the business is going to develop, is going to develop over the next two years...

Reference 12 - 0.57% Coverage

Yes, and we have set no goals how do we then. I think, I think that then comes back to the first answer to how we measure it. And I think in many way the financial, in many ways the financial measure* is that*. And also in a way you can see that reflected in everything, you can see that in staffing levels and so on.

Reference 13 - 0.38% Coverage

So if this time next year we are employing, well this time next year we should be employing at least seven people. But if we are employing more than that, if we are employing close to ten people will be please.

Reference 14 - 0.12% Coverage

Is the reputation and organisationally the success influence factors.

Reference 15 - 0.08% Coverage

It's this market orientation and innovation.

Reference 16 - 0.26% Coverage

Well in effect I would turn that round, I think what a business does is decided by the business. You can see what the competitors are doing...

Reference 17 - 0.12% Coverage

And as I say it is up to you, it's not up to your competitors

Reference 18 - 0.10% Coverage

Yes, yes politics absolutely I mean as I said yeah that...

Reference 19 - 0.95% Coverage

That if Scottish Independence compromises Scotland's membership of the European Union, it will mean that organisations based in Scotland won't be able to apply for European Union funds. And in those circumstances it will affect our business considerably, and we would think about opening an office in England instead of Scotland to keep the business going. It's possible that Scottish Independence might make membership of the European Union stronger, and that the funds that Scottish organisations attract might get better

<Internals\\PhD SMEs\\13 Stage-II Survival Miascape> - § 4 references coded [1.94% Coverage]

Reference 1 - 0.62% Coverage

Our competitors are all the more traditional consultants and I have been looking into people that think more in the realm of thinking instead of behaviour modification and all that sort of thing.

Reference 2 - 0.24% Coverage

I think even in small companies you can have problems with communication.

Reference 3 - 0.15% Coverage

Ok so it is stuff that affects our performance.

Reference 4 - 0.94% Coverage

Employees' capability can definitely affect us because if you hire the wrong person in a small company it makes a much bigger difference. That is what we really probably focus on, what we are doing and how we are doing it. We look at all the other stuff but I don't think we really focus on it.

<Internals\\PhD SMEs\\15 Stage-IV Take-off Acumen PR> - § 9 references coded [5.47% Coverage]

Reference 1 - 0.25% Coverage

We have. Yeah, we have many competitors around Edinburgh, well around Scotland

Reference 2 - 1.19% Coverage

Our business is very much gauged by the economy. When we hit an economic bad time like the downturn we had a couple of years ago we suffered very badly from that because clients have to look at their bottom line. Not everybody needs what we do. They like what we do and they want it but when their auditors analyse it and go well you could be cutting costs there, cutting costs there.

Reference 3 - 2.08% Coverage

Good client retention. We tend not to – we don't lose clients on our inability to do the job. In other words, a client will never sort of say we're sacking you because you're crap. They will say we have to – we might have to park you for the time being until we see a clearer picture of where our company strategy's going or whatever. As I say, we are dispensable and that's the nature of our game, so in terms of the overall performance, our client retention is very high so that's always something which is a bonus for us. It's something we can go out to people who are looking to employ us and say we don't have a churn of clients. We work and we build a client base.

Reference 4 - 0.18% Coverage

Market Orientation and Innovation, Intellectual Capital.

Reference 5 - 0.19% Coverage

Market orientation and innovation I would put as number one.

Reference 6 - 0.33% Coverage

Organisation capability number two, management systems number three, employee capability number four.

Reference 7 - 0.18% Coverage

Business and economic environment number one definitely.

Reference 8 - 0.13% Coverage

Customer need and requirement number two.

Reference 9 - 0.93% Coverage

And I would competitors' effect as a very poor third, none of the rest of really – we keep an eye on our competitors but we do not have any – we meet them and we get on great with them. it is just we do not – we do not attack them in any shape or form. We work together with many of our competitors.

<Internals\\PhD SMEs\\17 Stage-III D Power of Youth> - § 3 references coded [4.11% Coverage]

Reference 1 - 1.22% Coverage

I definitely think that the size of our team at the moment is restricting our growth. So this is down to cash flow. The more money we get in the door, the more staff we can bring on, the faster we can train people.

Reference 2 - 1.16% Coverage

we're working on at the moment, organisational capability, the leadership within the organisation, because we have a flat leadership structure we're experimenting with that, we have done the last three years.

Reference 3 - 1.73% Coverage

our social culture is very important. Competitors effect, we don't look at our competitors much. Some times we take the best bit from competitors. Yeah. And as I said we are pioneering in the areas that we are, so we do have a lot of IT but it's not reflective because you can't protect what we're doing.

<Internals\\PhD SMEs\\18 Stage-IV Take-off CCW Layers> - § 7 references coded [4.06% Coverage]

Reference 1 - 0.45% Coverage

We have got our budgets, I suppose we have to live within our means so in terms of numbers of employees, in terms of choosing which type of area to invest more money in.

Reference 2 - 0.16% Coverage

I suppose investment decisions these do make a difference.

Reference 3 - 1.27% Coverage

I think it is more about how you invest money and how confident you can be that that work will continue in the future. I think that is looking at investment decisions. I suppose numbers of employees. We will have to live within our means during the difficult recession of three years' ago when we did lose some employees just to try and make sure that we were living within our means. So we did cut back on the number of employees. That is probably all I can say on that one.

Reference 4 - 0.75% Coverage

It is probably market orientation and innovation that is maybe our most important one. That is the sensing of business opportunities. That is internal so that is probably one. Probably need key people to be doing this to identify the gaps. I think it these two maybe combined.

Reference 5 - 0.14% Coverage

Probably employee capability. Intellectual capital

Reference 6 - 0.33% Coverage

Probably the most important are our customers what they choose to do and then it must be the overall business environment.

Reference 7 - 0.96% Coverage

That whilst I obviously act, and enjoy acting for most of our clients. You still get five percent of clients, maybe less, maybe two or three clients that are a nightmare to deal with. It's the people really who cause all the problems. I think that's true of life generally. Out of a hundred people you'll always get three who are nightmares to deal with.

<Internals\\PhD SMEs\\3 Stage-V Resource Mature Wolfson> - § 8 references coded [8.21% Coverage]

Reference 1 - 0.97% Coverage

I think the management system/methods/practices obviously. And then having people get the right skill is important. Management financial capability yes, but family and non-family factors no.

Reference 2 - 1.08% Coverage

Intellectual capital affects the performance. We have got to look at the market, we have got to look how the market gets involving and where are the opportunities and how the opportunities and our skills match.

Reference 3 - 1.81% Coverage

People are feeling a little bit uncomfortable around job security. Externally, what happens is that when you have people who around are not sure have a job next month or next year. People in recession environment will buy our devices. They will not buy a new TV and a new camera when it is in the recession environment, if we sell the consumer electronics.

Reference 4 - 1.85% Coverage

Yes, because you need to get understand what the customer are and you need have got make sure use the appropriately marketing. Your message explained to those customers or your value proposition, why your products are better than anybody else's products? Supplier covenants and collaboration yes, because it is about supply chain. You must have a good supply chain.

Reference 5 - 1.04% Coverage

I think shareholders wealth yes, because we want to return values to shareholders to show our businesses are going strength and strength, share price increasing. People are going to invest and get return.

Reference 6 - 0.39% Coverage

Competitors, yes, we are in the competitor situation. We have got fight them.

Reference 7 - 0.63% Coverage

And again, we have to compete with our competitors. And I hope our technology and solutions are better than competitors.

Reference 8 - 0.44% Coverage

I think the economic climate and consumer spending can affect our overall performance.

<Internals\\PhD SMEs\\4 Stage-IV Take-off MediaCom> - § 5 references coded [3.96% Coverage]

Reference 1 - 0.44% Coverage

It varies depend on the economic, marketplace pressure. If it is difficult to be successful tough struggling economy.

Reference 2 - 0.58% Coverage

We have got good management practices and employees. The organisation needs to be capable and we are trying to manage our financial performance effectively.

Reference 3 - 0.43% Coverage

Employees capability, yes, I have told training. That is increasing our employees' capability. Market orientation,

Reference 4 - 1.54% Coverage

Customer needs and requirement, yes, absolutely. Supplier covenants, no, shareholders wealth, no. Social culture, we can talk about that, it is quite important. I think it is part of the fact that you go you can talk about that it can be an external aspect talk about what is the experience of employees. It gives them social cash because their friends do no work for business. Competitors effect, a little bit.

Reference 5 - 0.97% Coverage

in terms of the future development of the business, obviously, again we need to grow our profit. We will look at the area what is going to happen. To certain extent, for us, the digital area, the digital is change. Advertising business will change dramatically.

Appendix 4.3 NVivo Challenges/Risk/Threats Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 6 references coded [4.23% Coverage]

Reference 1 - 0.43% Coverage

And if you're hired and you can't do a good job within ninety days, unfortunately we're going to have to – it may not be you, it may be us, or whatever, but we've got to – so…

Reference 2 - 0.60% Coverage

The other big driver is attrition, so how many customers do we lose. And because for us it's realty painful to lose a customer because we only get a little bit of money every month but we get it constantly. So if it turns off then it's…

Reference 3 - 0.97% Coverage

Half of the reason why people leave is because we have a problem with the way that our product works in one section, one module, so it's OK but it's not great. And they get frustrated and we hate it, we hate it. It's a critical flaw in the product. So we're working on fixing that. But it's also very central to how the product works, so fixing it is very difficult and it's very slow.

Reference 4 - 0.32% Coverage

So for us we really believe that too much process is a bad thing. So red tape can become really, really bad for an organisation.

Reference 5 - 0.42% Coverage

Yeah, I think the threat for us would be that we're growing very quickly, how do we manage that growth? Are we going to do a good job? You can grow too fast. You can…

Reference 6 - 1.49% Coverage

so we need to manage that very well. We could enter a market like China, grow really fast, do a really bad job and get a bad name forever, so you've got to be very careful for that [laughter], that's one threat. Second threat would just be retention of employees. So if an employee leaves that's 10% of your workforce [laughter], it's a problem. And then we could, I don't know, if we don't break even in time we'll have to raise more money, so that's a threat as well [laughter]. But I think other than that, we don't really feel like – we've got competitors but we feel like we can beat them.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 15 references coded [5.83% Coverage]

Reference 1 - 0.11% Coverage

All the IP belongs to us. Yeah, we'll be finding a patent.

Reference 2 - 0.48% Coverage

Oh yes. Yeah, we have got a lot of competitors. So our business is not…if you try to classify the industry for my business, it is like permeating a lot of industries. So it is IT also, it is partly music, partly technology. So it is not clear cut.

Reference 3 - 0.76% Coverage

So competition comes from various sources. We have got competition from man. If someone wants music, he can go to a composer and pay a composer. Our software cannot match that, it's impossible. So one company sends there, which we can't match. Supposing you have bought fifty composers in China, I can't match that, because they can make good music, my software can only make digital music.

Reference 4 - 0.14% Coverage

Yeah, because it's online and it's free. You can get everything easily.

Reference 5 - 0.14% Coverage

Easily. So that's another competition. That's the largest competition.

Reference 6 - 0.35% Coverage

So we have to compete with them. So we cannot name them because there are thousands of companies like that. So we are actually competing on concepts. Their concept is static files,

Reference 7 - 0.33% Coverage

So I made this and then every month we are going to see if we are achieving or if we are falling short. Then there is a cash outlet, we are always aware of the cash outlet.

Reference 8 - 0.24% Coverage

So during this depression time over the last four years we were not affected because we are not selling, we have no buyer.

Reference 9 - 0.31% Coverage

The first risk is before we become popular, some competitor will come and… If some competitor comes, maybe from China and they do the same thing, we are gone.

Reference 10 - 0.06% Coverage

Second is we run out of cash.

Reference 11 - 0.24% Coverage

Cash flow, run out of cash, and third is if somebody comes up with a technological breakthrough, which is even better than us.

Reference 12 - 0.87% Coverage

Yeah, IP, because…all IP because we really don't know if someone somewhere has filed an IP which we are infringing. That might be the downfall of the company because IP is…you are consuming, say that, "you are using my technology", because it depends upon the date of first filing. So if somebody gets the patent about something which I am doing,

before me then it can link to the [01:06:26] and he can sue me. So this is a big trick. The IP trick.

Reference 13 - 0.30% Coverage

This is also a trap because it's usually the downfall of a small company that can't do anything. They say, "Okay, if you take it, I don't know what to do".

Reference 14 - 0.85% Coverage

Of all the strengths, our drawback is a thing which we are not doing very rightly, is we are slow in implementing. So we know all our strengths, we have very good technology colleagues, we have a very good market, we know the market very well, we know the customers very well, but where we lack is…out implementation is slow. I wanted very fast, but because of the dynamics of our company, because we have other Founders who are slow to react.

Reference 15 - 0.65% Coverage

So what it was going to take was four years, I will have a lot more customers but because we are slow to implement…so even with funding it's going to happen, it's because you are slow to implement [01:11:10] another technology plan that's so big. So that is a drawback of working with a big scientist. They will give you so much planning…

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 6 references coded [1.89% Coverage]

Reference 1 - 0.15% Coverage

Yes, well over ninety-five per cent of start-up companies fail in the first year.

Reference 2 - 0.20% Coverage

And then of the small numbers that don't fail in the first year, the majority of them fail in the second year.

Reference 3 - 0.85% Coverage

It's tough; I mean it's so competitive. We live in a very mature, crowded, competitive, capitalist economy. And that's the consequence, there is whatever you want to do there is always other people who are also trying to do it. And they are all competing for a limited number of pounds to be spent on that activity, and you have to try and get more than your share. And the consequence of you getting more than your share is that company will get less in their share.

Reference 4 - 0.14% Coverage

And if you make the wrong decision then your competitors will defeat you.

Reference 5 - 0.20% Coverage

I suppose there are two; the biggest external threat is for some reason stopping the European Union funding.

Reference 6 - 0.36% Coverage

Biggest internal threat is I mean we are very busy and very under stretched, it is kind of making project failure. So if we fail in a project that is the end of our reputation, so project failure is.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 5 references coded [3.39% Coverage]

Reference 1 - 0.34% Coverage

Externally it is just about getting out there, meeting people, getting more business and getting the work.

Reference 2 - 0.56% Coverage

Yes social culture, that one too, because we find if people think what we are saying is a load of fluffy bollocks then there is nothing we can really do to change their mind.

Reference 3 - 0.84% Coverage

I think if people start to see that more traditional consulting doesn't work we will have more business and then if our competitors start to adapt to our stuff because they think it does work then that will definitely change how we operate, that is a factor as well.

Reference 4 - 0.18% Coverage

It is a risk that someone will rip-off all of our stuff.

Reference 5 - 1.48% Coverage

They will rip us off, they will steal our stuff, they will rebrand it as their own. That is a risk because as we are growing, bringing more people into our academy someone could easily come in and try and swipe it off. They won't have us but they would have a copy-cat version of it, so that is a risk. Factors that lead to the downfall, I think consulting in change will be around forever it will just be depending on what is in vogue and what is popular at the time

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 3 references coded [17.38% Coverage]

Reference 1 - 6.59% Coverage

We just expect the economy tends not be good. If people run out of work, they will come back to us. It is a fun balance. We probably have more clients during the 2008 and 2009 crush. We got a lot of work because many people run out of work. But now it is the case managing career helping people proves their work rather than get them into work. It is a different dynamic people look now. Few people come to us is because they are been redundant. It is people in a job, they are not happy, they can not get upstairs, they either want to move out and see what happens when they move out. And this is surely what we are doing right now.

Reference 2 - 8.08% Coverage

Are we doing a SWOT analysis? Our strength is our people. Definitely. Weakness, I suppose lack of funding when we run out of money. Opportunities are nation wide, people are nation wide, people are out there and we can help with. Threats, I suppose the threats

would be if people stop using our services that will be a threat. Maybe they can afford it. I do not think it is a likely threat. We are getting much business from referral. Then we have people said we heard people about you. We like you so that is growing. Threats from competitions. Not really, cause we do not compete with the big boys. We just do not. I should mention the opportunity in our cooperate side, we have cooperate side business. That is dealing with large organisations who may get a lot of people.

Reference 3 - 2.71% Coverage

The only way that will happens would be all our cooperate business and all our clients business dried up. And I can not see that happening. Those unforeseen things, such as banks bankruptcy. All sorts of things that you do not know what will happen tomorrow.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 6 references coded [7.43% Coverage]

Reference 1 - 0.65% Coverage

We have a few. The market is quite saturated. There's a lot of companies do what we do but we've been around a long time and we are very experienced in what we do so that kind of counts for a lot, you know.

Reference 2 - 1.45% Coverage

When we hit an economic bad time like the downturn we had a couple of years ago we suffered very badly from that because clients have to look at their bottom line. Not everybody needs what we do. They like what we do and they want it but when their auditors analyse it and go well you could be cutting costs there, cutting costs there. PR, marketing are always the first to go. Always. It's always been the case. So we are seen in some respects as a bit of luxury.

Reference 3 - 0.75% Coverage

we're dispensable as well because when times get tough and companies seem to find that their finances are not perhaps what they once were, they will chop us and when we had the recession two or three years ago we were affected very very badly.

Reference 4 - 0.85% Coverage

You have got to be – you still have to be careful in running a business because you do not know when an unforeseen situation might arise. Three clients might walk out the door tomorrow. Money that you have relied on for a long time and then all of a sudden bang they go.

Reference 5 - 3.00% Coverage

We are always out the fact is that we can always be asked to pitch for business. We can go in there and it could be a competitive pitch against another four or five companies. More often than not it comes down to price. You can have the best creative ideas in the world but they will flick through it and see how much you are going to charge. That is people who are very short-sighted in my view who see the cost of everything and the value of nothing. What we bring to the table in terms of what we do and our experience is very valuable but people just look at the cost. Now we are not the most expensive by any means but we tend to come across a lot of people – money – they do not see what we

buy as an investment what we sell as an investment they see it as a cost. So that is a perceived threat to us. That is the main perceived threat is people having the misapprehension that we are a) expensive and b) it is not value for money. But it is value for money.

Reference 6 - 0.74% Coverage

We are not very good at our own PR. We are not very good at our own PR. PR companies are not good at their own PR. We are busy doing it for other people we do not do it for ourselves. We need to do it more for ourselves and that is it.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 2 references coded [4.00% Coverage]

Reference 1 - 2.12% Coverage

It is all based on the capital, if we do not have the capital, it will be real risk. We do not really worry about competitors. We are not afraid of new technology.

Reference 2 - 1.88% Coverage

Very frustrated, it was good, it is fun at the start, it was difficult and last year was very bad. This year is lot hopeful and we will be back.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 3 references coded [3.77% Coverage]

Reference 1 - 0.30% Coverage

That's our problem at the moment, managing growth.

Reference 2 - 1.88% Coverage

What's been a challenge for us is being able to distil that information and all the different points of view. Because you know qualitative information can be objective, so one of the lessons we've learnt recently is choosing who's information to take. And being able to let go of some ideas that sound really great, but might not be.

Reference 3 - 1.59% Coverage

The only threat is, if large corporates start trying to do this on their own. But we've identified that there needs to be a massive culture shift in the way that emerging entrepreneurs see large corporate organisation for that to happen. And it's not going to happen any time soon.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 5 references coded [4.35% Coverage]

Reference 1 - 0.87% Coverage

That comes about from being quite a small/medium firm. It has a flat management style to it. I suspect it is maybe empowerment, democratic. These are maybe the two main elements. I think that quite naturally comes from quite a small firm so there is no gulf between people who own the business and people who are working.

Reference 2 - 0.76% Coverage

Obviously some Partners are now older and will be indefinitely working in the firm. So for us that is probably our single biggest issue in making sure we have got a succession plan for Partners so that when the older ones go there are other newer ones who can take over their clients.

Reference 3 - 1.57% Coverage

Well I suppose number one will be regulatory changes. So the whole legal profession is being altered by government. Government is producing restrictive practices. And allowing non legally qualified businesses to become involved in giving legal advice. So I suppose that is a major factor. A second one would be the aftermath still of the credit crunch. And specifically it's the banking having moved out of London. So even though we've got Royal Bank of Scotland and Bank of Scotland, a lot of the key decision makers are now based in London. And that seems to be a permanent change.

Reference 4 - 0.19% Coverage

So threats would be the changes to what regulations are taking place.

Reference 5 - 0.96% Coverage

That whilst I obviously act, and enjoy acting for most of our clients. You still get five percent of clients, maybe less, maybe two or three clients that are a nightmare to deal with. It's the people really who cause all the problems. I think that's true of life generally. Out of a hundred people you'll always get three who are nightmares to deal with.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 2 references coded [6.41% Coverage]

Reference 1 - 3.92% Coverage

The challenge is I have to go through the journey again I have been through. Other risks not really, because we are paid work. The only risk is they do not pay in advance, because there is no force to ask for the payment. You have reputational risk, you can not always please all the people, some people think your work is great, some are not. There is always elements and reputational risk in the sense of that. If you know your deliver is good, it is not an issue.

Reference 2 - 2.49% Coverage

It told me that you can not put business out in the business world with your idealism thoughts, because it will get swanned by the see of non-idealism behaviour. Even in the collaboration before the recession, people are very much competitive. Even they talk collaboration, their actions are not.

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 7 references coded [10.57% Coverage]

Reference 1 - 0.70% Coverage

And now the problem is if you search qualitative research software, Quirkos is not in the first ten. But I do not think it surprising yet.

Reference 2 - 0.45% Coverage

the big problem when you are a new company and smaller company is to build credibility.

Reference 3 - 3.04% Coverage

I think mostly will come down to visibility. I think you said marketing and promotion is the most difficult thing. I estimate the size of the market to be something in the range of 40,000 or 50,000 licenses sells every year. And to capture the 5% of the market depends on the large percentage of the 40,000 people knowing the existence of Quirkos. I think that is something to take a lot of time and I assume the first year we will sell very few because it is new and most people do not know about it. We have seriously strategies to gradually increasing the visibility. You have to keep pushing it.

Reference 4 - 1.77% Coverage

To be honest, I do not know. But I will know in the first 6 months from Sep when it goes sell. I also think the first month sells will be very interesting. Because it is always one of the things, people are very happy to look at something and say that is very good. I would like it. But getting people to pay money for something is more difficult.

Reference 5 - 1.63% Coverage

Perceived to be an investor is very risky because it is a small and niche market. If you say you company do qualitative research software and nobody heard about it. People will say there are not that many people do that. What I have to do is that, I would say, that is right, but people pay a lot of money on the software.

Reference 6 - 1.26% Coverage

And the challenge is going on because there are a lot people who know that is what they want to do. So the challenge is to convince more people actually a lot of work what they do is qualitative analysis and they need to use something like Quirkos.

Reference 7 - 1.72% Coverage

And the fourth one is to see what the competitors do. I have two feelings about that, to be a business person. I am scared about what the competition can do. I think it can very easily make something very easily like Quirkos and they have lot of more money and a lot more visibility in the market. That could be very dangerous for Quirkos.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 2 references coded [7.07% Coverage]

Reference 1 - 5.91% Coverage

I would say, first and foremost losing one of our business Partners, so for example, we do a lot of business through business of commerce, that relationship if be lost, that will be bad. If the relationship with EE is lost, that will be bad. In terms of we can get rid of that risk, we can diversify our Partner we have. So we can also work with other network, we can have different suppliers. The other big risk is the market squeezing its region and the substitutes for traditional telecoms market. For example, the shift from calls and texts to data. That is possible for people to get wifi in more and more place, they can skype and facetime and they donot need more calls and texts. So there is a risk, it is not only us, other

telecoms industry in general has accept this risk. The telecoms industry takes this risk as an opportunity and therefore, how we can offer and package data and make it more attractive, who we can work with that kind of thing. So for us it is risk, because there will no less mobile phone are needed. Especially we are B2B only.

Reference 2 - 1.17% Coverage

I think we are very complex business to get into at the moment. Unless you get a lot of experience, and a lot contracts and Partners, it is not an area for somebody or entrepreneurs to get into, very tough.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 2 references coded [6.56% Coverage]

Reference 1 - 1.90% Coverage

Yes, by law the stockist can sell the price what they want to. I give them a recommend price to sell the products for. But they do not have to sell for that. But it is very stupid to sell it another price because the price is on the website.

Reference 2 - 4.66% Coverage

Many risks, my challenge is time, because I have part time job. I am really finding that I do not know how to get work harder. I am scared to take money from business to fund me. So time is the most challenge. Risk, well, obviously there is risk with launching three new collections. You do not know anybody is going to like. I mean, I have done the market research. But I am sure people will like them. You know, handmade product is risky. But if you do sensibly you have a plan and you do not throw money in the drain. It is limited risk, you just have to take it. You have to be sensible I think.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 3 references coded [2.12% Coverage]

Reference 1 - 0.74% Coverage

They work from home, content writers they tend not to be that loyal because give them so much work.

Reference 2 - 0.73% Coverage

that is search engine, it affects quite a lot to my new business. These are the negative factors,

Reference 3 - 0.66% Coverage

The transcription business is going to die gradually just because the software creation.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 1 reference coded [1.42% Coverage]

Reference 1 - 1.42% Coverage

what you do not want is for one company, become 50% or more of your revenue, because if you lose that customer, it will be a huge damage. You have to make sure you get broad customers and make sure your service satisfy your customers and not depend on a small number of customers.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 7 references coded [5.92% Coverage]

Reference 1 - 0.43% Coverage

One of the problems we have got is graduate trainees sometime they come straight here. They go up and expect that.

Reference 2 - 0.17% Coverage

the key challenge is growing profit this year.

Reference 3 - 0.86% Coverage

I think the other issues we face is the on-going economic environment is tough. The fact is the economic is not growing. It means our clients spend no money on advertising. Therefore, their growth for their business is challenging.

Reference 4 - 0.88% Coverage

Because the economic outlook has been poorer for so long, more and more business do not bother pitching, reviewing their businesses, because it is expensive to do. So the opportunities to do business reduce. So those are the challenges.

Reference 5 - 1.24% Coverage

And one challenge I do think is the independence next year. Because we are Scottish company, we work with a lot of British companies. From business perspective, we have been quite success for last 2 to 3 years in growing our businesses. But we have grown businesses outside Scotland. If we become independent, my business will suffer.

Reference 6 - 1.11% Coverage

Because everything is digital now. And that takes slightly different; it is more difficult to manage and it takes more people. So it is going to be a challenge to manage margins we grow. Particularly we are in the digital area. One of the issues that is always for us, finding and recruiting staffs.

Reference 7 - 1.22% Coverage

Because it is difficult to find experience people in this industry due to this industry is small. We are going to train graduates effectively. What I mean is that, hopefully, to some point, when we get a piece of business, we can promote people rather than bring them in. That are all possible, so you have to recruit externally.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 1 reference coded [2.08% Coverage]

Reference 1 - 2.08% Coverage

There are always challenges, because it is business. Changing environment, changing rules and regulations. That what we are trying to keep up. Up stay with them to be able to tell our clients to carry our businesses.

<Internals\\PhD SMEs\\7 Stage-I Exitence Coding Rachel Transcript 20130830> - § 1 reference coded [3.30% Coverage]

Reference 1 - 3.30% Coverage

I think my attitude, I give impression to the company, and each distributor has to compete others in telecom ltd. I need to be more professional.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 1 reference coded [0.86% Coverage]

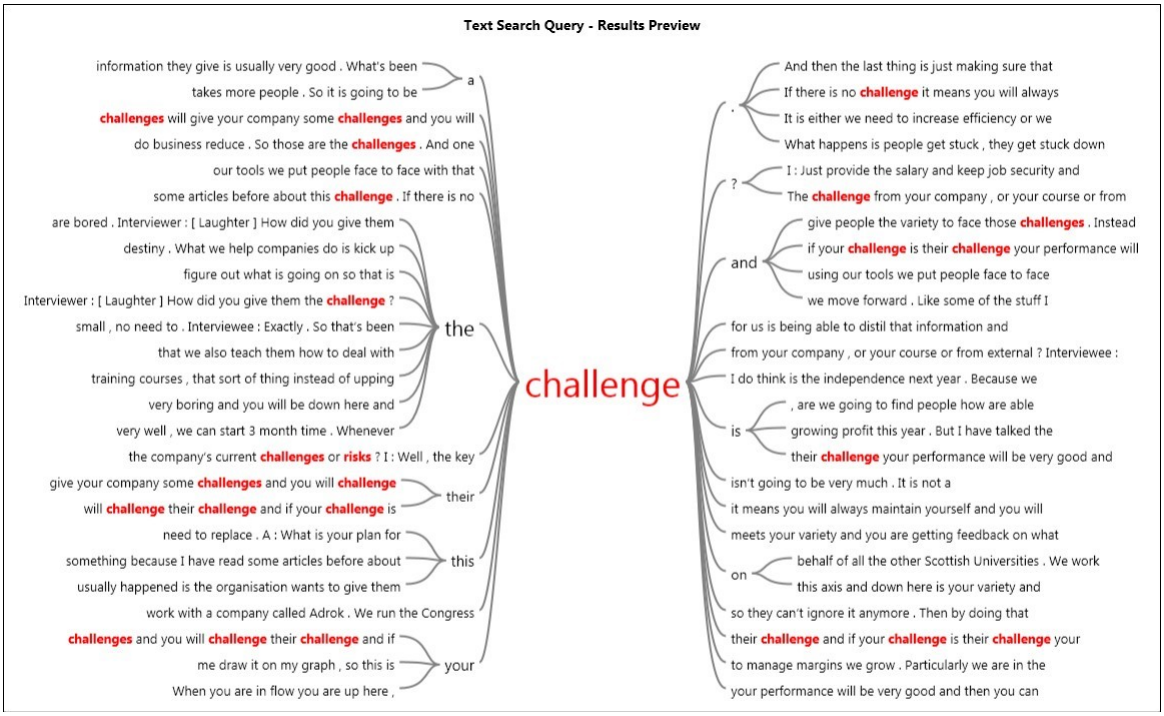
Reference 1 - 0.86% Coverage

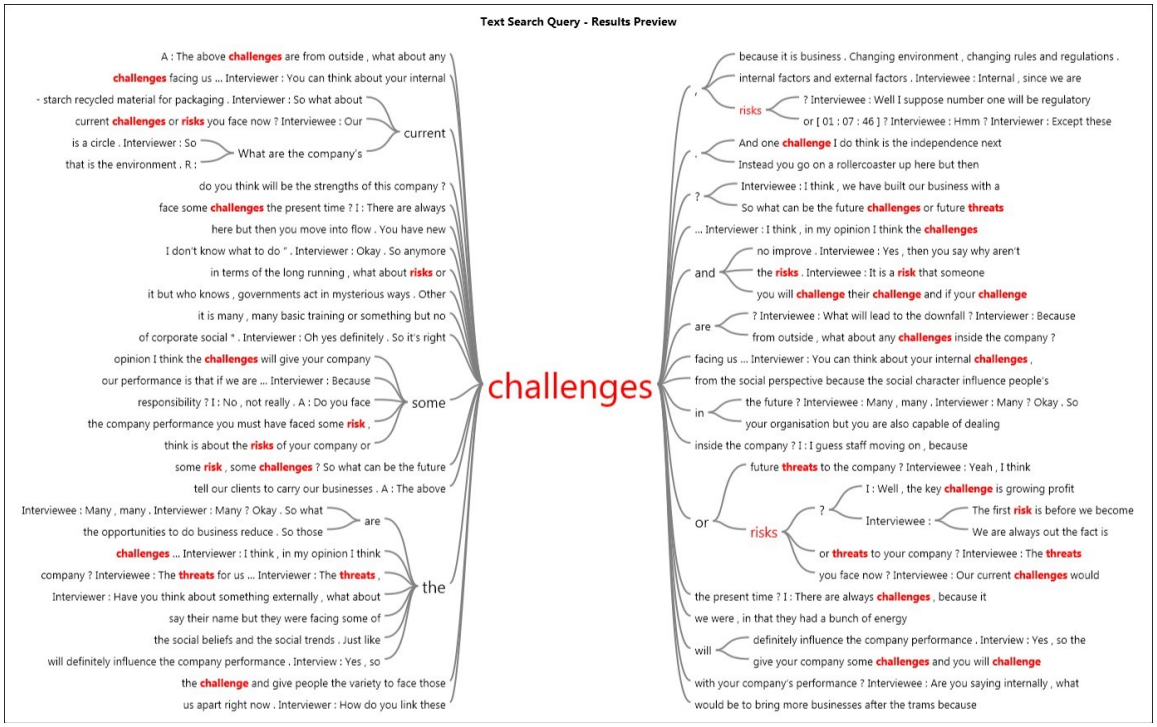
Our current challenges would be to bring more businesses after the trams because we are very busy and the tram really killed us.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 1 reference coded [3.66% Coverage]

Reference 1 - 3.66% Coverage

I work 70 hours a week. I have meetings here, I have meeting there. That is what we do in catering, it is crazy. This is life, terrible.

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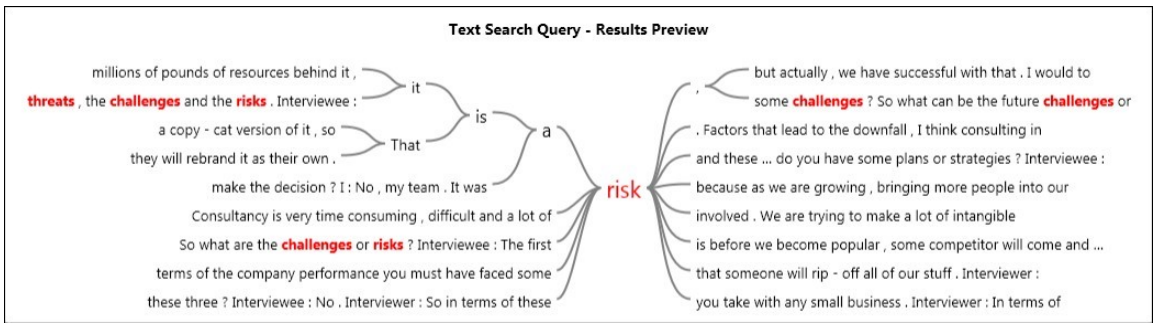
challenges
A : The above challenges are from outside , what about any
challenges facing us ... Interviewer : You can think about your internal
- starch recycled material for packaging . Interviewer : So what about
current challenges or risks you face now ? Interviewee : Our
is a circle . Interviewer : So
that is the environment . R :
What are the company's
current
do you think will be the strengths of this company ?
face some challenges the present time ? I : There are always
here but then you move into flow . You have new
I don't know what to do " . Interviewer : Okay . So anymore
in terms of the long running , what about risks or
it but who knows , governments act in mysterious ways . Other
it is many , many basic training or something but no
of corporate social " . Interviewer : Oh yes definitely . So it's right
opinion I think the challenges will give your company
our performance is that if we are ... Interviewer : Because
responsibility ? I : No , not really . A : Do you face
the company performance you must have faced some risk ,
think is about the risks of your company or
some
some risk , some challenges ? So what can be the future
tell our clients to carry our businesses . A : The above
Interviewee : Many , many . Interviewer : Many ? Okay . So what
are
the opportunities to do business reduce . So those
challenges ... Interviewer : I think , in my opinion I think
company ? Interviewee : The threats for us ... Interviewer : The threats ,
Interviewer : Have you think about something externally , what about
say their name but they were facing some of
the social beliefs and the social trends . Just like
will definitely influence the company performance . Interview : Yes , so
the challenge and give people the variety to face those
us apart right now . Interviewer : How do you link these
the
because it is business . Changing environment , changing rules and regulations .
internal factors and external factors . Interviewee : Internal , since we are
risks
? Interviewee : Well I suppose number one will be regulatory
or [01 : 07 : 46] ? Interviewee : Hmm ? Interviewer : Except these
And one challenge I do think is the independence next
Instead you go on a rollercoaster up here but then
Interviewee : I think , we have built our business with a
So what can be the future challenges or future threats
... Interviewer : I think , in my opinion I think the challenges
and
no improve . Interviewee : Yes , then you say why aren't
the risks . Interviewee : It is a risk that someone
you will challenge their challenge and if your challenge
are
? Interviewee : What will lead to the downfall ? Interviewer : Because
from outside , what about any challenges inside the company ?
facing us ... Interviewer : You can think about your internal challenges ,
from the social perspective because the social character influence people's
in
the future ? Interviewee : Many , many . Interviewer : Many ? Okay . So
your organisation but you are also capable of dealing
inside the company ? I : I guess staff moving on , because
or
future threats to the company ? Interviewee : Yeah , I think
risks
?
I : Well , the key challenge is growing profit
Interviewee :
The first risk is before we become
We are always out the fact is
or threats to your company ? Interviewee : The threats
you face now ? Interviewee : Our current challenges would
the present time ? I : There are always challenges , because it
we were , in that they had a bunch of energy
will
definitely influence the company performance . Interview : Yes , so the
give your company some challenges and you will challenge
with your company's performance ? Interviewee : Are you saying internally , what
would be to bring more businesses after the trams because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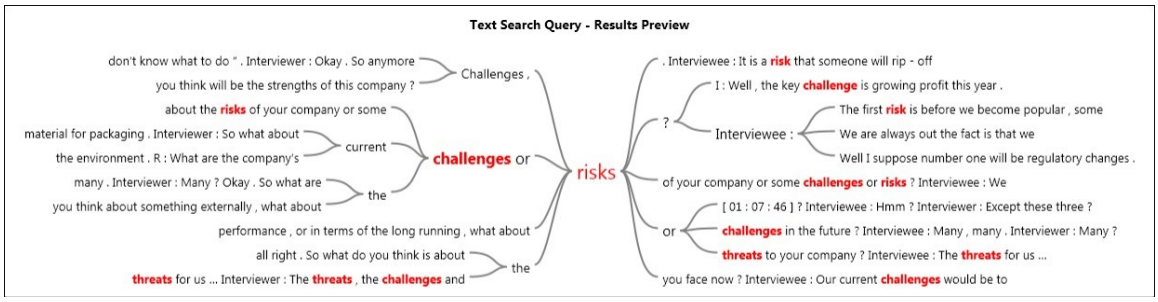
risk
millions of pounds of resources behind it ,
it
threats , the challenges and the risks . Interviewee :
a copy - cat version of it , so
That
they will rebrand it as their own .
is
make the decision ? I : No , my team . It was
a
Consultancy is very time consuming , difficult and a lot of
So what are the challenges or risks ? Interviewee : The first
terms of the company performance you must have faced some
these three ? Interviewee : No . Interviewer : So in terms of these
,
but actually , we have successful with that . I would to
some challenges ? So what can be the future challenges or
. Factors that lead to the downfall , I think consulting in
and these ... do you have some plans or strategies ? Interviewee :
because as we are growing , bringing more people into our
involved . We are trying to make a lot of intangible
is before we become popular , some competitor will come and ...
that someone will rip - off all of our stuff . Interviewer :
you take with any small business . Interviewer : In terms of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risks
don't know what to do " . Interviewer : Okay . So anymore
you think will be the strengths of this company ?
Challenges ,
about the risks of your company or some
material for packaging . Interviewer : So what about
current
the environment . R : What are the company's
challenges or
many . Interviewer : Many ? Okay . So what are
the
you think about something externally , what about
performance , or in terms of the long running , what about
all right . So what do you think is about
the
threats for us ... Interviewer : The threats , the challenges and
. Interviewee : It is a risk that someone will rip - off
?
I : Well , the key challenge is growing profit this year .
Interviewee :
The first risk is before we become popular , some
We are always out the fact is that we
Well I suppose number one will be regulatory changes .
of your company or some challenges or risks ? Interviewee : We
or
[01 : 07 : 46] ? Interviewee : Hmm ? Interviewer : Except these three ?
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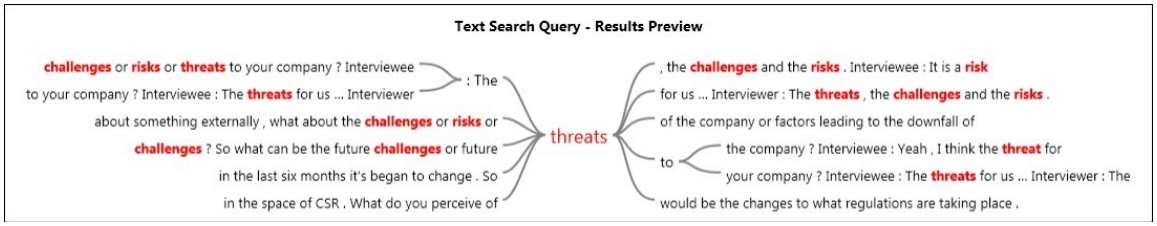
threats to your company ? Interviewee : The threats for us ...
you face now ? Interviewee : Our current challenges would be to


Text Search Query - Results Preview
threats
challenges or risks or threats to your company ? Interviewee
to your company ? Interviewee : The threats for us ... Interviewer
: The
about something externally , what about the challenges or risks or
challenges ? So what can be the future challenges or future
in the last six months it's began to change . So
in the space of CSR . What do you perceive of
, the challenges and the risks . Interviewee : It is a risk
for us ... Interviewer : The threats , the challenges and the risks .
of the company or factors leading to the downfall of
to
the company ? Interviewee : Yeah , I think the threat for
your company ? Interviewee : The threats for us ... Interviewer : The
would be the changes to what regulations are taking place .

Appendix 4.4 NVivo Business Strategy and Objectives Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 11 references coded [10.26% Coverage]

Reference 1 - 0.45% Coverage

Yes and no. So I think that we really like being very small for a couple of reasons. It keeps us very focused, you just can't do many things, so we have to be very, very focused.

Reference 2 - 0.90% Coverage

The second is that focus keeps our quality a little bit higher than it might be if we had a thousand people working with us. We can move very quickly, we see that as a huge advantage. And we can really see when an employee is performing well or they're not, so there's nowhere to hide. So we really focus on making sure that our team is really, really strong.

Reference 3 - 0.70% Coverage

Well yeah, I mean because the goal is if you're a training company and you're starting today, right; yesterday you weren't a training company and today you are; we want you to be able to buy our software and have everything you need in order to get going with business right away.

Reference 4 - 0.48% Coverage

Well the reason is that because they run their whole business using the software, once its installed and once its working you're never going to switch, because it would be such a hassle, right.

Reference 5 - 3.02% Coverage

Yeah, so within the marketing how are our search engine rankings, how is our online advertising working? So we do paper click with Google linked in and a couple of different options. So is that running well? Trade shows, so we go to a couple of trade shows every year. Like trade shows, so you have a bunch of companies come together and they like an exhibition. So we do three of those a year: one in the Middle East, one in North America, one here in the UK. So that really drives our marketing as well, because we'll have maybe a hundred people stop by the booth, one hundred different companies and then we can call them and so on. So marketing's a big driver on our, yeah, impact. Sales are a big impact. So we had one Sales guy until August of this year and we were winning about seven deals a month, seven customers a month. We then hired another Sales guy and now we're winning about eleven deals a month. So we've kind of roughly doubled. It's always a bit of a training – but so if those guys are performing and they keep winning eleven or twelve and then next year in Q1 we will want them to win fifteen deals a month between the two of them. So their performance will definitely influence…

Reference 6 - 0.49% Coverage

Yeah, every time we release something we tweet about it on Twitter. That gets displayed within the product, so they log in and they see. We also email them and we put it on our blog publically.

Reference 7 - 0.53% Coverage

Yeah, it's not bad. I think for us LinkedIn has really been the number one driver of growth, because it's more business related. But even there we have five or six hundred followers of the company on LinkedIn.

Reference 8 - 0.52% Coverage

Yeah and then once we've broken even we want to make sure that the product gets internationalised, so translated and able to handle different languages. And then we want to expand internationally very quick.

Reference 9 - 0.57% Coverage

Exactly, exactly. So even for our employees; we have employees who smoke because it's Scotland; we will give them a bonus if they stop smoking, because then they're sick less and then they come into work. So all of these things.

Reference 10 - 0.31% Coverage

A lot of them find us. A lot of them go to Google and search. That's where most of our companies, most of clients find us.

Reference 11 - 2.28% Coverage

So if I got to Beijing I've got to get a visa every time. So that's probably where it – also you can get to Singapore easily from Hong Kong and also Australia in support from Hong Kong as well. So then from there we would begin marketing within mainland Hong Kong, start small, start in the Hong Kong market. Build up the website and so on, have collateral in Chinese and whatever, and we'd hire probably two or three Sales guys in Hong Kong, maybe one or two support people here in Edinburgh to help work on Chinese language support and so on. And yeah, that's how we'd start. The other option would be we develop some sort of Partnerships. So if we find resellers who have already done maybe sales forced reselling or similar products that are already based in Beijing, Shanghai, Hong Kong, whatever and we work with them together. And then the third option is you do both. You have an office, Partners and…

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 6 references coded [1.81% Coverage]

Reference 1 - 0.08% Coverage

So I give you flexibility of the music.

Reference 2 - 0.27% Coverage

This is direct marketing. Direct means we have identified companies. These are the companies who are going to be interested in my product.

Reference 3 - 0.31% Coverage

Yeah, we will chase again, "oh, last month you didn't buy, but we have come up with something new", and after ten tries, fifteen tries, or you go to a conference.

Reference 4 - 0.82% Coverage

So that…if they buyout, then it's good for us because then they release, unlock the value inside my company and I'll get the money and my other Founders will get the money, then we can do something else which we are part of, because we don't want to put everything in this business. We have got some other ideas. Yeah, so the first thing is this, then get the money back and then put it into another company with another idea.

Reference 5 - 0.11% Coverage

The strategy here is to file patent as soon as possible.

Reference 6 - 0.22% Coverage

Yeah, before anyone can do it, I have to do it. Cash flow is measured every time, get funds. So that will fund.

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 8 references coded [3.57% Coverage]

Reference 1 - 1.03% Coverage

But we don't have a plan which says, we don't have a plan which said we are aiming to win a new project in December 2013. And we don't have a plan that says what we are aiming to do it in 2014, we know that we want more projects, and we want to expand resource for life. The one thing possibly that we are neglecting is the commercial work, so we have no plans, and we have no real ambition or intensions to develop the commercial work. Which is interesting is I think that we believe the opportunities that are closer to us are in the projects and in resource of life.

Reference 2 - 0.55% Coverage

But I think it's going to take time, I think that next year will be important. But the real growth years are going to be the year after, it will be 2015, 2016 will be the big crisis*. The reason for that the European Union has these big, big, big funding programmes, and the programmes last six years.

Reference 3 - 0.13% Coverage

School programmes, like teaching programmes that's right in schools.

Reference 4 - 0.15% Coverage

And so when we talked about this, I talked really about projects being innovative.

Reference 5 - 0.66% Coverage

But IRRI* is designed to look unique, it's designed to deal with resource use in a way that no other organisation does. And it does that by linking the three sectors, the public, private and academic sector across international boundaries. And nobody else does that, there are a lot of organisations that look at things we are looking at within the national context.

Reference 6 - 0.50% Coverage

So we have employed people in Northern Ireland, we have employed people in Ireland. We have the capacity to employ people wherever we want to do the work, and that allows us to talk to organisations about working together. So our project work has taken place in different.

Reference 7 - 0.15% Coverage

We are much more flexible because we are completely independent, we don't have to...

Reference 8 - 0.40% Coverage

Well I mean we know we are going to go for more European projects, we know we are going to go for more, raise more charitable funding for resource for life. We know we are going to carry on doing what we are already doing.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 1 reference coded [0.34% Coverage]

Reference 1 - 0.34% Coverage

Externally it is just about getting out there, meeting people, getting more business and getting the work.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 5 references coded [10.82% Coverage]

Reference 1 - 2.23% Coverage

Yes, but I think smaller is good. I donot think we need to expand; we always want to grow our business. Our plan is probably maybe bringing in another 2 or 3 employees within the next 2 or 3 years. But that is it.

Reference 2 - 2.70% Coverage

It is more controllable. People know what is going on. The trouble is size, you can find people can grow too quickly, and you have too many people and nobody knows what else is doing, no cooperation and communication less. So we need communication constantly.

Reference 3 - 2.39% Coverage

Yes, just like I told, we are expected to grow the business by introduction of more people to support the growth of the business. More people spend to our clients and get more clients. Increasing the size of the ground business.

Reference 4 - 1.83% Coverage

One of the things we are looking at is expanding the business geographically. So we will actually operate in England, specifically in London and grow our business in that way.

Reference 5 - 1.66% Coverage

I think the growth of the business geographically will help us to ensure that and because I think there is a market there worth exploiting partially in London.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 6 references coded [6.00% Coverage]

Reference 1 - 1.58% Coverage

Well we do work internationally, yeah. Last week we were working in Canada. This time last week I was in Barcelona last week working for a client who was at an exhibition. I was in Barcelona from a week past Sunday to last Wednesday I was in Barcelona. We've worked extensively in Spain for the University of Edinburgh. I've had coverage across America, North America, Canada, Brazil, right across mainland Europe, in India, in Africa. I've covered the globe for the University so we work internationally.

Reference 2 - 1.03% Coverage

How do they find us? Good question. We get a lot of our work through referral. We get a lot of work – you know, if you are happy with what we've done so you will tell somebody who's looking for a PR company and say go and speak to these guys, they're the boys that can help you. We get that probably eighty percent of the time.

Reference 3 - 1.49% Coverage

In fact of all our clients we've got just now – I mean I've worked with the University of Edinburgh now for about twelve, thirteen years and that came through some work that we did for the Edinburgh Technical – the Science Park – and then we came into ERI on the back of that. Edinburgh Research and Innovation, which is part of the University. But most of our work at the moment comes through referral because we do such a good job for clients they will tell other people about us.

Reference 4 - 0.11% Coverage

We work and we build a client base.

Reference 5 - 0.65% Coverage

And eventually people will go and the junior then goes away and leaves the business and somebody else comes in. Whereas with us we have a handle on every single piece of business that comes into the building.

Reference 6 - 1.13% Coverage

By being prudent, by being very very careful. By not over spending, by being fiscally sound, by cutting our cloth according to its width. In other words we are very very stable. We run a tight ship as I said earlier on it is very very easy to take the eye off the ball and say let us go for a planning meeting and let us go to New York and have a planning meeting.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 4 references coded [10.00% Coverage]

Reference 1 - 2.50% Coverage

We stay smaller, one time we thought growing it up to 15, but it might be better to stay small, because it just ideas. We have ideas, we work with Partner organisations. It is very flexible.

Reference 2 - 3.39% Coverage

Well, it makes us very flexible, and we do not have very much running cost, the running cost is minimum. We do not need to pay labs, taxes, pension when there is no work to do. It is flexible, we like that way. It is the business I want and it is flexibility.

Reference 3 - 2.71% Coverage

For long-term running, at the end the day, we want to sell the project to somebody or license to somebody. We do not want something for 20 years or more. And at least one product onto the market of loyalty.

Reference 4 - 1.40% Coverage

We just apply funds as many as possible. We are on a crowd funding platform right now called sharein.com.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 6 references coded [6.23% Coverage]

Reference 1 - 1.05% Coverage

So we touch base with our paying membership community, in terms of one to one interviews, at least once a year. And we meet with our paying fellowship several times a year at our events.

Reference 2 - 0.87% Coverage

So our main strategy as an organisation is to do what we do, which is build a network of very high value, young entrepreneurs, better than anybody else.

Reference 3 - 0.50% Coverage

By creating a network that is of high value to high value people, that attracts wealth.

Reference 4 - 2.13% Coverage

So our medium to long-term strategy is actually to grow the amount of organisations like Ernst and Young, that are offering support and powering our work. And to continuously increase the standard and quantity of entrepreneurs within our network and the value that we deliver to them. If we do those two things then we have a very very sustainable and profitable business model.

Reference 5 - 1.26% Coverage

As I said we just need to be doing it bigger and better and more of it, to reach full financial sustainability. And move into a true growth business. Once we're in that stage of growth, I would call our business a success.

Reference 6 - 0.41% Coverage

So we're pioneering a relatively new space, in fact a completely new space

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 10 references coded [11.68% Coverage]

Reference 1 - 0.76% Coverage

I would not say we have actual marketing plans. I think it is driven more by I suppose knowledge of the market and we can see gaps in the market and it is more knowledge of the market in which we operate, sensing opportunities. I think personal relationships are especially important.

Reference 2 - 0.86% Coverage

You often by knowing someone they will refer you to extra work and that is the core where we get business from. There is no real structured plan I do not think. It is a combination as I say of thinking what most small/medium sized businesses will want and then just knowing people who are happy to refer things to us.

Reference 3 - 0.46% Coverage

As an example of internal business process performance one think I am about to introduce is a new blog internal web blog service so that we can share knowledge more easily…

Reference 4 - 2.05% Coverage

Within the firm yes because it is often tricky to get, it is quite hard to share knowledge across teams but using computer technology you can get blogs. You can have tags you can tag onto specific comments that allow you to view information and search actual gained information in a much better way than we have done to date. By having a flat structure I think we do generally know how employees are doing. That for us is our most effective tool I do not think we really make enormous amounts of informal appraisals. I think that jars with the culture of the firm. If you have a flat management structure and you are generally quite democratic and what was your expression for it? Empowerment if you believe in allowing to do what they wish it does not quite fit.

Reference 5 - 1.59% Coverage

So if one Partner becomes ill or he leaves, and he'll take, it's the same with any law firm. But that person could take that persons clients with them. So that is the key. Or equally if you want to expand your business, easiest way of doing that is to attract another senior lawyer from another firm to come and work with you. So I suppose a long-terms in the next five years, would be to replace two more senior Partners, and get Partners in maybe their early forties to come in and be lined up to succeed the two Partners who are in their top fifties. So that's probably the longer term plan.

Reference 6 - 0.40% Coverage

But within how we get business, and we do have development of specific products. I think that's maybe more short term development on your question.

Reference 7 - 1.04% Coverage

I would be in the next year, hopefully sooner, I would be expanding client services. And allowing clients to log onto their website and have access to all the relevant documents for their piece of work. And that would be linked to my ability to generate the basic drafts of documents using computer technology. So that's a mix of internal efficiency and providing e-services to clients.

Reference 8 - 1.62% Coverage

The firm benefits, hugely. So it creates the means for us to have internal efficiency in our operations. So carrying out anti money laundering checks and file opening, letters of engagement that we issue to clients. Lots of routine tasks, it can automate. But the main thing is it allows us to produce documentation very quickly. And to a very high quality, because we're able to focus our effort on the bits that are actually most difficult. I think that improves quality of what we do. I hope we've got that the right way round, as well. That it's looking at your internal processes first and foremost.

Reference 9 - 1.72% Coverage

I suppose we've been in the fortunate position of most things are introduced to us. So most business we get is coming from either other lawyers, or other surveyors, providing work to us. So that's where most of it comes from. There's actually very little that comes from people just phoning us up, asking if we can act for them. That actually is a very small part of our work. I know it seems quite odd, but if I had to estimate I would say ninety five percent of work we get comes from recommendation. And if we get five

percent, I'd be surprised if it was even as much as five percent that comes from people just randomly phoning us up.

Reference 10 - 1.18% Coverage

Well I think being enterprising and finding other ways of delivering legal services, in other words getting out of this market. Our core activity will always be legal services. But you can probably make money in different ways. So I think we should be doing that. I think, I suspect we don't need to make any radical change because we're a quite well established, small medium sized business. We don't need to be making dramatic changes.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 2 references coded [16.27% Coverage]

Reference 1 - 15.28% Coverage

Yes. At the moment, I have a resource with me, we just rebuild the brand, we rebrand the logo, we are just redoing the website because the old website is really out of date. And develop active marketing strategy, so we just work on referrals, and now we develop active marketing and sales programme for the short term development for 6 months. In the long-term, we need to bring in money to enable us to have somebody to help me at the moment. We want to employ other people on the business. Our sales person should bring in twice of the salary he is earning now. If his salary is £12,000, he should bring in £36,000 work. In the short term, it is to bring as many courses as possible. Then after 6 months, my long-term focus is I wish to be travel internationally and training people, so it is to grow our international clients group. So we have a local clients group, that is local Scottish market we have the regular relationship with. We are looking for a few clients that are quite quality that pay well. So that is stage 2, in stage 3, we want to pick our clients who we want to work with in development of size. We maybe do some charity work a lot cheaper because we have income coming in from big companies pay us small money. So we can service different sectors and different projects. But we want to choose the clients we want to work with and we want to improve their performance and change their staffs more effectively, harmony and collaboration, well rather than competition. I want to work with a company they have a vision, and they want to take the people with me along the journey, and they want to move forward as a team and they want to invest their people, and spend the benefit with them. I want to have a long-term relationship with the companies and understand them, know the culture they want to achieve.

Reference 2 - 0.99% Coverage

We should have certain number of regular clients. Certain amount of marketing and sales to ensure we can come through.

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 8 references coded [18.30% Coverage]

Reference 1 - 2.40% Coverage

I am only useful to this company is because I know what the user wants. So that connection with the user is very important for me. But what I do not have is the experience in software development, so I have to hire someone to do the programming and I do not have the experience to do business, so I have to business mentors who help with the business kind

of things, so together we been working on trying to find investments, design the business plan and financial focus.

Reference 2 - 6.21% Coverage

so the strategy is always been the first market I know best, that first target is universities, university researchers. Within that market, I think students could be the key first target because I think by the time you are research university lectures, you have particular way you like to work to do research, so if they use NVivo, they have got used to use it. Once you paid that effort, it is very difficult to change what you do with your work. So I think talking to people will be a lot of people in universities who are ready for something different, who are frustrated with the software package there. But there are also people who are very happy working the way they work now. And the other problem is universities buy the software for the whole universities and the whole department as a licence. Now Quirkos will be a lot cheaper than NVivo. But there will be a lot of resistance from people work in the department change software from one thing to the other. So students are very important, if you work in the university, you have the particular way to work. If you are PhD student, perhaps you never use any software before, so there is no difficult to learn new software and why not learn something is very easy.

Reference 3 - 1.74% Coverage

Yes, but the reason for doing the blog is really to make sure there are some key words are there for google and that is worked, so I can announce if you use google master tools. So now google knows Quirkos is about qualitative research analysis software. Those are the first and foremost important words. Quirkos comes quite higher in Google.

Reference 4 - 4.46% Coverage

So use blog is one of our strategies. Before we launch the project, Google and other search engine know what the website is about. The one ten tips for qualitative research, that is the most popular site on Google and shared by people. That is good too, because it gets the right audience. So that is part of the strategy. Once it is launched, then we start spending money on ads, specially for qualitative which is very cheaper. That is also good for our search ranking. Once the product is launched, people can just search hopefully qualitative analysis software. And eventually after several months, it will become some logo people see. But I think there are now slow growth, so strategy for universities and for students, so I see students can easily pick up Quirkos, because their supervisors is another people in the department start seeing it and they become interested.

Reference 5 - 0.95% Coverage

So the idea is always to have the five year plan, new features been added every year. And each feature is new and unique to the market, so just always one step ahead, so that is the plan.

Reference 6 - 0.95% Coverage

One of the other strategies is been, to make sure it is easier for IT department to install and look after. Quirkos is very and it can run in USB stick and it does not need be installed.

Reference 7 - 0.69% Coverage

Aiming to develop out first project to a test stage, and start sales this year. Creating contacts and leads in identified key markets.

Reference 8 - 0.91% Coverage

I want to grow a stage where it is more than sustainable. It is making a profit that we can invest developing to some other new features and start new things into a wider market.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 3 references coded [7.55% Coverage]

Reference 1 - 1.70% Coverage

For the short term, we have got one or two well established cash cow products that cash account our business. Once to continue promote those, we want to just continue marketing our sales and become more recognisable. Long-term strategy is to develop our products that will fit for the industry changing.

Reference 2 - 4.39% Coverage

environment scanning. Because mobile technology is very very fast changing industry. We often try to promote ourselves through leaders, we are not only selling, we read what is happening within the industry, then we give talks as well to give our expert knowledge. So as far as sustainability goes, our success is going to measure by our ability continue to understand what is happening in our industry. And what is going to be attractive products in our business. What we can do is to understand what is happing in this industry and find a niche market. In order to achieve that, we constantly need to re-evaluate our branding and what we are doing. It is good we are SME, that means we can change quickly. If we consistently focus on a niche market, we will face brand identity crisis.

Reference 3 - 1.47% Coverage

The strategy is promoting our service on the product. We will offer mobile solutions. Now I would say we offer mobile technology solutions. We are now planning to be paper less office, improve employees capability, give every access they need wherever they are.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 5 references coded [19.69% Coverage]

Reference 1 - 1.44% Coverage

Yes, always. So we try not to be as expensive as the top brands. But we are more expensive than brands we consider not good quality. You also have to consider what the products make of.

Reference 2 - 3.57% Coverage

People buy it because of the brand. While, my product, we do not really make huge amount of profits on that. But it is handmade design service, it is precious comes with beautiful packaging. So you actually are getting quite a good deal for what you are buying and it is not going to lose value and it is going to last time. None of my customer says it is very expensive, they understand the price I think. I am sell to people who understand the price where it comes from.

Reference 3 - 9.29% Coverage

so we are going to use that to roll out our marketing plan. We are trying to get more online sales and also to raise the awareness of the brand for our stockist. So in September we launched three new collections including fine jewellery, expensive jewellery, diamond jewellery. And we are going to use those collections to have an officially launching party. We will do price breakfast, like prices for the new collections at some hotels, which hopefully we can cover of most of the newspaper and then I am going to hire a car and drive all over the UK just knock on doors trying get a big luxury shop to buy patience jewellery. So that is year 1, year 2, hopefully get some help trying investing new market. So whether it is European market or the US market, whatever comes first. Trying to do some marketing in those markets and roll out that plan. We are going to open a shop so I can meet my customers. Because I do a lot of not only engagement rings and special pieces, but I do cooperate gifts, silver gifts. You know, I do a lot of that kind of things as well. I need somewhere to meet my customers and sell to tourists in Edinburgh to do that kind of thing. So that is my 2 years plan.

Reference 4 - 3.43% Coverage

Just to continue to roll out our wholesale stockist maybe look to do in trip show in vegas, maybe in Swiss land, trying to get more international price continue to get stockists, maybe look into Asia market. Possible I do not know my jewellery is quite right for Asia market, then obviously to employ sales staffs maybe in each country they can help Patience to grow worldwide. And continue with develop our jewellery look more luxurious.

Reference 5 - 1.95% Coverage

Three type of customers. I got wholesale customers, so luxury shops, and luxury retailers. I have direct retail customers who come to my website. And also I have cooperated bespoke customers that people are coming to meet me want something unique.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 5 references coded [7.21% Coverage]

Reference 1 - 2.11% Coverage

I set up the infrastructure, now I am actually bringing on a potential business Partner who really grows the sales of the business, easily can manage the sales person I can not manage them. And that is what this business needs. Almost what we can not manage the business whatsoever.

Reference 2 - 0.94% Coverage

Everything is in place, the system is in place, just waited for the right people who is really boost the business in growing.

Reference 3 - 1.55% Coverage

To bring on somebody who can manage the sales and account management basically the customer facing, that is the final step I want to take and increase growing as quickly as possible. It is long-term plan.

Reference 4 - 2.16% Coverage

Through multiple channel marketing, to choose some very specific marketing strategy because they were just very easy to set up without any requirement from me. The main part of the long-term strategy of success business is to bring an account Manager. Somebody can look after my clients.

Reference 5 - 0.46% Coverage

I am just about launch product with another business Partner.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 5 references coded [9.73% Coverage]

Reference 1 - 1.50% Coverage

Rather than produce parts, we now go to and work with our customer. We share ideas with our customers. We come to them with our solutions. Here are the total solutions for you to implement and for your products. The difference with before is that we have a solution that we can take to others.

Reference 2 - 0.76% Coverage

Having the right solutions for our customer at the right time, our customers have particular windows when they introduce their products to the market.

Reference 3 - 0.97% Coverage

I think the management system/methods/practices obviously. And then having people get the right skill is important. Management financial capability yes, but family and non-family factors no.

Reference 4 - 5.03% Coverage

Yeah, we got 3 years plan, so we will look at the market and the opportunities. We will look at the balance of skills. When we started our business, we have a lot analogue designers, IP, circus. Then we had a few digital designers and the software is small. But now they are the same size. So what we have to do is to reshape the company and reskill some of the analogue engineers to become digital engineers. When the analogue engineers leave the company, the digital engineers have to replace them. Our headquarter has increased and we have increased our soft engineers. Now we need the software, digital and analogue engineers in the equal part. What I am saying is, knowing what market opportunities are, knowing what type of products the market and customers will want determines the skill base and the balance of skill you require to satisfy their requirement. All the analogue and digital and software compose the audio hubs. We have MEMS microphone technology that is important to us.

Reference 5 - 1.49% Coverage

We have a long-term vision; we started from smart phones and smart mobile phones. And we have seen the smart phones become tablets. And those tablets those the technology that is called IOS, windows etc. What we have seen is that the operation system is moving to other consumer electronics.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 4 references coded [4.89% Coverage]

Reference 1 - 0.34% Coverage

We rely much on word of mouth, because advertisement is a quite small industry in Scotland.

Reference 2 - 1.49% Coverage

In the last 3 year, we have changed our strategy a little bit. We work our business with low margins. Clients did not regard us as value, they just want as cheap as possible. We think we get the best product for their business. so we are going to charge them a premium for what we do. So we, for example, 3 years ago, we made more billing, but less profit. £ 65 m turnover, profit is less than £ 1 m .

Reference 3 - 1.86% Coverage

they came to us told they want that. Our competitors charge us less than what we are offering. We said, sorry, but . so we are not negotiated. But actually, that is one of the most successfully things we did. Because, after we do that, the whole company believe we are seriously doing that. We are quite sure, because it is such a change. Once we said, sorry, we are not going to do that level. That is the company started to believe us and that made us better to state our principle in the future.

Reference 4 - 1.19% Coverage

It is the ideal sinario if we train the graduates because they know better of this company. So some extent, they know properly how we operate. It does not matter if we bring people in who are experience in the business and digital business. Because we operate differently, it takes some time for them to get used to it.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 3 references coded [7.73% Coverage]

Reference 1 - 4.03% Coverage

Most advertising, there has been some spot, others online and been where we are. We quite often get people maybe passing by, dropping in. John does are business networking breakfast club. Down in North Berwick. B&I, I donot know if you come across at all. It is small businesses breakfast network. They are all different businesses, pass each other, there are mortgage advisors as well. We pick up a few clients that way.

Reference 2 - 2.02% Coverage

I mean, advertising and website. If people are google accounts, I think we come up quite higher. That is google one. We use few local newspapers and magazines. And breakfast as I told earlier and wold of mouth.

Reference 3 - 1.68% Coverage

Meanly through word of mouth advertising. Just provide sound service and if clients are happy, we get clients loyalty. Going to the breakfast and see if there are new clients.

<Internals\\PhD SMEs\\6 Industrial New Media Transcript> - § 3 references coded [37.05% Coverage]

Reference 1 - 16.50% Coverage

I am pretty lucky because especially after the SNP was successful had a lot of press coverage. And people calling me, it is word of mouth. Scotland is like a village and all genius people from different organisations talk with each other and know each other. I have been pretty luck in that sense. Having a nice project work on and doing well for suggestions for other businesses. That is been quite good. Now I am taking a shifting gears, particular the website get up dated. It is still get standard and other things. One of the biggest things is get new business coming in. Looking to target different groups like politians, film makers and the other two bigger ones are the formula really works, you know the approach we take. So it is easily to be recognised. It is very scalable. So it is like how we can focus on these two segments, constancy sector things. So like professional content for film and television, how to explore that, and also politicians. So how we make those two groupings, using our system of new media tools and processes and approach to really make them successful, make money from that and then spend more time on building consumer goods. Making a rule programming and producing our products.

Reference 2 - 6.85% Coverage

There is a lot we can be doing. But we just do not have the capacity. You know, I have three programmers and two designers. Unfortunately, because we are small company, we need to active…eh, looking for big projects that can bring big amount of money that we can take a bigger step to become a big company. So one of the things we do not do is looking for the clients that are too small. We are looking for bigger companies and we can charge more and then employee more people and improve our capacity.

Reference 3 - 13.71% Coverage

Yes, I get pretty detailed business plan. We are certainly building up more products and setting up new sub-divisions, building apps, building physical technology that can bring our technology to the real world. That is something very excited about. But we need more programmers and designers in order to make it looks nice and work right in the rest of it. You can not give it to the third party to build it because you do not want them steal your idea. We want build more service products, but not so much consultancy. Consultancy is very time consuming, difficult and a lot of risk involved. We are trying to make a lot of intangible produces that have a lot of return, like PPI make sure we know exactly everything is measured and check against the performance indicators, milestones and goals. Otherwise, the clients think how they can pay for you. You have to measure everything, set goals. That is the big goal is building products, technology products, physical products, web based apps, but also content.

<Internals\\PhD SMEs\\7 Stage-I Exitence Coding Rachel Transcript 20130830> - § 6 references coded [14.56% Coverage]

Reference 1 - 1.75% Coverage

So it is word of mouth, we do not want to advertise, it is networking marketing

Reference 2 - 0.84% Coverage

I need to go out and talk to strangers

Reference 3 - 2.73% Coverage

I also need advertisement, I give my time to be volunteer to speak to strangers. I am always thinking for the long-term.

Reference 4 - 4.01% Coverage

I can see success, there are successful people. I just have faith in that. I still have to push myself. I do follow up. My clients can recommend their friends or families to me.

Reference 5 - 2.02% Coverage

I think it is a personal development as well. They have training, all training is free.

Reference 6 - 3.21% Coverage

I need to do activities all the time, I need to talk to people, I need to do follow up and go out and meet people, introduce myself to others.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 5 references coded [5.03% Coverage]

Reference 1 - 0.56% Coverage

Every day we use Facebook as a marketing tool tell people what soup we serve today.

Reference 2 - 0.71% Coverage

We only use Facebook because it is very effective and it is easier for people to check on their Facebook.

Reference 3 - 1.60% Coverage

what we are doing in the moment is we are going to have a look down in London to see what new product has been used there because things go to London first. And then, we bring what we are like here. We start doing, because it is different.

Reference 4 - 0.59% Coverage

For instance, I put something in Facebook, so people can see it and it brings people in.

Reference 5 - 1.57% Coverage

Through quality and consistency. So if you have consistency of product, you get people coming back. If you have good product for one day and the next day it is crab. People do not come back forever. So it is quality and consistency.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 2 references coded [5.18% Coverage]

Reference 1 - 1.71% Coverage

Hard work, that is the most important. Hard work of everybody.

Reference 2 - 3.47% Coverage

At the moment no. I do not plan for future because I am not young at more. I need to be here every day and take care of everything.

Appendix 4.5 NVivo SME Size Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 2 references coded [0.61% Coverage]

Reference 1 - 0.04% Coverage

We have eleven.

Reference 2 - 0.57% Coverage

From my perspective it's very small. For Scotland's perspective we would probably be medium sized maybe, I don't know, to be honest. But in the US at least, until a business has fifty employees it's considered a small business.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 3 references coded [0.39% Coverage]

Reference 1 - 0.26% Coverage

Interviewee: So full time staff is four.

Interviewer: Four, yeah.

Interviewee: And contractual is three.

Interviewer: Plus three.

Reference 2 - 0.03% Coverage

Oh, it's small.

Reference 3 - 0.10% Coverage

In my industry it is small because it's not medium.

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 4 references coded [0.78% Coverage]

Reference 1 - 0.05% Coverage

Its, it has five employees.

Reference 2 - 0.22% Coverage

And so a year and a half ago, two years ago we had fourteen employees, and now we are down to five employees. So it goes...

Reference 3 - 0.21% Coverage

Would you consider your company to be a small sized company or a medium sized company? It's definitely small I think.

Reference 4 - 0.30% Coverage

And so it's not, we are not, our size doesn't affect our business, it's our business that affects our size. So if we manage to grow our business will get bigger...

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 3 references coded [1.05% Coverage]

Reference 1 - 0.13% Coverage

There is six people employed right now.

Reference 2 - 0.54% Coverage

Small, for a consultancy we are definitely at the smaller end. There are one or two man band type consulting firms but then there is also the big ones like EY, KPMG etc.

Reference 3 - 0.38% Coverage

Yes, we think that would be a pretty decent size for us but compared to a factory that would be a very small company.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 3 references coded [4.41% Coverage]

Reference 1 - 0.02% Coverage

6.

Reference 2 - 1.59% Coverage

Small. We are not a medium sized company. Medium sized companies look at 200-1,000 employees. Our company is beyond that, we are just a small company.

Reference 3 - 2.79% Coverage

In this industry? Yes. In this industry, a medium company normally has 15-20 employees. Yes, we are very small. We are concentrating most on Scotland, we do have access to people who work in London. We have one person live in London, she associates and works for us.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 5 references coded [2.10% Coverage]

Reference 1 - 0.22% Coverage

There's four of us. We keep it small. We intentionally keep it small.

Reference 2 - 0.32% Coverage

It's more comfortable, it's easily controllable and you don't have as much administration to deal with.

Reference 3 - 0.18% Coverage

That's flat level as well. No hierarchy. That's right.

Reference 4 - 1.06% Coverage

It's small. Yes, it is but as I say, that's intentional. We have kept it that way. We never wanted to be in a position where we were working all hours of the day. We like to try and maintain a life/work balance where we have outside interests so, for example, we don't live to work, you know, we work to live and that's a good way to be.

Reference 5 - 0.32% Coverage

We keep normal hours so we keep it intentionally small. We're profitable. We own our own building.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 2 references coded [2.82% Coverage]

Reference 1 - 0.32% Coverage

There are 3 of us now.

Reference 2 - 2.50% Coverage

We stay smaller, one time we thought growing it up to 15, but it might be better to stay small, because it just ideas. We have ideas, we work with Partner organisations. It is very flexible.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 1 reference coded [0.62% Coverage]

Reference 1 - 0.62% Coverage

We have three full time employees, one part time employee. Sorry, correction we have six part time employees.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 2 references coded [0.33% Coverage]

Reference 1 - 0.07% Coverage

As a rough guess twenty.

Reference 2 - 0.26% Coverage

Well we would be, I think we are probably medium size in the small area of law that we deal with.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 1 reference coded [0.59% Coverage]

Reference 1 - 0.59% Coverage

we have 22 trainers from different training companies and collaboration

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 3 references coded [0.55% Coverage]

Reference 1 - 0.18% Coverage

there are 4 people in this company.

Reference 2 - 0.04% Coverage

4 people

Reference 3 - 0.33% Coverage

It is small sized company because we have not started trading yet.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 2 references coded [3.50% Coverage]

Reference 1 - 0.05% Coverage

We have 5

Reference 2 - 3.45% Coverage

I would say particularly when you large corporates, if you have the strong brand name that large companies recognize, then you get advantages over small businesses. Just because I suppose that promote trust and stability. From internal perspective, when you are small businesses you can be more flexible and change faster. If you want to change your logo,

you can just change your key marketing material and find only 3 to 5 people. If you are a large company, that can be very expensive. Because that is whole rebranding thing behind it, the public has already known your name. You have to spend millions in rebranding.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 2 references coded [1.10% Coverage]

Reference 1 - 0.10% Coverage

it will be 3

Reference 2 - 0.99% Coverage

Well, it is young and we do not have many stockists, we do not have many customers. And we just started, so definitely small.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 2 references coded [2.17% Coverage]

Reference 1 - 0.32% Coverage

there are about between 20 and 30 people.

Reference 2 - 1.85% Coverage

It is a small company. Because it is only me run it. In terms of the contractors, they have tasks, I set them tasks. They just do the transcript or write content. I have different contractors to Manager big range of websites with social media.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 2 references coded [2.49% Coverage]

Reference 1 - 2.03% Coverage

I think we are a small to medium company, Small and Medium-sized enterprises. I think you look at number of employees and revenue of other seminar conductor companies. You look Intel, Intel has 6000 to 7000 people and they are a large cooperation. So if you take that as a large company, we are a small to medium compare to them. We are competing with a number of competitors who are large cooperation.

Reference 2 - 0.46% Coverage

Our definition is compare with competitors, but there are some certain definitions for SMEs

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 3 references coded [0.95% Coverage]

Reference 1 - 0.18% Coverage

45. Perhaps 5 years ago we had around 50 people.

Reference 2 - 0.19% Coverage

I think it is a small company with only 45 people.

Reference 3 - 0.58% Coverage

some of the competitors are only have 4 or 5 people of the media company in Edinburgh. We are probably the biggest. But I still think it is a small company.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 1 reference coded [0.19% Coverage]

Reference 1 - 0.19% Coverage

We have 5 employees

<Internals\\PhD SMEs\\6 Industrial New Media Transcript> - § 1 reference coded [0.20% Coverage]

Reference 1 - 0.20% Coverage

4 include me.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 2 references coded [1.16% Coverage]

Reference 1 - 0.79% Coverage

We have 10 employees and 11 in total include me. We have 6 full-time employees and the rest are part-time employees.

Reference 2 - 0.37% Coverage

It is a small one in terms of the employees and spaces.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 3 references coded [2.79% Coverage]

Reference 1 - 0.05% Coverage

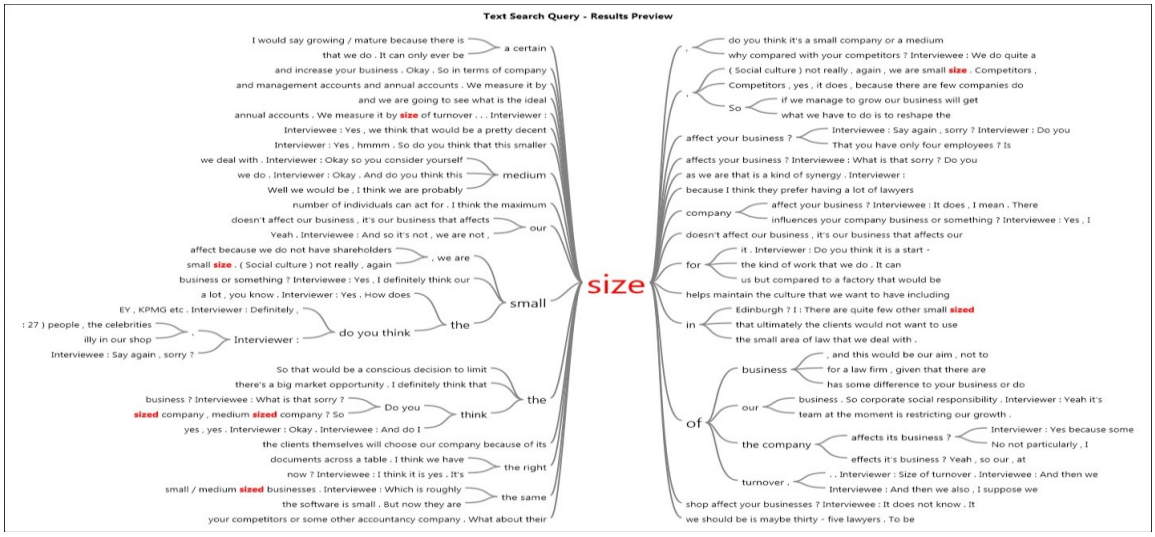
28

Reference 2 - 0.21% Coverage

Medium.

Reference 3 - 2.53% Coverage

Because there are bigger ones and smaller ones regarding the number of employees and revenue.



Appendix 4.6 NVivo Economics Environment Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 1 reference coded [0.32% Coverage]

Reference 1 - 0.32% Coverage

So in 2012 it was like half of the companies that left us were going bankrupt. We have a lot of bankruptcies of our customers.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 1 reference coded [0.24% Coverage]

Reference 1 - 0.24% Coverage

So during this depression time over the last four years we were not affected because we are not selling, we have no buyer.

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 2 references coded [1.26% Coverage]

Reference 1 - 0.41% Coverage

Businesses want to grow; they try, so they try to grow. But we are living in a mature capitalist economy, and the consequences of our economic circumstances are and have been really bad ever since industrialisation competition.

Reference 2 - 0.85% Coverage

It's tough; I mean it's so competitive. We live in a very mature, crowded, competitive, capitalist economy. And that's the consequence, there is whatever you want to do there is always other people who are also trying to do it. And they are all competing for a limited number of pounds to be spent on that activity, and you have to try and get more than your share. And the consequence of you getting more than your share is that company will get less in their share.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 3 references coded [1.33% Coverage]

Reference 1 - 0.47% Coverage

Interviewer: Yes I understand the financial situation actually it looks much brighter now?

Interviewee: Yes it does, it is much better than it was.

Reference 2 - 0.24% Coverage

Because of the recession. Because we were badly bitten by the recession.

Reference 3 - 0.62% Coverage

All service led businesses really really suffered. That was an issue for us. It was a big issue for us. But now things are getting better so my opinion now is one of the positive about the future.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 1 reference coded [0.49% Coverage]

Reference 1 - 0.49% Coverage

We will have to live within our means during the difficult recession of three years' ago when we did lose some employees just to try and make sure that we were living within our means.

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 2 references coded [1.40% Coverage]

Reference 1 - 0.60% Coverage

I do not think so very much. Because the market I am targeting that is not something very volatile with the recession.

Reference 2 - 0.80% Coverage

I do not think now coming out of the recession. A lot of businesses have been not spending money waiting for the economy to improve. Now things are growing.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [0.27% Coverage]

Reference 1 - 0.27% Coverage

We suppose it is covering slowly for the economy.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [3.76% Coverage]

Reference 1 - 3.76% Coverage

There is no difference for luxury businesses. The luxury business is grown over the recession by about 30%. Because people who have money they still have money. If sell coffee, cheap cars or sandwiches, it would be an issue, because people buy those things will cut back. The people I sell is normally more than £40,000 or £50,000 a year. When you at that stage, it is enough to spend so much money on those stuffs, so I do not think economic situation will affect luxury business.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 1 reference coded [0.53% Coverage]

Reference 1 - 0.53% Coverage

My business is growing, I can not say anything apart from grow steady,

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 2 references coded [1.35% Coverage]

Reference 1 - 0.72% Coverage

The business and economic environment yes, we have been through tough time in terms of the economic climate. The world has been in recession.

Reference 2 - 0.63% Coverage

We think we see some signs of improving, things like economic climate and lack of consumer spending do influence our success.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 3 references coded [2.01% Coverage]

Reference 1 - 0.44% Coverage

It varies depend on the economic, marketplace pressure. If it is difficult to be successful tough struggling economy.

Reference 2 - 0.71% Coverage

I would say business and economic environment because the political environment not unless (01:01:01) affect than the business and economic environment. So it needs to be political connected.

Reference 3 - 0.86% Coverage

I think the other issues we face is the on-going economic environment is tough. The fact is the economic is not growing. It means our clients spend no money on advertising. Therefore, their growth for their business is challenging.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 1 reference coded [1.39% Coverage]

Reference 1 - 1.39% Coverage

Because in recent time, there used to be a lot downturn. At this time, you find a lot people want to make sure they run their business properly.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 2 references coded [1.18% Coverage]

Reference 1 - 0.36% Coverage

Yes. In the recession, people would not spend as much.

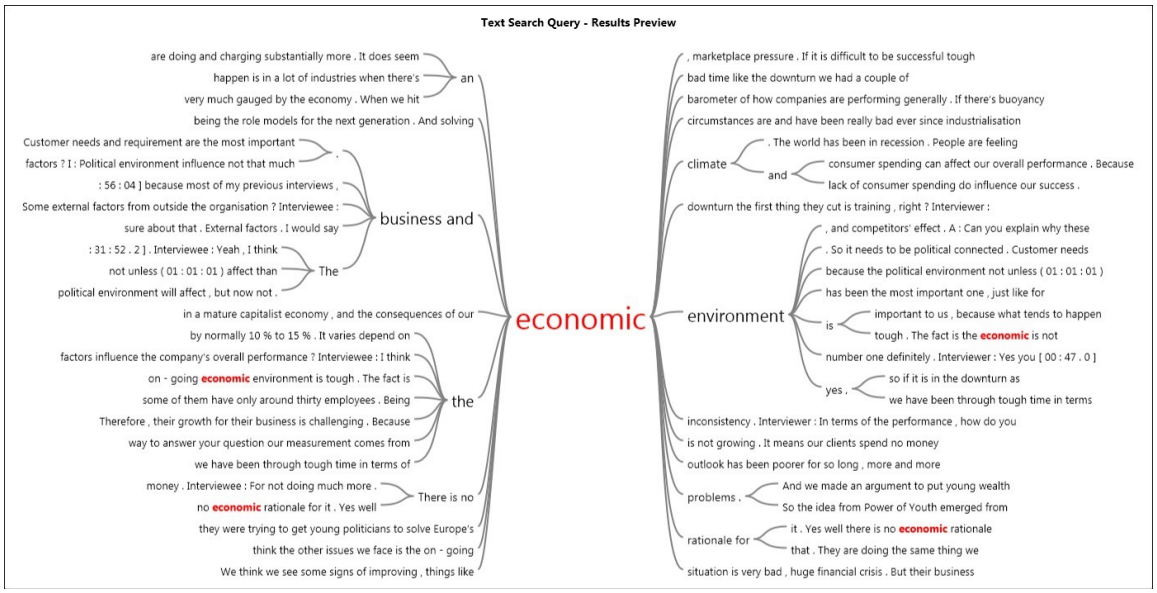
Reference 2 - 0.82% Coverage

So yes, things like recession and mortgages price goes up or heating all of these living costs go up. Then we feel that.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 1 reference coded [3.18% Coverage]

Reference 1 - 3.18% Coverage

It is never going to be as busy as past, the economy is never going to be as past. Maybe it will be good, but not now.



Appendix 4.7 NVivo Nature of SMEs Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 3 references coded [2.16% Coverage]

Reference 1 - 0.35% Coverage

Main business is training software for training companies, internal training departments and higher education or educational institutions.

Reference 2 - 0.70% Coverage

And we have other revenue sources that are like one-offs, where maybe we sell training or we sell consulting or we sell some sort of custom development, but that's not recurring. And for us our big focus is to make sure that that number, that recurring revenue run rate increases.

Reference 3 - 1.11% Coverage

We have the core product and that's basically like a back office product, so it helps you run your back office, yeah so all your administration tasks. Then we have an e-learning product, our LMS. And then we have some website integration options; we have three options there depending on which one you want. And we've got some training products, so if you come on board that you can purchase training. And that's basically it at a high level.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 6 references coded [3.17% Coverage]

Reference 1 - 0.18% Coverage

So the main business is we have a music flow streaming, which is a digital streaming service

Reference 2 - 0.30% Coverage

Streaming, digital streaming. So it's basically, if you say it's a music creation service. Yeah, music creation. So the main business is music creation.

Reference 3 - 0.22% Coverage

We still don't have a mobile platform, but we are developing a mobile platform. So it's just a web based service.

Reference 4 - 1.23% Coverage

So they want to tie up with us so that our…because our music is a different format, it's called a dynamic score. So what does a dynamic score do? It's still off a static track, which is a normal track you record from zero to ten seconds, or zero to twenty seconds, but our thing is, you have got individual samples of music, a lot of instruments, aural samples. So our track would be eighty samples and you can create as many music styles as you want because our algorithm will simply arrange the music. If you want to give a slow beat, our thing can do a slow…if you want to do fast, the same thing, we can do fast. So that is what we…

Reference 5 - 0.68% Coverage

So we do the software part. We have these algorithms. So these mathematical algorithms, they actually take individual music pieces and depending on our algorithm,

mathematical arrangement, and it understands music truly. So it will take these individual pieces and arrange every time. So if you want something, if you want speed to be high, you can

Reference 6 - 0.57% Coverage

So it's interactive, yeah. That is why the users love it, because users can say, "oh, it is my music, but I still needed something behind which is doing it". So you simply give the information input, based on the input our software has said, "Okay, you want to increase it. Okay no problem".

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 5 references coded [0.83% Coverage]

Reference 1 - 0.09% Coverage

its main business is it's an environmental charity.

Reference 2 - 0.19% Coverage

And the main activity consists of managing projects, international projects funded by the European Union.

Reference 3 - 0.21% Coverage

It also has a charitable programme helping children living in resource deprivation, areas of resource deprivation.

Reference 4 - 0.25% Coverage

And we don't get enough commercial work, we do do some commercial work. But the commercial work is then invoiced in the conventional way.

Reference 5 - 0.10% Coverage

It's definitely not mature; I would say it's growing.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 4 references coded [1.30% Coverage]

Reference 1 - 0.34% Coverage

Our main business is change consulting and we also do, we like to call it, we help companies get unstuck.

Reference 2 - 0.44% Coverage

Our core skills are it is a transformation and it is about helping people go further, run faster, all that, than they ever felt they could.

Reference 3 - 0.19% Coverage

Our whole theory is based around getting people into flow.

Reference 4 - 0.33% Coverage

What we help companies do is kick up the challenge and give people the variety to face those challenges.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 1 reference coded [0.19% Coverage]

Reference 1 - 0.19% Coverage

Career management.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 2 references coded [0.24% Coverage]

Reference 1 - 0.12% Coverage

The main business is public relations.

Reference 2 - 0.12% Coverage

Business to business public relations.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 1 reference coded [2.53% Coverage]

Reference 1 - 2.53% Coverage

We develop novel methods and new methods for insect control, it is an idea factory. We do not make anything, we want to come up with ideas, sometimes we do initial research and get brief concept.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 1 reference coded [1.21% Coverage]

Reference 1 - 1.21% Coverage

Our main business is a membership model. And we have several tiers of members. So we have entrepreneur members. We have community members, as in different organisations that are just funding us to see us succeed.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 2 references coded [1.71% Coverage]

Reference 1 - 1.24% Coverage

We are a limited liability Partnership. We are, you might be amazed to hear, legal advisors. We deal with commercial well general, commercial…

That includes intellectual property. Okay contracts we advise on contracts which are agreements, legal agreements, employment law we look at. I suppose we look at mergers and acquisitions. We do property, I do commercial property but that is quite general. It covers enormous numbers of things. It is a general title.

Reference 2 - 0.48% Coverage

We do quite a narrow field of work so we are not covering as I think I mentioned to you before we do not do Court work, we do not do Family Law, we do not do Private Client work.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 1 reference coded [1.95% Coverage]

Reference 1 - 1.95% Coverage

The main focus of this company is business learning and development. Helping people to develop personal ability for effectiveness collaboration and building relationship to be successful in producing whatever they want to produce.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [1.35% Coverage]

Reference 1 - 1.35% Coverage

I worked in 4G Scotland two years ago that is a telecommunication company that is set up on EE network. Now we have moved less to set on phones but in connection more to services, which is a consultancy software service for mobile licences.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [1.05% Coverage]

Reference 1 - 1.05% Coverage

wholesale silver jewellery collections across the UK and also create a spoke of piece of fine jewellery ask to specific specification.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 1 reference coded [1.08% Coverage]

Reference 1 - 1.08% Coverage

It is online marketing, so I have a few companies, like transcription a service company, a content writing business and instant consultancy.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 2 references coded [3.16% Coverage]

Reference 1 - 1.46% Coverage

this company's main business is providing high definition audio solutions to our customers who are mainly in the consumer electronics market. So any devices that have audio, such as smart phone, tablets, laptop, PC, TV, camera, home computer, home audio, headphone. Only audio, no visual.

Reference 2 - 1.71% Coverage

Because we are very focused on solutions of deliver for high definition audio. Which means we can specialize and we have almost 30 years of knowledge we have a background, we have many engineers with us for many years. We have over 500 patents on IP. That is our background that allows us to competes with this very competitive market.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 2 references coded [1.05% Coverage]

Reference 1 - 0.17% Coverage

We would call it a media planning and buying.

Reference 2 - 0.88% Coverage

So essentially what we do is supply a plan. We say, to reach these audiences, you should best use this type of media. And they buy that if the clients prove that. So when the clients say we want to do this. We will negotiate with media.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 2 references coded [1.34% Coverage]

Reference 1 - 0.59% Coverage

The Company's main business is small accounts and tax returns.

Reference 2 - 0.75% Coverage

Make the right decision from the right roles. We have a framework to follow.

<Internals\\PhD SMEs\\6 Industrial New Media Transcript> - § 2 references coded [4.74% Coverage]

Reference 1 - 2.21% Coverage

The mean businesses recently being consultancy, digital strategy help organisations using new media technologies, to be more efficient than what they are doing now.

Reference 2 - 2.53% Coverage

So Industrial New Media does consultancy and advisor service to international and big high prove operations organisations to set a better relationship with their audience using technology.

<Internals\\PhD SMEs\\7 Stage-I Exitence Coding Rachel Transcript 20130830> - § 1 reference coded [4.39% Coverage]

Reference 1 - 4.39% Coverage

We are service suppliers. I am qualified distributors, we have service in mobile phones, gas and electricity etc. There are group leaders, next level, I can build a team and a will be a team leaders

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 1 reference coded [0.18% Coverage]

Reference 1 - 0.18% Coverage

Sandwiches, rolls and soup.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 1 reference coded [1.05% Coverage]

Reference 1 - 1.05% Coverage

It is a restaurant. Only for siting in.

Appendix 4.8 NVivo Management Style Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 1 reference coded [0.67% Coverage]

Reference 1 - 0.67% Coverage

So the management style that I like to use is we set top down goals. So I'm at the top looking down and I say, "Here's the things that we want to do" right. But then we rely on our employees and our team members to come back with how we're going to achieve those goals.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 3 references coded [1.48% Coverage]

Reference 1 - 0.51% Coverage

So what we do is we hold monthly meetings. Monthly meetings, yeah. It's all very task oriented. So at the start of one, we decide, "okay, what is your plus point?" "I can do this, this and this". "So what is your minus point?" "I can't speak in front of customers".

Reference 2 - 0.42% Coverage

It's so flexible that if you are good in writing, I'm very good at writing reports. So even if I am not technical, or even the technical guy, he writes bullet points and I write the story, even if I am not technical.

Reference 3 - 0.55% Coverage

Yeah, because I know how to write. So he will…he is not going to write [00:31:54], you are accounts and you are not good with these things. So he…and if I know how to speak. So even if it is technology stuff and he's…he will just tell me, "Okay, just tell them, this is how it works".

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 1 reference coded [0.31% Coverage]

Reference 1 - 0.31% Coverage

I would say its empowerment, where we very much hire people to go and do specific jobs. So it's very much empowerment, its democratic, its consultative, you know it's...

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 4 references coded [1.97% Coverage]

Reference 1 - 0.86% Coverage

I definitely think our small size helps maintain the culture that we want to have including all the freedom, being able to do things like this and set my own schedule more or less as long as I meet our targets and that sort of freedom is hard to keep with a larger company.

Reference 2 - 0.57% Coverage

Yes definitely, there is a lot of freedom and trust and I don't know if that is a small company or just Miascape, it might just be Duncan and Jane so I really like that part of it.

Reference 3 - 0.38% Coverage

Well looking at the list and guessing and trying to remember I definitely think it is more about individual empowerment.

Reference 4 - 0.15% Coverage

And very democratic in that we all have a voice.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 2 references coded [1.86% Coverage]

Reference 1 - 0.94% Coverage

I would say consultative. I would say democratic definitely. We are not an authoritarian.

Reference 2 - 0.92% Coverage

Because we are vey much democratic operation, so we are very consultative communication.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 1 reference coded [1.75% Coverage]

Reference 1 - 1.75% Coverage

We're very informal. We have a flat management structure. We are very open to suggestions. We keep it very democratic. You've got democratic down. We've grown organically and we have a laugh, you know. I mean it's very informal. Look at the way I'm dressed. We don't wear suits or anything like that. We keep it – you know, if we have very important meetings we might pop a suit on but I never wear a tie. It's the way it should be. It should be kept on very much a firm business footing but having a bit of fun as well. It's a good way to grow a business.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 1 reference coded [3.07% Coverage]

Reference 1 - 3.07% Coverage

Empowerment, definitely not. It is not really democratic, because I have 80% of the share. I basic decide what we do. I am the one who come up with all the ideas. It could be paternalistic, but I still listen to other people's idea.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 4 references coded [2.80% Coverage]

Reference 1 - 0.27% Coverage

So the management style of the company is flat.

Reference 2 - 0.49% Coverage

I'd say paternalistic is a good one as well, and empowerment are important ones for me.

Reference 3 - 1.12% Coverage

Alex's management style is completely different, he's consultative, organic, and we, all of us including our one member of staff, really thrive on the relative autonomy we all have within our roles.

Reference 4 - 0.93% Coverage

And then it's autonomy. So everybody knows about it, but autonomy mastery and purpose, they're important to everybody. And we really honour that in our company.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 4 references coded [1.53% Coverage]

Reference 1 - 0.10% Coverage

I think it is probably empowerment…

Reference 2 - 0.38% Coverage

It does allow people to develop business in a way that they wish or pursue their own careers which I think is different from other firms.

Reference 3 - 0.87% Coverage

That comes about from being quite a small/medium firm. It has a flat management style to it. I suspect it is maybe empowerment, democratic. These are maybe the two main elements. I think that quite naturally comes from quite a small firm so there is no gulf between people who own the business and people who are working.

Reference 4 - 0.18% Coverage

That is true because we have got a very flat management structure.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 1 reference coded [5.46% Coverage]

Reference 1 - 5.46% Coverage

I bring in mental coaches. I usually have three people, one for marketing, one student as my employees. My management style was very open, equal, it was consensual because at the end of the day it is still my decision about what we do. So it was open minded style trying to empowerment individuals, they will give a lot of training and opportunities, pay for them to chamber of commerce. I will bring them to different meeting to help them understanding different ways of the business world. We are a small business, we depend on each other, it is very supportive environment. You are the boss, at the end of the day, you may make the hard decision.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [6.74% Coverage]

Reference 1 - 6.74% Coverage

The management style is, I would say there is a lot of freedom. No really strict rules, there has been a lot of trust and individual respect between people. The managing Director takes some paten or personality, he will, he has got a lot of experience that he worked in Nokia before. Yes, he has got a lot to share, also, I think it is a very strong learning environment in the company. There is very flat hierarchy, the Manager will listen to everybody. Everybody learns from everybody, it is very open to new ideas. One of the weaknesses is when we are very small, we are very mobile, we are rare go to the office. As I said, we started in England, so we have people work in England. I am based in Edinburgh, we have another guy in Glasgow, and we have another in Dundee, it is all virtual communication. When you got important news and knowledge that need to be shared, most of the time, it was sent by email. So people maybe very busy, they may just look through it but not in much detail and they do not get the information. If you work in an office, you sit in front of a person and tell them the changes, and they have to listen. So communication can be slightly more difficult, even for small business.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [1.55% Coverage]

Reference 1 - 1.55% Coverage

And we have discussed everything, but I think it is important that somebody has the final decision-making, so that is usually me, but if she is sitting here, then we will discuss everything equally.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 1 reference coded [0.28% Coverage]

Reference 1 - 0.28% Coverage

My management style is consultative.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 1 reference coded [1.95% Coverage]

Reference 1 - 1.95% Coverage

It is one of the empowerment; the management team develops the strategy for the next three years. And then every year we will review, three years plan is the strategic plan. Once we have the businesses plan for the year, that become the technical plan and the technical plan is empowered to Managers to drive the business and to achieve the results. So the style is more empowerment.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 2 references coded [0.87% Coverage]

Reference 1 - 0.52% Coverage

I need to talk about the business strategies we are moving forward. With the people we have got, I think we cannot wholly take democratic.

Reference 2 - 0.35% Coverage

So if it something really affect the business fundamentally, I will probably be more directive.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 1 reference coded [0.44% Coverage]

Reference 1 - 0.44% Coverage

if we do something wrong, he corrected for us.

<Internals\\PhD SMEs\\7 Stage-I Exitence Coding Rachel Transcript 20130830> - § 1 reference coded [7.07% Coverage]

Reference 1 - 7.07% Coverage

If I am the team leader, I can manage my team, so it is up to me. If I am a bad Manager and others do not like me, I will struggle because we do not have face to face contact, we do not have over phone contact or help. But we have some forums and we use Facebook. We can have discussed on the forums and get comment.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 3 references coded [1.52% Coverage]

Reference 1 - 0.53% Coverage

My management style is I would not ask anybody to do something unless I do it.

Reference 2 - 0.25% Coverage

So I think I am very fair with people.

Reference 3 - 0.73% Coverage

It is a hard work but I think I am very fair. I will give people the time they need, things like holidays.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 1 reference coded [2.10% Coverage]

Reference 1 - 2.10% Coverage

Everything. I treat employees nicely, it is very important. I think I am fair.

Appendix 4.9 NVivo SMEs Stage of Development Coding

<Internals\\PhD SMEs\\10 Stage-II Survival Adminstrate> - § 3 references coded [2.20% Coverage]

Reference 1 - 0.68% Coverage

I would say that we are still in a very early stage, yeah. And I'll give you a couple of reasons for that. The first is we don't feel like our product is at the point where we are 100% proud of it yet. OK, so that'll be one milestone when we've got a few things that we…

Reference 2 - 1.22% Coverage

That's right. The second would be we're not at break even yet. We're close, but we're not breaking even yet. So when we break even we'll feel like we're in a new stage of the company. And the third would be we've got a decent number of customers; we've got 150 customers, but we still have – we feel there's 100,000 for profit commercial training companies in the English speaking world. So if you divide 150 by 100,000 we feel like we're very early in terms of the market penetration.

Reference 3 - 0.30% Coverage

Yeah, we're very close to break even. So anywhere from two to six months from now we'll be at break even point, yeah.

<Internals\\PhD SMEs\\11 Stage-I Existence Musemantik> - § 2 references coded [0.76% Coverage]

Reference 1 - 0.69% Coverage

If it is technically speaking, it is still the start up because it is still not generating a lot of revenue. So technically it is a start-up, if you see the definition of a start-up. If we are doing…say, is it high growth? So in Scotland, we are part of the high growth support unit of Scottish Enterprise. So they have acknowledged that we are high growth.

Reference 2 - 0.06% Coverage

because we are a start-up company.

<Internals\\PhD SMEs\\12 Stage-III G International Resources Recycling Centre> - § 2 references coded [1.10% Coverage]

Reference 1 - 0.05% Coverage

Still a growing business.

Reference 2 - 1.05% Coverage

It hasn't been growing this year, but I mean if you look at its graph it goes up from 2005. It went up from twenty thousand a year to forty thousand a year, to eighty thousand a year, and then it went down to sixty thousand a year. And then it went up to two hundred and twenty thousand a year or something like that, then it went up to three hundred and thirty thousand a year, and then it went up to nine hundred thousand a year, and then it came down to five hundred thousand a year. So right now it's going down, but it's going to go up again to... So I would say it's growing.

<Internals\\PhD SMEs\\13 Stage-II Survival Miascape> - § 2 references coded [0.56% Coverage]

Reference 1 - 0.12% Coverage

We definitely have the start-up vibe.

Reference 2 - 0.44% Coverage

Even though it is ten years business we definitely still have the start-up vibe but I think we are growing is where we would be right now.

<Internals\\PhD SMEs\\15 Stage-IV Take-off Acumen PR> - § 1 reference coded [2.26% Coverage]

Reference 1 - 2.26% Coverage

We started off as a fairly mature company because we both had – we didn't go through the traditional start-up route of looking for investors or using private or personal money. We put in a small amount of money, a couple of thousand each, to get the business off the ground and we grew it from there because we already brought into Acumen quite a number of clients that we absorbed together. Alistair had clients and we had another Director at the time as well who was only with us eighteen months before he re-emigrated back to New Zealand so we started off as three Directors but then when Grant left us we bought him out and we maintained the clients he still had plus our own clients so we had quite a good showing of clients.

<Internals\\PhD SMEs\\17 Stage-III D Power of Youth> - § 2 references coded [1.89% Coverage]

Reference 1 - 1.36% Coverage

Yeah, so our, at the moment our team are at capacity. I would consider we very recently just described our company as turning from a child into a teenager. We feel as though we've reached a stage where we've proven ourselves and our model.

Reference 2 - 0.53% Coverage

Stuff are growing more mature. Yeah as I said, we're a start up moving into the growing stage.

<Internals\\PhD SMEs\\18 Stage-IV Take-off CCW Layers> - § 2 references coded [2.02% Coverage]

Reference 1 - 1.93% Coverage

If I hedge my bets I would say growing/mature because there is a certain size for the kind of work that we do. It can only ever be a certain size in that ultimately the clients would not want to use us if there are too many lawyers because they do value personal relationships. And so if we end up with too many clients then it limits the number of individuals can act for. I think the maximum size we should be is maybe thirty-five lawyers. To be honest we respond to the market both in terms of the economy over the last four or five years also knowing what changes are likely to take place, quite major changes in the legal profession. So one of these will be the use of technology. There is massive growth in technology…

Reference 2 - 0.09% Coverage

So growing/mature for that one.

<Internals\\PhD SMEs\\3 Stage-V Resource Mature Wolfson> - § 1 reference coded [7.10% Coverage]

Reference 1 - 7.10% Coverage

I will start explaining to you this company has gone through different stage of evolutions. The company stared as doing customer design, which means we will do a particular design for a customer. Our customer come to us and tells us, we want Wolfson to do this; Wolfson goes away and deliver this to the customer. Once finished, you pay me and you take the product, and the next customer, and the next customer. This is where we started. Since 1984 to 1995, it was customer Design Company.

<Internals\\PhD SMEs\\4 Stage-IV Take-off MediaCom> - § 1 reference coded [0.14% Coverage]

Reference 1 - 0.14% Coverage

I would say it is a mature business.

<Internals\\PhD SMEs\\5 Stage-III G Helen Low Ltd> - § 1 reference coded [2.02% Coverage]

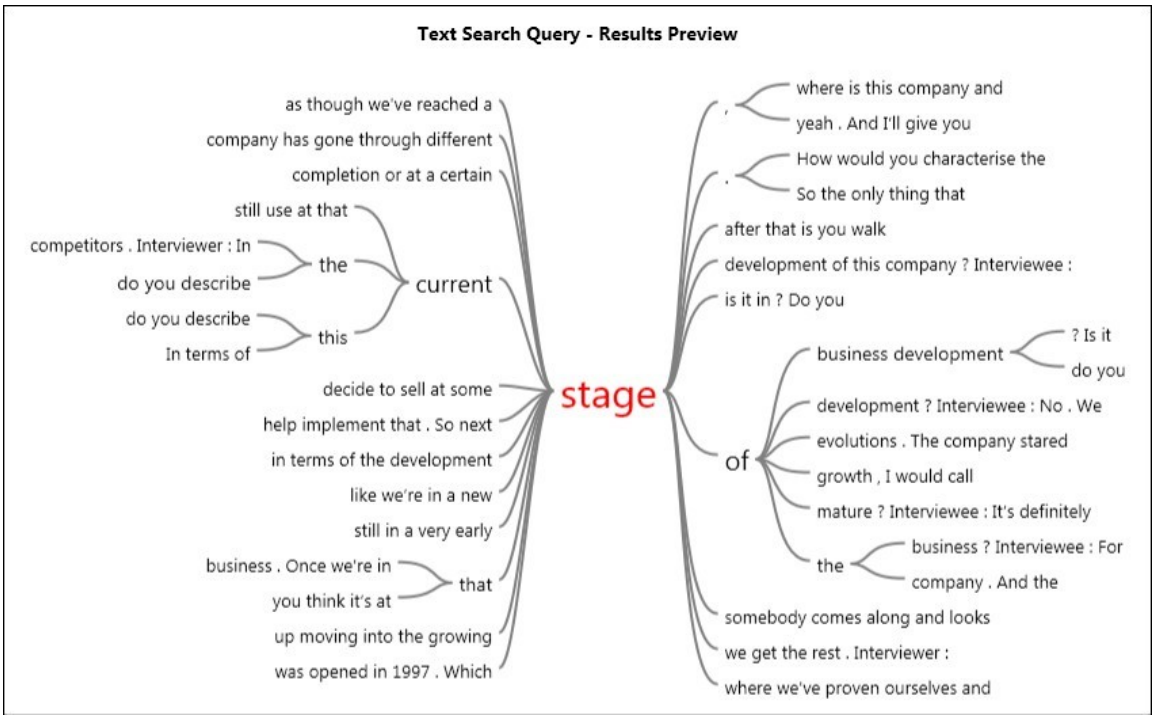
Reference 1 - 2.02% Coverage

It is not start-up, I would not say it is growing, we do still get new clients. I would not say mature, we get basic clients, we get new people, so it is a changing. I would say continuing, continuing business.

<Internals\\PhD SMEs\\8 Stage-V Resource Mature The Square> - § 1 reference coded [1.66% Coverage]

Reference 1 - 1.66% Coverage

The Owner started up then. And then they built the business and sold it then. In 2001, the person had it was bankrupt. He did not run very well. And then the Owner took it back on for one year. And then I came. When I came here it was really bad. It is a small café but we have a very good turnover. I think it is a success business



Appendix 4.10 NVivo People Influence Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 1 reference coded [0.88% Coverage]

Reference 1 - 0.88% Coverage

So I can just tell by looking at you that you're sad or whatever. That's a lot of my job, you know, making a joke to get you laughing or kind of getting annoyed if things are going well, or just take tug and pull between the staff and making sure we're all motivated, we're all on the same page, that's a lot of my job in a small company, absolutely.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 5 references coded [2.86% Coverage]

Reference 1 - 0.57% Coverage

Yes definitely, there is a lot of freedom and trust and I don't know if that is a small company or just Miascape, it might just be Duncan and Jane so I really like that part of it.

Reference 2 - 0.31% Coverage

If you made the mistake with the best intentions and you were working hard then you learn from it.

Reference 3 - 0.64% Coverage

We pride ourselves on being immaculate and having a real attention to detail in the stuff we do so we want to make sure that everything we do is of a very high standard and we do hold each other to that.

Reference 4 - 0.79% Coverage

Bring our products online because that was a suggestion of one of our younger guys before I had started. The IT guy said we could reach out to a lot of new people so we are doing that, we are looking at how much revenue we are bringing in from that.

Reference 5 - 0.54% Coverage

I can be really honest with my bosses about what I want to do and what I want to achieve and they know what my personal goals are and those line up with our company goals.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 5 references coded [11.15% Coverage]

Reference 1 - 1.04% Coverage

With two very different personalities and two very different skill sets, has proven to be a real strength of our businesses performance, but it has taken us three years to optimise that.

Reference 2 - 3.35% Coverage

Our management style is, I personally am a persuasive person, and I'd say paternalistic is a good one as well, and empowerment are important ones for me. Alex's management style is completely different, he's consultative, organic, and we, all of us including our one member of staff, really thrive on the relative autonomy we all have within our roles. The third Director that sits on the outside of the business, that we meet up with every two weeks, works as a pace setter. Their job is effectively to set the pace, set milestones and make sure we achieve them, and that works incredibly well.

Reference 3 - 1.50% Coverage

As in the quality of those decisions. Are those decisions that reflect the needs of the humanity, are they values led? Are they being good human beings? Are they being ethical? Then the other thing we're measuring is the effect we're having on society as a whole.

Reference 4 - 4.03% Coverage

So I see my company, for me it's actually a personal, it's a manifestation of a man, who was very important to me in my life, my grandfather was a serial entrepreneur. He had a significant amount to do with the development of the Mini Cooper, he had an engineering business. He had a cinema business. His grandfather was one of the first men to bring cinema to the UK. And my grandfather had the most amazing ability to make people follow their dreams, realise they should follow their dreams if they want to be successful. And therefore our business is basically geared around inspiring young people all over the world to follow their dreams. So it's like the manifestation of him

Reference 5 - 1.23% Coverage

The spirit of my grandfather, which is if you want to inspire young people to follow their hearts, because what the world needs is people who have come alive and are following their hearts. They will be more successful.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [1.28% Coverage]

Reference 1 - 1.28% Coverage

The managing Director takes some paten or personality, he will, he has got a lot of experience that he worked in Nokia before. Yes, he has got a lot to share, also, I think it is a very strong learning environment in the company.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 3 references coded [5.56% Coverage]

Reference 1 - 2.19% Coverage

In 2009 we had a new CEO joined the company, the new CEO brought and developed his own strategy, the company started change being a product producer to produce solutions. Here, we were selling single products, the products are similar to our competitors, the competitors may produce the produce with lower prices. And the whole market was becoming smaller gross margin, that is why, the CEO changed the company and the new strategy.

Reference 2 - 2.55% Coverage

Well we want to attract the best people. We want to train, educate and help them to build their skills. If we do that, we want them stay in the company. We want to build a career, so they start; we can give them more skills, more tools, more help and more assist. Then they move on to another job within the company. So we want to provide an exciting career path and give them the training to a long career in Wolfson. Because it is easier to use people you have on board than try to continually recruit.

Reference 3 - 0.82% Coverage

That is why the new CEO and the new team came into turn the business. Because the last people the vision they had is in that way and we need some fresh to come in.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 2 references coded [2.12% Coverage]

Reference 1 - 0.68% Coverage

If it is not business strategical issue, I would let them make their own mistake. If I had personal experience and it is business strategical. I would make sure they not make it.

Reference 2 - 1.45% Coverage

We do a lot of training, because there are combined benefits to the company due to training. Training is of the things that you can ask anybody in the business it is important to them, it is training and development. We do more training than anybody else in the market. So more trained people we have, it is better for the business. So we do a lot of that, both internally and externally.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 4 references coded [9.13% Coverage]

Reference 1 - 2.29% Coverage

When I came 2009, I doubled the business and revenue in the first year. It is about what you put into it. The person I had before was not interested in food. He only wants the money. You do not get the money unless you like what you do and you love and passionate about food and what you produce. So if you do not care, why would anyone else.

Reference 2 - 2.27% Coverage

I manage people and I manage stores, and I manage what we make in the day. So I will come up with some suggestions and get people to put together. If we have new ideas, then I would do with somebody. So they know what they do and they take that on and do it. So I am teaching people basically. I have an angry face but I am quite friendly.

Reference 3 - 2.94% Coverage

People need to think for themselves. But, quite often, people do not. I would not take people long like that. I have people that are very experience because we are very busy and we have the queue up the hill out the door every single day. You need people that are friendly, efficient and work well with the team, good with customers, and have high standard when presenting food as well. So it is not throwing together, it has to look good.

Reference 4 - 1.62% Coverage

I worked with a chef and he is an amazing chef. I asked where he learned cook. He said, I learned cook in whichever hotel it was. But I learned to love food. He said, only when you learn to love and respect food and put love into it deep shows.

Appendix 4.11 NVivo Leadership Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 1 reference coded [0.27% Coverage]

Reference 1 - 0.27% Coverage

So if anybody has a good idea or they've got something to add, they know how to do that and they put it in…

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 1 reference coded [0.63% Coverage]

Reference 1 - 0.63% Coverage

So we know all our strengths, we have very good technology colleagues, we have a very good market, we know the market very well, we know the customers very well, but where we lack is…out implementation is slow. I wanted very fast, but because of the dynamics of our company, because we have other Founders who are slow to react.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 2 references coded [1.38% Coverage]

Reference 1 - 0.86% Coverage

I definitely think our small size helps maintain the culture that we want to have including all the freedom, being able to do things like this and set my own schedule more or less as long as I meet our targets and that sort of freedom is hard to keep with a larger company.

Reference 2 - 0.51% Coverage

he is the CEO, he is the Founder. He does listen to what people have to say and he will hear your opinion and then consider that when he is making his decision.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 1 reference coded [2.59% Coverage]

Reference 1 - 2.59% Coverage

Do you think leadership and entrepreneurship is important to business?

Interviewee: Absolutely important, just like I said, if I was not involved in this business, the business will disappear.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 3 references coded [2.11% Coverage]

Reference 1 - 0.76% Coverage

In terms, as we're an impact focused organisation what we care about are the decisions that our entrepreneurs make within our community.

Reference 2 - 0.42% Coverage

Operations come first obviously, and Directors are paying themselves last.

Reference 3 - 0.93% Coverage

And then it's autonomy. So everybody knows about it, but autonomy mastery and purpose, they're important to everybody. And we really honour that in our company.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 1 reference coded [0.17% Coverage]

Reference 1 - 0.17% Coverage

Probably need key people to be doing this to identify the gaps.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 2 references coded [5.34% Coverage]

Reference 1 - 2.14% Coverage

So it was open minded style trying to empowerment individuals, they will give a lot of training and opportunities, pay for them to chamber of commerce. I will bring them to different meeting to help them understanding different ways of the business world.

Reference 2 - 3.20% Coverage

The other thing it taught me is about managing expectation of people including my own. You really have to believe what you do. You must have standard to run your business. You must have endurance in your business. You have to have strength, you have to have courage, you have to have vision. You will learn many lesions, you are always learning, you are learning theory over a year.

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 1 reference coded [4.71% Coverage]

Reference 1 - 4.71% Coverage

But I could not do in a way that could be useful for people that was a proper business. So I start a proper business, but it was not my intention to start a business. My value is to make that business fair to its users and to its employees. My ambition is to make qualitative analysis better, that is the overall aim. I have been done that kind of research for last ten years and see the software not being change. It was very frustrating for me and makes me think that… In terms of my experience, many people told me qualitative research is very difficult and not interesting and do something quantitative. I want to change that image. I think part of that is making the process more transparent. I think a lot of people do not understand what is involved in qualitative analysis. If more people are doing it if it is easier and that makes the whole field better. If it is better software, more people will do qualitative analysis.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [3.34% Coverage]

Reference 1 - 3.34% Coverage

I think the problem is any leader in a small business is that because the business is small, mostly they concern about is bringing in businesses and making money, they do not have time to spend being a Manager or people. To be honest, if they do take a new person in, and the new person is capable to work independently and ask a lot of questions, they end up just losing money. Cause it spend more time on training them. It is just not possible, it is very difficult to say leaders are good at managing people, cause in a small business, it is not the priority. It is always growing their business.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [1.10% Coverage]

Reference 1 - 1.10% Coverage

Everything is equal, because I 100% trust her. But when it comes to the future, we definitely need someone to manage the company, but not me.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 2 references coded [1.69% Coverage]

Reference 1 - 0.86% Coverage

In 2009 we had a new CEO joined the company, the new CEO brought and developed his own strategy, the company started change being a product producer to produce solutions.

Reference 2 - 0.82% Coverage

That is why the new CEO and the new team came into turn the business. Because the last people the vision they had is in that way and we need some fresh to come in.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 5 references coded [2.87% Coverage]

Reference 1 - 0.70% Coverage

I will help them to deliver what they need to deliver. But to some extent, I try to trust them the job they have been trained to do. They are good at what they do; I want them to prove it.

Reference 2 - 0.52% Coverage

I need to talk about the business strategies we are moving forward. With the people we have got, I think we cannot wholly take democratic.

Reference 3 - 0.16% Coverage

I try to let them make their own mistakes.

Reference 4 - 1.14% Coverage

We do not want to make a culture that people are afraid to make mistakes. Because they fear the outcome, what we say is if you made a mistake please admit it very earlier. And we are trying to manage it and dealing with it. If you fear that outcome, you will hate it. And it will have worse outcome comes.

Reference 5 - 0.35% Coverage

So if it something really affect the business fundamentally, I will probably be more directive.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 6 references coded [7.94% Coverage]

Reference 1 - 0.53% Coverage

My management style is I would not ask anybody to do something unless I do it.

Reference 2 - 1.03% Coverage

I plan what is going to happen for the day. I organise outside catering we do. I will make a list and would tell everyone what is happening during the day.

Reference 3 - 2.27% Coverage

I manage people and I manage stores, and I manage what we make in the day. So I will come up with some suggestions and get people to put together. If we have new ideas, then

I would do with somebody. So they know what they do and they take that on and do it. So I am teaching people basically. I have an angry face but I am quite friendly.

Reference 4 - 1.80% Coverage

if somebody is not working with the team I have to talk to them and get them to work as part of the team. Because if they start doing things themselves, it does not all work together. You have to make sure everybody works together. I like people to think for themselves,

Reference 5 - 0.70% Coverage

On last Saturday after the festival, it was very hard. So we went out for a meal to celebrate the survive

Reference 6 - 1.60% Coverage

if people are needed to be told they are very slow and not working correctly. It is my job to do that. If people are doing a good job like tonight, I will always thank them. I think saying thank you can hold a lot more than anything else.

Appendix 4.12 NVivo CSR Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 3 references coded [3.10% Coverage]

Reference 1 - 0.46% Coverage

So even for our employees; we have employees who smoke because it's Scotland; we will give them a bonus if they stop smoking, because then they're sick less and then they come into work.

Reference 2 - 1.14% Coverage

The third bit would just be environmental stuff. I would love, once we get break even, we would love to do some sort of carbon offset or something for our servers and go completely carbon neutral on our products, because our products are running on computers in a data centre that's using a lot of air conditioning and so on. Yeah, so we would love to make sure that that is carbon neutral in the future. And it's good marketing and it's also good business.

Reference 3 - 1.50% Coverage

Yeah so another thing and this has not been put in place yet, but for us, for me personally, once we get profitable I would like to donate some percentage of the profits to charity. One of my favourite things that we did at a previous company was we would donate certain percentage of the corporate profits to a variety of charities, but also if an employee made a donation we would match the donation. So you donate a dollar to some charity or some church or whatever, it doesn't matter what it is the company will match it. So we'd like to do things like that once we become profitable, absolutely.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 1 reference coded [0.83% Coverage]

Reference 1 - 0.83% Coverage

Yeah, but we are small. We are contributing. If you see, we are doing projects, there we are making our application free. So yeah, indulging in the Soulight project, which is using…our technology is being used to make music for depressed people and it's going to be used by NHS24, but this app will be free. So the NHS is giving us some money to develop this thing, but the ultimate user cannot [01:04:33]. So it's sort of CSR.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 2 references coded [1.29% Coverage]

Reference 1 - 0.45% Coverage

up to 10% of the profits of that are going to go back to the resource nations that we work with in the form of community improvement projects.

Reference 2 - 0.84% Coverage

Part of those profits will go back into the country to help with community projects that people actually want, because we will ask them, we will say hey what do you guys need? We need a school, we need a water spigot, whatever it is and it will help them get that.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 1 reference coded [1.02% Coverage]

Reference 1 - 1.02% Coverage

We work with XXX foundation. We do Merry meal, it is charity who give food to orphans. That is it.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 1 reference coded [0.38% Coverage]

Reference 1 - 0.38% Coverage

Interviewer: Okay cool and does your company engage in some corporate social responsibility?

Interviewee: No not really.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 1 reference coded [2.36% Coverage]

Reference 1 - 2.36% Coverage

We are not in a position to sponsor them, but we are working on things like prevent diseases. We are dedicated our whole life for that solutions. Our thought is to solve problems.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 1 reference coded [2.48% Coverage]

Reference 1 - 2.48% Coverage

The core of our business is around spending our money of large corporates CSR budgets, on meaningful activities that genuinely create wealth in the economy. And a huge shift in the way that people do business. And the way that business can positively effect our world. So I would say that our business is at the cutting edge. In fact we've been sighted as one of the most cutting edge businesses in the world, dealing in the space of CSR.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 2 references coded [1.93% Coverage]

Reference 1 - 1.49% Coverage

I suppose corporate social responsibility could extend to external, overall obligations for society as a whole. Which is maybe more what that expression means. So I suppose we are, we do take part in business enterprise projects. We are quite heavily involved in Fife Enterprise which is a branch of Scottish enterprise. We are involved in helping run competitions. So we run at the moment, we run the young entrepreneur of Fife awards. That is involved in, that is involving us and helping find young people who have an interest in setting up businesses.

Reference 2 - 0.44% Coverage

We have got a charitable program as well. We do contribute back to Fife charities and allocate a certain amount of our money to go back into Fife based businesses.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 1 reference coded [1.70% Coverage]

Reference 1 - 1.70% Coverage

Yes, we have done a lots in social responsibilities. We do discount rate for charities. I also do free training for young start up entrepreneurs. I do training for junior chamber of commerce for free.

<Internals\\PhD SMEs\\20 Stage-I Existence Coding Transcipt Quirkos Daniel Turner 20140515> - § 1 reference coded [1.84% Coverage]

Reference 1 - 1.84% Coverage

Too early. Plan to do so if profitable, for example free licences and training to selected 3rd sector organisations, and sponsor a master programme in qualitative research. It depends on sustainability really. It is very important for me to do CSR stuffs. But we have to get the stage we can afford to do that. I mean, the business should get sustainable first.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [1.31% Coverage]

Reference 1 - 1.31% Coverage

I can not say we actually do invest some time. I can say through our networking, for example we tend to talk or join some events that are CSR related. We will concern we are CSR related, but we can not say we make such as difference.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [0.55% Coverage]

Reference 1 - 0.55% Coverage

No. I should, when I get bigger and could pay myself in proper way.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 1 reference coded [0.39% Coverage]

Reference 1 - 0.39% Coverage

Do you engage with some CSR?

Interviewee: No.

<Internals\\PhD SMEs\\3 Manuscript Transcript Wolfson> - § 2 references coded [5.07% Coverage]

Reference 1 - 1.71% Coverage

In terms of social culture, as far as this company concern, social responsibility is a big thing for us. Whether that is making sure we integrated in local community, we help charities in the local community. We make sure we don't do anything detrimental to the environment. So we take our corporate social responsibility very seriously.

Reference 2 - 3.36% Coverage

Yes, one of the things we are very keen on looking for new graduate from university in the science degree. We sponsor the Edinburgh Science Festival, which runs in 2 of April in the Easter vocation. We are the mean sponsor that international festival is about taken the school children to the festival ensure that science can be fine and can be interesting. And when the children go to school, they take a big interest in science and technology. We can then, if you can increase the number of choose science subject in school, than you have

more of them to go to university to do science and engineering. We will have more people to join us, so that is a circle.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 1 reference coded [1.72% Coverage]

Reference 1 - 1.72% Coverage

I supposed what we do is CSR and what it means. But the fact is we never come to be neutral, we have a green committee. We try to limit the energy use. We advise people walk. We give people free bus ticket, so they can take instead by taxi. Things like that. We support local charities. We do advertising for nothing for them. And we recently did a thing was water release conservation business. We help them to clear water release. Apart that is the environment.

<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 1 reference coded [2.55% Coverage]

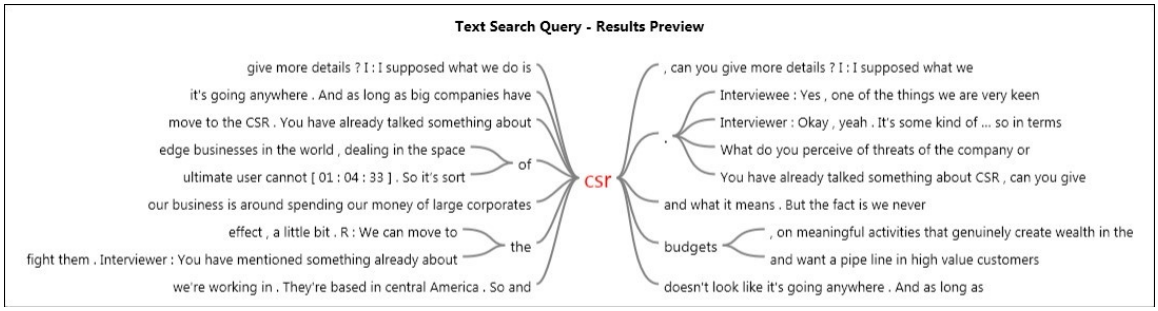
Reference 1 - 2.55% Coverage

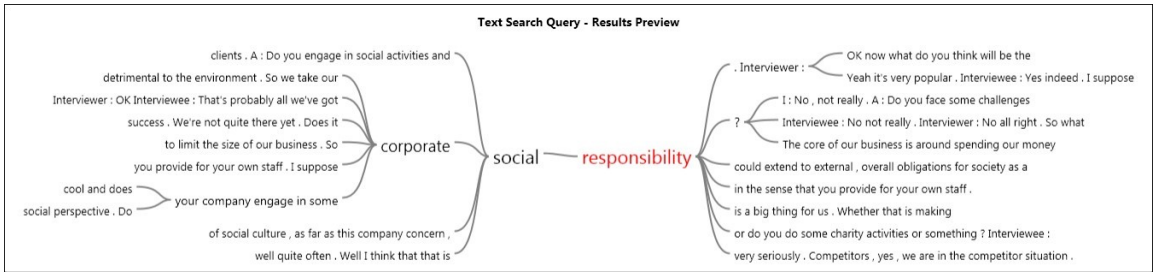
Yes. We support what we buy. We buy hand washes from a company called Clarity. Clarity is a company that employees that run buy blind people. We also use disposable by a degree of all. So we are not adding to land filling, it is all compostable. A lot people do not use it, they use plastic that is no good. So we use things are made of corn-starch recycled material for packaging.

<Internals\\PhD SMEs\\9 Stage-IV Take-off Coding Giuliano Transcript 20131024> - § 1 reference coded [2.97% Coverage]

Reference 1 - 2.97% Coverage

We try to work with charities. It depends on the money if you want to do. Not now, but we do regularly before.





Appendix 4.13 NVivo Success Coding

<Internals\\PhD SMEs\\10 Manuscript Coding Transcript Adminstrate 77> - § 3 references coded [1.46% Coverage]

Reference 1 - 0.47% Coverage

So right now we're at about £1,500 per customer to acquire. Actually it's a little less and it's going down. And the reason it's going down is because we're winning more customers now.

Reference 2 - 0.45% Coverage

And we know it's running right. We've got it all sorted on that side and we're jumping in the pool, we do it all right from the beginning and it'll be good, it'll be really good.

Reference 3 - 0.54% Coverage

We're very optimistic, very optimistic. We feel like it's been a very difficult road to get here. We've done a lot of work, but we feel like in 2014 we'll turn the corner and then it'll become very, very successful.

<Internals\\PhD SMEs\\11 Manuscript Coding 20131119Musemantik> - § 1 reference coded [0.14% Coverage]

Reference 1 - 0.14% Coverage

I think the inherent strength of the company, it is a very good company.

<Internals\\PhD SMEs\\12 Manuscript Transcript 20131209 International Resources Recycling Centre> - § 6 references coded [1.26% Coverage]

Reference 1 - 0.06% Coverage

And the company has grown you know.

Reference 2 - 0.30% Coverage

And has grown from nothing in 2005, so I mean it has grown quite a lot. And we are ambitious to grow more, it's hard to say whether we really we will or not I mean.

Reference 3 - 0.30% Coverage

Internationally, and that is very attractive. There aren't people who are doing that, and it allows us to claim to be in a unique position so that is quite important.

Reference 4 - 0.07% Coverage

Do I regard it as successful? Yes.

Reference 5 - 0.04% Coverage

Yeah I think it's grown

Reference 6 - 0.48% Coverage

I see it as it's a very worthwhile company, I see it as a small attempt to make a difference to the way we live our lives. It is small, but it is trying to, it is trying to make a difference to the world we live in and that's a good thing to do, it's a good company.

<Internals\\PhD SMEs\\13 Coding Manuscript 20140312 Mark Miascape Transcript> - § 1 reference coded [0.11% Coverage]

Reference 1 - 0.11% Coverage

Yes, we are successful right now.

<Internals\\PhD SMEs\\14 Stage-III G Coding Transcipt TCMO Sandy 20140317> - § 2 references coded [3.51% Coverage]

Reference 1 - 2.10% Coverage

By financial figures. Number of clients we have, I suppose. How many we get by referral and in another way, the style we like. I am glad people come here because they hear about us like any business.

Reference 2 - 1.41% Coverage

I think it is ok. I would not say taking off. I think we need to address the question of long-term sustainability and long-term growth.

<Internals\\PhD SMEs\\15 Manuscript Coding Kevin Acumen 18-03-2014 Transcript> - § 4 references coded [3.22% Coverage]

Reference 1 - 0.65% Coverage

We have a few. The market is quite saturated. There's a lot of companies do what we do but we've been around a long time and we are very experienced in what we do so that kind of counts for a lot, you know.

Reference 2 - 1.16% Coverage

We are cautiously optimistic that this year is going to be a good year. We are certainly seeing more enquiries coming through and we have a couple of irons in the fire just now for new businesses if they come through that will be great. At the moment things are looking not too bad. Our cash flow is good, our clients pay us on time we have no bad debts. We are doing okay.

Reference 3 - 1.15% Coverage

We want to be in a position where if we decide to sell at some stage somebody comes along and looks at us, looks at our books and goes yes you have run this company really well. Your books are absolutely sound, we have no skeletons in the cupboard where people can point the finger and say you know you have had a VAT problem or a tax problem. We do not have any of that.

Reference 4 - 0.26% Coverage

It is successful. We are well known in Edinburgh in Scotland we are well known.

<Internals\\PhD SMEs\\16 Stage-III G Coding Transcipt XEposhiel Bruce 20140321> - § 1 reference coded [2.29% Coverage]

Reference 1 - 2.29% Coverage

It is not successful right now. But it could be very successful cause very low amount of money need to be used and the running cost is very low. Potential risk is very rare.

<Internals\\PhD SMEs\\17 Coding Transcript Power of Youth> - § 6 references coded [10.01% Coverage]

Reference 1 - 3.05% Coverage

To measure that, we've developed a secondary business, a spin off business, called Mappa Ltd. Which is able to map this sort of data, and we're in the process of evolving that into a product that will replace the traditional impact measurement and impact evaluation forms that a lot of third sector organisations traditionally have to do to get grant funding. We're also looking. So that's the first spin out business that's happened between us and one of the entrepreneurs in our community. And is already looking to be a great success.

Reference 2 - 0.36% Coverage

And it's kind of a pace setting and it works incredibly well.

Reference 3 - 0.94% Coverage

What's happened several months ago, is we secured enough resources to fund the operational staff for two years. And that has given a huge momentum to the organisation,

Reference 4 - 2.88% Coverage

We're having a lot of success at it at the moment. The model we've got with the three different Directors in very different roles is working incredibly well. As long as you have pace setting and strict goals, and measurement, it works really really well. And it enables every leader to feel like a leader. It empowers them, then you get the most out of them. And ultimately people become better because they develop, their self development moves at a more significant pace when they're put in a leadership role.

Reference 5 - 1.86% Coverage

Because we've created the value. So our main business model at the moment is a very positive cyclical model where Ernst and Young end up giving huge value to our paying members, and pay us for the privilege of doing that. Therefore that increases the value of our membership. Our membership fees. So it's a very positive cycle.

Reference 6 - 0.92% Coverage

So I'd regard our business, I feel as though, so we get to reach full financial sustainability as an organisation. And that's ultimately a measure of it's success.

<Internals\\PhD SMEs\\18 Manuscript Coding Michael CCW Layers Copy 1 07.04.2014> - § 2 references coded [3.13% Coverage]

Reference 1 - 1.56% Coverage

I think it is yes. It's the right size of business for a law firm, given that there are major changes taking place. And given that technology is altering, adjusting the need for as many lawyers physically pushing documents across a table. I think we have the right size of business, and this would be our aim, not to let it grow to become too big. So we should aim to be no more than thirty five lawyers, or it's going to start altering the ethos of the

firm too much. So that would be a conscious decision to limit the size of our business. So corporate social responsibility.

Reference 2 - 1.57% Coverage

So I think we see ourselves as being the type of firm where you have Partners directly giving legal advice to clients. And it's experienced lawyers providing that level of advice. We've got quite good cost controls. We don't waste money. We're quite efficient. It's quite well managed financially. So I mean whilst we've lost some staff members, that was more a deliberate policy not to replace people when they left. We did make some people redundant, but not many. Three in total. And to be honest some of them, we wanted to get rid of anyway, and it's convenient, quite helpful.

<Internals\\PhD SMEs\\19 Stage-III G Original Transcipt The Performance Tree Mel 20140410> - § 1 reference coded [0.82% Coverage]

Reference 1 - 0.82% Coverage

Well, it was, now it is reborn. Again, I think it is successful business, there is no reason why.

<Internals\\PhD SMEs\\21 Stage-II Survival Coding Transcipt 4G James Kanter 20140630> - § 1 reference coded [1.64% Coverage]

Reference 1 - 1.64% Coverage

On the one hand, yes we do. But on the other, if you say your business is successful, do that mean you are satisfied with that and you do not any room to improve. So consider we are in our second year business, and in terms of the profit, we have done at that time, I consider we are successful.

<Internals\\PhD SMEs\\22 Stage-I Existence Coding transcript Patience Jewellery 20140703> - § 1 reference coded [1.54% Coverage]

Reference 1 - 1.54% Coverage

Well, I want to achieve a happy life. In terms of my business, it gives me sufficient life style. I do not want to become a millionaire, I want to make something I am proud of that has dignity.

<Internals\\PhD SMEs\\23 Stage-III G Coding transcript James Gough Virtual Global 20140715> - § 4 references coded [7.23% Coverage]

Reference 1 - 1.57% Coverage

I have got an amazing return business and excellent plan further. I have spoken there are about half dozen clients in five years. It is not the best way to run business but it gives me a best way what to do.

Reference 2 - 0.94% Coverage

Everything is in place, the system is in place, just waited for the right people who is really boost the business in growing.

Reference 3 - 4.04% Coverage

What I want to do is to create a business that did not need needs to run it all. And that is what I did. So sometimes, I would not work for two or three month spends all the time with

my daughter. I got a very different business strategy from almost everybody. However, what I want to do is until my litter girl went to school just run the business like that way as lifestyle business. And now it is ready and set up, and running smoothly, and now it ready now just down to somebody to sales and account management to grow the business.

Reference 4 - 0.68% Coverage

I am happy with that. My customers are very happy, a lot people make nice money from it.

<Internals\\PhD SMEs\\4 Original Transcript MediaCom> - § 3 references coded [2.44% Coverage]

Reference 1 - 0.89% Coverage

This is Scottish market; because we are the biggest, almost. We have been here for a while. If they are looking for a media agency, we quite often will be on their list. Because we have a big name, here, what we call a prospective center.

Reference 2 - 0.25% Coverage

But we will make. So there is always growth. So that is the key.

Reference 3 - 1.30% Coverage

I think we are high-functional business. I think we operate very professional, even just small business. I think we make good profits. So I think we are profitable and efficient. I think we should strive to be creative whatever we can. There is always working progress. I think we do work well and we are good at. And that essential what it is about.

<Internals\\PhD SMEs\\5 Coding Transcipt Helen Low Ltd> - § 2 references coded [3.51% Coverage]

Reference 1 - 2.15% Coverage

They have come and to get advice. Even it is downturn time, there still people come to get advice. It is (the business) not going up, but the business is slightly growing. I would not say increase, but we do not have decrease.

Reference 2 - 1.36% Coverage

I think we get good reputation. We provide the basic service that the clients are looking for. If clients are happy, we get higher reputation.

<Internals\\PhD SMEs\\7 Stage-I Exitence Coding Rachel Transcript 20130830> - § 2 references coded [5.12% Coverage]

Reference 1 - 4.01% Coverage

I can see success, there are successful people. I just have faith in that. I still have to push myself. I do follow up. My clients can recommend their friends or families to me.

Reference 2 - 1.11% Coverage

I think it is a good one. I like the money works.

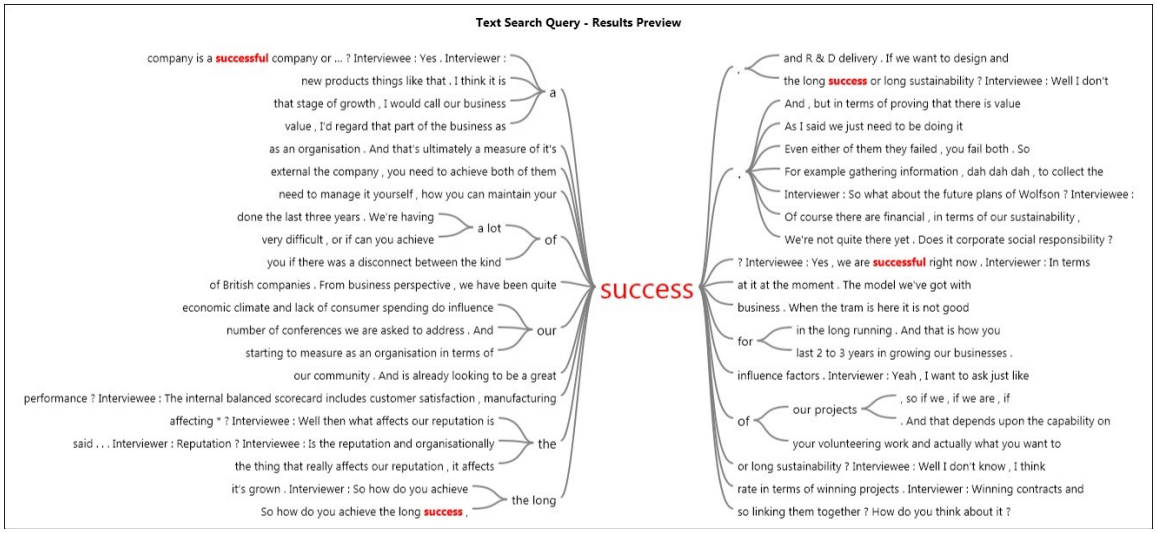
<Internals\\PhD SMEs\\8 Manuscript coding Transcript The Square> - § 2 references coded [1.64% Coverage]

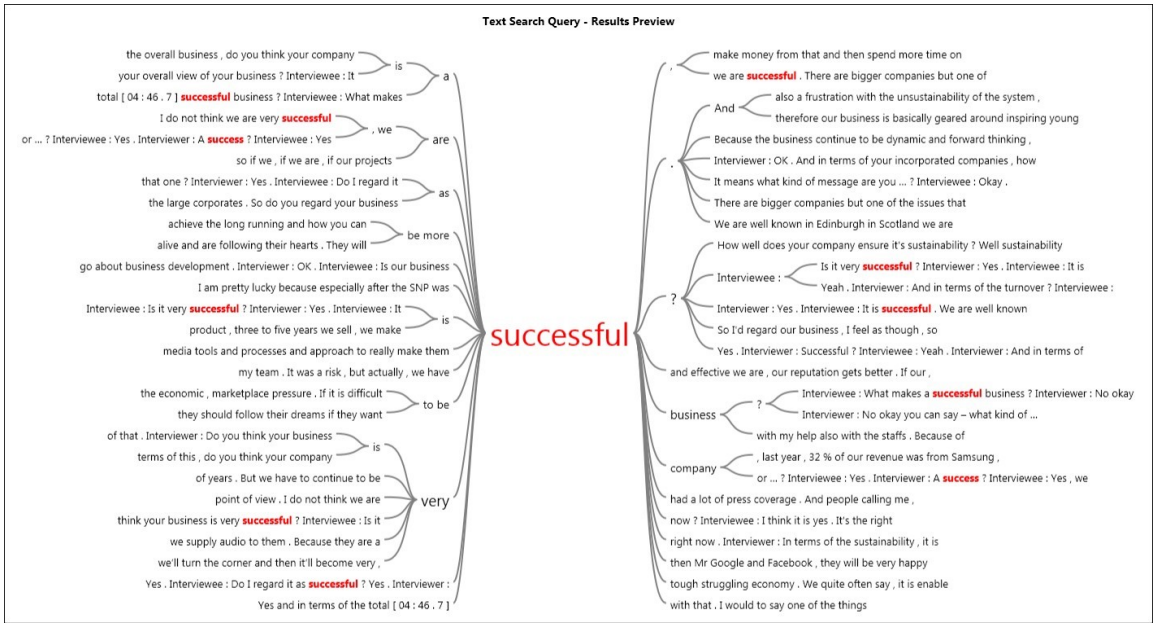
Reference 1 - 0.37% Coverage

It is a small café but we have a very good turnover.

Reference 2 - 1.27% Coverage

It is a successful business with my help also with the staffs. Because of the staffs and the standard we have and keep trying new products things like that. I think it is a success business.





Appendix 5 UK SMEs Success Survey

UK SMEs Success Survey

Dear Sir/Madam

At the University of Edinburgh Business School I am conducting research into the factors influencing UK Small and Medium-Sized Enterprises' (SMEs) performance and sustainability.

The research aims to identify the factors that lead to SME performance in order to assist SMEs in understanding how to enhance their business performance and long-term sustainability.

I would appreciate your help in taking part in the research by completing this survey. The survey should take around 15 minutes to complete. The information you provide will be treated as confidential and will only be used for the purpose of this research study. No data will be passed on to third parties and no individual companies will be identified. The study has been granted ethical approval by the University of Edinburgh Business School.

If you have any questions or concerns about the study or wish to contact an independent person, please contact:
Professor Jake Ansell
J.Ansell@ed.ac.uk (0131) 650 3806

Dr Tina Harrison
Email: Tina.Harrison@ed.ac.uk
Phone: +44(0)131 6503820

If you would like to receive the results of the study, you can request this at the end of the survey.

Research Contact Details:

Boran Li
PhD Candidate
University of Edinburgh Business School
Room 3.02
29 Buccleuch Place
Edinburgh EH8 9JS
S1145561@sms.ed.ac.uk
(+44) 07928330430

Part 1

1. What is your company's main business?

2. Do you regard your company as:

- A Micro-sized Company
- A Small-sized Company
- A Medium-sized Company
- Other

3. Do you think that the size of your company affects your company's overall business and performance?

- Yes
- No
- Do not know

4. In what way does size affect your company performance?

5. How would you describe your company's current stage of business development?

- ○ Start-up
- ○ Growth
- ○ Mature
- ○ Other

6. Please explain your answer to question 5.

Part 2

7. Do you gather any of the following 'Non-Financial' information.

- ☐ Customer Value Performance(e.g. market share, customer satisfaction measures, customer loyalty)
- ☐ Internal Business Process performance (e.g. productivity rates, quality measures, timeliness)
- ☐ Innovation Performance (e.g. percentage revenue from new products, employee suggestions, rate of improvement index)
- ☐ Employee Performance (e.g. morale, knowledge, turnover, use of best demonstrated practices)
- ☐ Other, please specific:

8. Please explain how you use the measures you have ticked for question 7.

9. Do you gather any of the following 'Financial' information.

- ☐ Sales Turnover
- ☐ Profit
- ☐ Debt
- ☐ Return on Investment or capital
- ☐ Cash Flow
- ☐ Other, please specific:

10. Please explain how you use the measures you have ticked for question 9.

Part 3

11. (a) Which of the following internal factors influence your company's performance? (tick all that apply)

- ☐ Leadership/Entrepreneurship
- ☐ Management System/Methods/Practices
- ☐ Use of Social Medias
- ☐ Organisational Capability
- ☐ Management Financial Capability
- ☐ Family and Non-Family Factor
- ☐ Human Resource Factors
- ☐ Employees Capability
- ☐ Intellectual Capital (IC)
- ☐ Market Orientation and Innovation

11. (b) Rank the factors ticked in Q11(a) in order of 1=the most influence, 2= the next influential, and so on

Leadership/Entrepreneurship

- ☐ Management System/Methods/Practices
- ☐ Use of Social Medias
- ☐ Organisational Capability
- ☐ Management Financial Capability
- ☐ Family and Non-Family Factor
- ☐ Human Resource Factors
- ☐ Employees Capability
- ☐ Intellectual Capital (IC)
- ☐ Market Orientation and Innovation

12. Please explain how the top ranked factors ranked in question 11(b) influence your company's performance.

13. (a) Which of the following external factors influence your company's performance? (tick all that apply)

- ☐ Business and Economic Environment
- ☐ Customer Needs and Requirement
- ☐ Competitors Effects
- ☐ Political Environment
- ☐ Supplier Covenants/Collaboration
- ☐ Shareholders Wealth
- ☐ Social Media from Competitors
- ☐ Environment Factor

13. (b) Rank the factors ticked in Q13(a) in order of 1=the most influence, 2= the next influential, and so on

- ☐ Business and Economic Environment
- ☐ Customer Needs and Requirement
- ☐ Competitors Effect
- ☐ Political Environment
- ☐ Supplier Covenants/Collaboration
- ☐ Shareholders Wealth
- ☐ Social Media from Competitors
- ☐ Environment Factor

14. Please explain how the top ranked factors ranked in question 13(b) influence your company's performance.

Part 4

15. How would you describe your company’s predominant management style? (You can choose more than one)

- ☐ Empowerment
- ☐ Consultative
- ☐ Persuasive
- ☐ Democratic
- ☐ Organic
- ☐ Paternalistic
- ☐ Autonomy

16. What is the company's current business plan for development in the short term? How will you company use social media to underpin business plan?

17. What are the company’s future intentions or business objectives/strategy in the long-term? How will you company use social media to underpin business strategy?

18. Do you regard your business as successful?

- ○ Yes
- ○ No

19. Please explain why you regard your business as successful.

19b. Please explain why you do not regard your business as successful.

20. What do you perceive to be the threats/risks/challenges to the company?

21. What plans/actions have you taken to address any threats/risks/challenges to ensure the long run sustainability of the business?

Part 6

22. Which industry does your company operate in?

23. In which year was your company established?

24. Please indicate the numbers of employees in your company.

- 0-10
- 11-50
- 51-100
- 101-250
- 250≤

25. What is your company's average annual turnover?

- ≤ £ 50,000
- £ 50,000-£ 500,000
- £ 500,001-£ 1,000,000
- £ 1,000,001-£ 5,000,000
- £5,000,001-£ 10,000,000
- £10,000,001-£ 20,000,000
- £20,000,001 ≤

26. Would you be willing to provide your company full name? (This information will be treated confidential)

Thank you for your time in completing this questionnaire. Your input is value and much appreciated.

Appendix 6 Online Qualtrics Survey Questionnaire Response

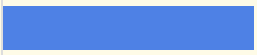
1. What is your company's main business?

Text Response
Business consultancy
Johnarudkin.net
Business Consultancy
Business Coaching & Business Training
Payroll Management for Small Businesses
accommodation and food and beverage services
Advertsing
Technology for the Hospitality sector
Selling arts of Africa
www.reunitems.com Returning lost and found items from yesterday to yesteryear and auctioning and selling retro and antiques.
Social Media Marketing
Insurance Broker
Legal
Candle making
web
Marketing Media
Business Consultancy
Investment banking for high potential, early stage firms
Publishing
Recruitment
Crafts
Freelance graphic design and artwork.
production. i'm do a project that call cat fist supply
Electronics design of sports products
House washing and pest control
Retail
Online social media
Transformation and change consulting
Provision of Search Engine Reports to SEO consultants, Marketing Companies, and Website Owners
Patience Jewellery designs and manufacturers precious metal jewellery collections which sell online and wholesale across the UK to multi product luxury stores. We also create bespoke one-off pieces of jewellery to personal specification.

digital marketing
Legal services
4G Scotland Ltd. Mobile Technology Solutions, 5 employees in Scotland around 50 employees in the company,1.2 million turnover
The principal activity is career management and outplacement training consultant
herbal tea
Transcription Services and Content Writing Services
Upstream Connections Ltd.
Sumerian
Development, manufacture, and sales of sensor-based alerting system for use in dairy cattle management.
Consultancy for business and personal improvement
The company is a steel manufacturer.
IT services
Commercial photography
education
Post office and general store
Consulting, Training, Mentoring and Coaching in Lean and Six Sigma principles and tools. On a direct and contracting basis.
Global Banking
Power transmission business
Design
Data Analysis
Provision of social care in Scotland.
promotional items manufacturing and trading
Corrugated packaging both plain and printed
Education (teaching English)
Leadership Development Consulting
Business Consultancy
Delivering Language Teaching
Recycling and Environmental Consultancy
elearning development

Statistic	Value
Total Responses	59

2. Do you regard your company as:

#	Answer		Response	%
1	A Micro-sized Company		31	53%
2	A Small-sized Company		16	27%
3	A Medium-sized Company		7	12%
4	Other		5	8%
	Total		59	100%

Other
Sole trader
Corporation
Large scale
Large

Statistic	Value
Min Value	1
Max Value	4
Mean	1.76
Variance	0.94
Standard Deviation	0.97
Total Responses	59

3. Do you think that the size of your company affects your company's overall business and performance?

#	Answer		Response	%
1	Yes		42	70%
2	No		13	22%
3	Do not know		5	8%
	Total		60	100%

Do not know

Statistic	Value
Min Value	1
Max Value	3
Mean	1.38
Variance	0.41
Standard Deviation	0.64
Total Responses	60

4. In what way does size affect your company performance?

Text Response
Limits the number of clients we can serve. Limits the investments we can make.
Until I can grow the business, I can't take on addition people, and being a one man organisation..... its chicken and Egg. I do work with other companies.
Sales growth limitations Investment limitations
Not able to attract major pieces of business. Think we are too small to deal with it successfully.
As a relatively small company we can still provide a personal touch to our customers however as a result of that we have a lot of large customers. We don't always have the resources available to give these customers what they want, but a larger company would be able to do so without having to juggle resource planning and scheduling in order to get things done.
I am one man performing multiple roles. Agencies set up to support 'small business' are inflexible and lack imagination and knowledge or experience wide enough to recognise potential of truly unique business models.
Restraints on finances dictate the volume of work I can do and the tools I need to perform - such as software,travel expenses, PC etc...
Lack of time & money to promote and market the business
Small and nimble in some ways. Restricted in others
Too much work to do but profits do not allow to hire full time help
Limits the size and scope of work we can do
Limited revenue streams from smaller number of recruiters. Hiring allows to increase revenue etc.
It‘s just me, so there’s a limit to how much work I can take on. But then the work I get is based on my personal reputation, so it would be difficult to expand!
output... the size of fasilities wil affect the output for the production...the more big place I have..the more I can produce
It takes longer to get the brand out there and become kniwn
Resource constraints slows down development compared to internet giants
The small size (two Directors, one outsourced developer) allows us to maintain a personal service to our resellers.

Our size is small, because we are new business and we lack capitol to pay new staff. If we were able to take on a) Marketing Professiona b) Sales Professional c) admin help our strength in sales would be greatly supported and therefore excelled.
limited resources - so growing the business is difficult.
More staff means greater need for consistency of service delivery and monitoring of performance.
We are a small-sized company as we have under 50 employees and a turnover that does not exceed 2.8 million. From a sales perspective it can but only if the prospect enquires about the size of the company (they may be discouraged from buying with a smaller company). From an internal perspective, we have greater flexibility than our larger competitors but due to limited employee numbers, we are unable to specialise in specific roles, which represents a weakness.
If we were larger =more resources=more sales
Lack of staff might push more pressure to the exiting staffs
We are able to be much more innovative and pioneering than the large incumbent companies in our industry. However, our small-scale size also presents us with challenges in areas of support, field sales, obtaining credit, etc.
Having to multi-task, not having sufficient resources to delegate effectively, taking advantage of opportunities are all more difficult in a micro business
The company relies on steel supply and at the moment there isn't a High quantity to distribute among the plants which means that the steel is sent to where it is best needed meaning that other plants, although they have orders won't have the steel to fulfil the orders.
Limited people means that the few people have to do more general things (e.g. secretarial tasks) which drops the productivity of specialists.
Positives: a small workforce means less staff costs, allowing profit maximisation and less administration. Negatives: sales and marketing suffers because there is nobody free to undertake this work, without taking somebody off front line delivery. This means sales leads and potential profit may be lost.
happiness, performances, etc.
Larger company could sell a bigger variety of producers and could be open longer
When you have over 60,000 employees globally, it is hard to measure performance the same way for everyone and hold all departments to those standards
It is a natural monopoly business, nationwide in scope and without competition. As such, it has to perform against industry & best practice standards of similar utilities in the Asian region. Size is a barrier to competition and without competition, the usual response of enterprises is to be complacent. Thus, size should not be regarded as a handicap but more as a challange to achieve more.
Medium and large businesses prefer known brands
Large companies take a significant amount of management and communication to ensure it performs to its best/optimum in all areas.
More flexible and responsive than larger companies.

Difficult to compete in terms of resources with larger companies.
We have to be very lean in the way we use our resources at peak work times, and we need people who can multi-task very well so they can fulfil more than one role
Flexibility able to make decisions quickly.
Restricts our growth at times by not having enough resources to create new business. Only having one marketing colleague also restricts the reach our business can get.

Statistic	Value
Total Responses	39

5. How would you describe your company's current stage of business development?

Series	Time 1
Default	1.93

#	Answer		Response	%
1	Start-up		18	33%
2	Growth		25	45%
3	Mature		10	18%
4	Other		2	4%
	Total		55	100%

Other
plateaued
Sustaining

Statistic	Value
Min Value	1
Max Value	4
Mean	1.93
Variance	0.66
Standard Deviation	0.81
Total Responses	55

6. Please explain your answer to question 5.

Text Response
Still trying to get customers to buy the service/[product.
I am in my second year, and my Partnership company is just 6 months old.
Been in operation for 20 years
We have been established since 2005 and we are now getting more work and need to employ some more people.
As a sole trader start-up, 25 years ago, we grew (matured) to a stage requiring incorporation. 15 years after incorporation we are still growing, although we are more mature. I would define a mature business as being at least 25 years old, holding market share but no longer growing, possibly in need of diversification.
Three and half years in operation. Sales growing at a rate of 10-13% on year on year.
Last few years has seen our business market contact
We are in the process of increasing our market share, profits are increasing year on year
The company has been in business fewer than 3 years.
I have been suspended in start up for just over 2 years - issues with website developer and my own limited ability and support companies issues mentioned haave had a direct impact on this.
Trading for 1 year
in 3rd year of trading
Not yet started
In business 7 years, opened new store and plan to launch new whole sale range
Usually 'Start-up' is limited to the first year, we are into the 5th
Pre-sustainable revenue
We have been around for a long time. But that doesn't stop us innovating
We are 14 years old as a business which we regard as still young. We survived the recession and have been trying to grow steadily over the last few years.
At the moment it is more a side-line as we both work full time as well, but the hope is to get as much as possible in place so that we can make it into a "proper" business.
I've been working as a freelance sole trader for 11 years.
the stage were growing..but very slow..this is becouse the primary problem that make it slow is, not enought fasilities
The company is in a design and development stage, trying to raise finance to design and build a product prior to entering the market.

Have been operating for 6 years and turnover increases each year

We are passed start up and have seen significant growth as we understand our market and our products and how they match.

For some years we ran this as a hobby business behind another Web Design/Hosting company that we ran. Having sold that last year we're now working to grow our current business after a number of years allowing it to simply tick-over.

We launched Patience Jewellery in September 2013 so have been trading for 9 months.

I think we can double the size next year.

Recently established the company

We are growing for a number of reasons. In terms of turnover and business but also in product innovation and experience.

Current stage continue growing

We look to grow substantially in the next year. I have just taken on a Sales Director.

Eventhough the business been going for 10 years, current shifts in the Internet world are giving us new opportunities to aim for.

The business development is closely related to the market development. When the market is getting a bit better this year, the business is growing a bit as well.

Sales already > £1m per annum Expect sales > £10m per annum within 5 years.

I have been working on and in my business for 15 months, developing my products and offerings and addressing specific market needs, but still haven't had what I would call a full year of trading under my belt

The company was part of British steel and as such is well established in the field that they are in.

Since the business model is not yet established and the size is quite small it is clearly a start-up.

The business was started a few years ago.

Main tertiary education provider in Australia

Shop been there many years. We have owned it for 12 and a half years

Not all businesses have to grow. Some only have to satisfy the needs of the Owners and nothing more.

Large Fortune 500 corporation

It has been. 5 years and people are expecting more in terms of business development.

I am self-employed designer

above/about 1 year trading

Organisation has been in existence, in one form as an arte, since 1860's.

we was opened 2012 as a small company now we have 20000000 LKR sales volume

Established for over 30 years

I have been running the business for 12 years so I consider it as quite established.

We're doing well, growing, but slowly. I prefer it that way as I have a strong focus on quality and results, it takes time to build a good reputation.

Established as a sole trader in Septenber 2014

Established 11 years and just reached a record level of turnover

We have grown year on year by over 50% and are now targetting profits that are nearly 3 times what we made last year.
run less than 3 years

Statistic	Value
Total Responses	54

7. Do you gather any of the following 'Non-Financial' information.

#	Answer		Response	%
1	Customer Value Performance(e.g. market share, customer satisfaction measures, customer loyalty)		25	60%
2	Internal Business Process performance (e.g. productivity rates, quality measures, timeliness)		16	38%
3	Innovation Performance (e.g. percentage revenue from new products, employee suggestions, rate of improvement index)		12	29%

4	Employee Performance (e.g. morale, knowledge, turnover, use of best demonstrated practices)		15	36%
5	Other, please specific:		10	24%

Other, please specific:
No
No
Support me to get to this stage!
Disagree with most of the examples provided as source of success;
We specialis in collecting non-financial data.
none
Conversion metrics
Key Performance Measures re support enquiry response rates, etc
results from marketing and sales funnels. split testing of squeeze pages to see what is most effective in gaining and converting customers
How far from mortgage default

Statistic	Value
Min Value	1
Max Value	5
Total Responses	42

8. Please explain how you use the measures you have ticked for question 7.

Text Response
N/A
I mainly look to social tools and website feedback.
Using a number of in-house tools.
N/A
To monitor what sells and what does not. To monitor price elasticity when making changes to prices. To monitor number of rooms sold compared to competing, nearby, inns and hotels. Monitor staff product knowledge to improve customer service experience, hence increasing satisfaction. We monitor customer comments on food quality, cleanliness and security, staff engagement with the customers and value for money received.
To equate time spent doping work against profit generated by that work
It's not my department who handles the data, so I don't know the answer to that I'm afraid
Do not use any of the measures, but should.
See the response.
questionnaires, verbal feedback and market reports
Constant constructve criticism ensures true customers experience and drives our results.
To identify opportunities and to deal with threats
We are going through a culture change programme. We have been using this information as part of this.
Customer service is a priority, so we need to know ou customers are happy, and if there are any issues they are resolved quickly.
as I said..the output of the production was very low... so I decide to gv special valueable prosposition for take care the costumer validation is positif.
Reflect on current performance in the business and plan strategies for the future.
Customer surveys get sent out.
We use the information to ensure our organisation and our clients are performing to the best of their ability.
n/a
to understand clients position in the market
Non financial measures are a weakness, at the moment. For example methods remain informal such as meeting previous customers by chance and asking if they are satisfied.
KPIs, to improve marketing, testimonials
This is my day to day job.
To demonstrate that we are providing/maintaining effective customer support to our distributors; proving that we are meeting contractual obligations.
with the split testing, I use the measures to produce more effective marketing materials and methods to get a higher percentage customer gain and customer conversion

All of the information in Q7 is gathered informally to improve business, product and service performance (eg: quality of images, match to client brief, delivery time from shoot to supply of images to client, client perceptions, client profitability)
To see whether it. Is worth continuing to stock the new product. To ensure employees are kept up to date and have all necessary training for lottery, age related sales etc.
The further from default the better. If it gets too close to my target then I look for more work.
estimate sales potential
Influence management and based decisions and strategic planning.
we have not shares but we have good capital
As part of the discussions at management reviews
I use customer satisfaction/dissatisfaction to tailor my courses. Employee performance is used to share best practise between employees.
CVP - measured by customer return rates (we did run surveys at one stage but people hated them) and sales relationship visit reports, IBP - timeliness, error rates in reports and amount produced, IP - we look at take up of new ideas through marketing statistics, we are also expanding what we do here in to LEAN startup analytics
I am required to assess other companies in this way. As a sole trader my own performance can be measured by my income
Targetting marketing and planning and designing training
We use technology to measure employee activity (calls, emails, sales etc.). We have a weekly knowledge share staff meeting where we discuss staff innovation and how we could progress ideas.
we collect data to measure online learners needs, behaviour of learning, what device/platforms they use.

Statistic	Value
Total Responses	38

9. Do you gather any of the following 'Financial' information.

#	Answer		Response	%
1	Sales Turnover		44	94%
2	Profit		43	91%
3	Debt		32	68%
4	Return on Investment or capital		16	34%
5	Cash Flow		36	77%
6	Other, please specific:		5	11%

Other, please specific:
Direct Margin
Only in respect of our own business
sales from specific campaigns, start up costs
Burn rate

Statistic	Value
Min Value	1
Max Value	6
Total Responses	47

10. Please explain how you use the measures you have ticked for question 9. Text Response
Normal accounting purposes
To keep solvent
Accounting software
To monitor our year on year growth and to ensure timely settlement of their accounts by clients.
To plan future cash flow and identify shortfalls. Compare current sales to previous year to track trend and development. Monitor sales by item and by group on falls or increases in the sales mix. Monitor gross profit to identify any cost issues and to minimise losses.
My department doesn't deal with these figures so I can't answer that question
To determine the business' success.
To guide future plans.
Monthly income & expenditure accounts
To compare figures with last year and forecast future revenue, profit & debt.
To assess performance and manage cash flow
Listing all of above daily helps ensure cash flow. See sale results and trends.
ROI and MX; to assess whether or not a firm can access a specific type of capital Cash Flow - how many days to insolvency unless invoices are paid or other funds come in the door
To run the business more effectively and to plan
All measures to assess our current state against previous performance and where we want to be.
To check that my personal and the company's finances are liquid.
Use the budget as a guide. The income as a guide on how much I get for each service per year. Gives me an idea on what services are the most profitable
To ensure we stay cash positive, invest wisely and charge our clients enough to cover our costs
For business planning and accounting purposes
We monitor our spending and income very accurately through various bookkeeping excersizes. We also forecast and analyse each months spending.
to understand how our customers are growing
Fundamental kpi and routine governance
Daily GP reports, which are completed the morning after each day of work and shared with management. Monthly and Quarterly financial reports, which are often used in comparison with previous records and objectives (note all reports are broken down by sales professional and product category). Individual long-term sales targets (e.g. sell 500 products in the next 6 months)
To manage the finances of the business. Keep in the black and out of the red. Budget for marketing and growth.
Internal management monitoring purposes; reporting to shareholders.

I use them to try to improve the profitability of the work
These basic number are important to watch to make sure you do not go bust. Cash flow for example is very important and the burn rate in particular. RoI and RoC are important to be familiar with and look after if you hope to raise any capital.
I use these measures to determine how the business is performing as well as for forecasting sales. I also use them for tax compliance and returns.
For hmrc
See 8
Through tracking the business requests and the value of the request by each individual
monitor cash flow
Influence management and board decisions and strategic planning, including areas to stop doing and possible new areas of business.
now we have profit in 2013; 1500000 LKR
For good governance
I always keep an eye on profit/turnover to decide on future investment in the company.
Basically reported on a 3 month basis (except for cashflow which is reported weekly) to determine how we're tracking in our financials
As with the last question. With my own business this is not necessay, however with the businesses I help this is essential
Budgeting
We have a CRM system which we use to track new sales and we also have other software that calculates invoices each month. We then track trends through excel.

Statistic	Value
Total Responses	40

11. (a) Which of the following internal factors influence your company's performance? (tick all that apply)

#	Answer		Response	%
1	Management System/Methods/Practices		31	67%
2	Organisational Capability		26	57%
3	Management Financial Capability		16	35%
4	Family and Non-Family Factor		15	33%
5	Human Resource Factors		14	30%
6	Employees Capability		28	61%
7	Intellectual Capital (IC)		20	43%
8	Market Orientation and Innovation		27	59%
9	Leadership/Entrepreneurship		29	63%
18	Use of Social Medias		17	37%

Statistic	Value
Min Value	1
Max Value	18
Total Responses	46

11. (b) Rank the factors ticked in Q11(a) in order of 1=the most influence, 2= the next influential, and so on

	Answer										0	Total Responses
1	Management System/Methods/Practices	5	4	7	7	5	3	1	0	1	0	33
2	Organisational Capability	2	10	3	6	4	3	1	2	1	0	32
3	Management Financial Capability	2	1	5	3	5	1	0	2	1	0	20
4	Family and Non-Family Factor	4	1	2	2	1	1	4	1	2	4	22
5	Human Resource Factors	0	3	1	3	3	5	3	2	1	0	21
6	Employees Capability	7	7	9	4	3	1	1	0	0	1	33
7	Intellectual Capital (IC)	4	3	2	2	2	3	5	3	1	0	25
8	Market Orientation and Innovation	8	9	3	1	4	2	2	2	0	0	31
9	Leadership/Entrepreneurship	12	6	8	2	1	1	0	0	0	0	30
18	Use of Social Medias	2	0	5	3	1	3	1	3	2	1	21
	Total	46	44	45	33	29	23	18	15	9	6	-

Statistic	Management System/ Methods /Practices	Organisational Capability	Manaagement Financial Capability	amily and Non-Family Factor	uman Resource Factors	Employees Capability	Intellectual Capital (IC)	arket Orientation and Innovation	Leadership/Entrepreneurship	se of Social Medias
Min Value	1	1	1	1	2	1	1	1	1	1
Max Value	9	9	9	10	9	10	9	8	6	10
Mean	3.67	3.91	4.35	5.68	5.33	3.09	4.80	3.26	2.23	5.29
Variance	3.60	4.60	4.77	10.99	4.13	3.90	6.92	5.20	1.77	7.21
Standard Deviation	1.90	2.15	2.18	3.31	2.03	1.97	2.63	2.28	1.33	2.69
Total Responses	33	32	20	22	21	33	25	31	30	21

12. Please explain how the top ranked factors ranked in question 11(b) influence your company's performance.

Text Response
As a business consultancy we need to provide a customised, professional service. This requires our employees to be competent and well educated.
Unless the employees have the capacity to understand what they are doing, they will not be able to satisfy customer requirements. As a micro business, employees have to work closely with each other in order to fulfill their duties. We are a (mainly) family run and operated business with one non-famly member of staff.
Lack of up-selling skills hampering sales growth. Opportunities are being missed. Low work ethic in young people affecting efficiency.
Market orientation and innovation is incredibly important in being able to gain and retain market share as well as diversify. This relies on having the employees who are capable of implementing the innovation and change.
Longevity of the gallery.
The performance is influenced by these because these must be firm and flow - with 1 man this has been difficult. I have wide markets and have had to be innovative in approaching and engaging - again time consuming.
As a sole trader I rely on my entrepreneurial attitude to keep things fresh. Social media is my business model so must always see this as my top influence
With any start up its the individual who must do all the roles, until business is strong enough to maintain employment.
Ranking is wrong concept the trio must fit the opportunity being pursued by the business model
Strong leadership in key roles will ensure sustainable business practice. People are the most important factor in developing leadership.
The capability/strength of the leaders and organisation is key to the growth of the business. A strong leadership to team and organisation will sustain healthy growth.
The company trades on my knowledge and experience in the industry and the software I use.
as a booster
When developing any product that will be used in the mass market the market will always dictate the product and therfore the innovation that is required to deliver the product.
Reliant on social media for growth
Entrepreneurship means we can do things other s cannot with the same resources. We develop intellectual capital to ensure we are at the top of our game

We must continually monitor and improve the performance of our survey tools, to respond to the effects of third pary changes and to deliver results in a way that meets the need of our current and future resellers.

The team behind the brand is what drives everything. We need to lead ourselves and each other to fully fulfil our vision. The leadership and entrepreneurship is the absolute core of why we are doing this. The market is tough and the way we position ourselves in imperative to success. You mentioned our prices before, we are very careful to distinguish ourselves with the top luxury brands on the mark already (we price ourselves slightly less to be correct) and not fall into the category of 'craft or gallery' type jewellery but quite clearly 'a brand'. A brand of the future. Our internal management is hugely important because of the value of our stock and the value our customers are in storing in us. There is no room for error or mistake with fine jewellery. Linked with management, the capability of the team at the moment is the be all and end all of the business. We are the foundations of the company and if we don't work well together and succeed, we may as well go home. Social Medias play a big part of our business and tells the story of our message and values - which all adds value in various different ways.

the leadership style and performance defines your company culture.

Time limitation and work-life balance

Where I don't have systems I have to get involved in that are of the business. It also normally starts to fail and break down.

The senior management team decisions are directly influent the business plan.

Key to having strategic direction towards a viable/profitable market, and then to mobilising the team in that appropriate direction.

Much of the work is at the cutting edge of developments in corporate and personal growth, so being aware of new ideas, new applications of older methods, creating new intellectual products, being entrepreneurial with those ideas and communication them via social media are the most important aspects, for me.

For this type of business you need to create a product. Thus you need the capabilities to do so. The entrepreneurship comes in to help guide the product features to the right direction and the Intellectual Capital is there to protect what you create and allow you to use your tools and products as a strategic advantage against competitors.

In order to both attract and fulfill client accounts, both the organisation and the employee needs to be competent, efficient and effective otherwise initial and repeat business will be lost. In a fiercely competitive marketplace, opportunities for new product and service offerings are important to provide unique selling points and differentiation from competitors - entrepreneurship is key to this. Efficient management of both the organisation and its finances are crucial to the success of the business. Cost control, estimating, invoicing and scheduling are essential in keeping the business alive.

Family are the best employees.

Without the support and understanding of my family I could not do what I do. The capability of me and my colleague are all we have to sell. We have a collection of a wide range of materials that we use to support the work that we do by way of illustrations and feeding ideas into each of the assignments we carry out.
My business is based upon providing services. Thus IC and personal collateral are important.
we are the success
Give us the ability to come with innovative / unique designs
Leadership and organisation is vital for the direction of the company and to encourage employee input. As we are totally customer-facing, Employee Capability and Human Resource factors are critical.
We need sort of staff that people think are "wise" as soon as they meet them. That takes very smart, well educated folks with street experience (capability and capital). Leadership and systems take a back seat to them, but are a core component in facilitating their excellence.
I need to motivate myself to find new business every day. Fir this to be accomplished I nee to organise my time and sometimes routes to enable me to be efficient. i am social Media enabled and use Linkedin and Twitter to put my name around. My wife also demands a work life balance which i must consider together with the needs for income
Drives the business forward
Our market as many are is fast evolving and we need to try and stay ahead of the competition so that is why market orientation and innovation is so important.
market orientation and innovation is the key factor which affect our product development, design and position. The employee capability defines the quality of all the product and the ability to execute the design and development .

Statistic	Value
Total Responses	37

13. (a) Which of the following external factors influence your company's performance? (tick all that apply)

#	Answer		Response	%
1	Business and Economic Environment		36	80%
2	Customer Needs and Requirement		39	87%
3	Competitors Effects		27	60%
4	Political Environment		11	24%
5	Supplier Covenants/Collaboration		7	16%
6	Shareholders Wealth		5	11%
7	Social Media from Competitors		12	27%
8	Environment Factor		9	20%

Statistic	Value
Min Value	1
Max Value	8
Total Responses	45

13. (b) Rank the factors ticked in Q13(a) in order of 1=the most influence, 2= the next influential, and so on

#	Answer	1	2	3	4	5	6	7	8	Total Responses
1	Business and Economic Environment	18	9	9	0	1	0	0	0	37
2	Customer Needs and Requirement	22	13	3	0	0	1	0	0	39
3	Competitors Effect	1	8	11	5	4	0	0	0	29
4	Political Environment	0	3	4	2	0	2	0	4	15
5	Supplier Covenants/Collaboration	2	0	1	1	3	1	4	0	12
6	Shareholders Wealth	0	1	2	0	0	3	2	1	9
7	Social Media from Competitors	0	5	0	2	2	0	1	4	15
8	Environment Factor	0	0	3	5	3	2	2	0	15
	Total	43	39	33	15	13	9	9	9	-

Statistic	Business and Economic Environment	Customer Needs and Requirement	Competitors Effect	Political Environment	Supplier Covenants/ Collaboration	Shareholders Wealth	Social Media from Competitors	Environment Factor
Min Value	1	1	1	2	1	2	2	3
Max Value	5	6	5	8	7	8	9	7
Mean	1.84	1.62	3.10	4.67	4.83	5.33	5.07	4.67
Variance	0.97	0.93	1.17	5.81	4.88	4.50	7.35	1.81
Standard Deviation	0.99	0.96	1.08	2.41	2.21	2.12	2.71	1.35
Total Responses	37	39	29	15	12	9	15	15

14. Please explain how the top ranked factors ranked in question 13(b) influence your company's performance.

Text Response
Consultancy tends to be more in demand when the economy is growing.
Customer needs and requirements are our primary driving force. However, statutory compliance is one of the reasons for our service and if clients can not, or will not, comply with these requirements we are unable to act for them. This can affect the company's financial performance if we have to part company with clients. If we have to regularly make contact with clients to persuade them to comply, it can detract from the time available to other clients.
Customers still not spending on eating and drinking out as they used to before the recession.
We are able to deliver what the customer wants, in a way that's better than our competitors
I need help in the business support networks and they have let me down. My customers have broad needs and i have 1 person currently trying to meet them all.
Responding to shifts in customer trends is essential in a fast-moving environment is essential to maintain sales and create a pipeline. Social media from competitors allows me to monitor how customer demands change resulting in an innovative approach to my services
If there's no need for a product there is no business, and if no competition then there really is no market for this same product or service
Luck should not be omitted. That aside it is the effectiveness of response to the above that is key
We need to listen to customers to ensure continued purchase and satisfaction, we need to take account of the marketplace and adopt proactive development and reactive response.
We were affected by the previous recession so despite being ambitious with great energy growth was out of our control. This coupled with tight cash flow had an impact.
As I'm working in a non-essential the service industry – advertising and marketing – when the economy takes a downturn, company's budgets for my type of work tend to be slashed.
Similar to previous answer, customer drives product dvelopment. However the economic environment can also affect development if funds can not be raised to finance the business.
We do the hard soft stuff and it is the first thing to get budget constraints in hard times. This is poor management practice but still happens. Customer needs dictate the fit of our product set.

As our products are a marketing research tool, a marketplace with good confidence = good growth and increased need for our reports.

Jewellery is a luxury product that one does not need, it is built on a platform of desire and emotion. We market our jewellery as a lifestyle product that betters your life and makes you feel special. Obviously this is spurred by the financial environment of our time, but despite the economic downturn the luxury sector booms, with a 31% rise in the luxury industry in the past 3 years. Jewellers and other luxury brands need to be kept on their toes as it is so ruthless. Open, dynamic and fresh ways of thinking are necessary to turn the spotlight on the brand.

if the economy is perceived as growing or strong then customers are more open to spending budget

Customers needs come first. Those are in turn affected by economic environment.

Suppliers are the most important factors and we work quite close with our suppliers

Sometimes customers aren't clear in what they want or don't supply us with good quality data to work with.

As a marketing and sales company, the customer expenses are reflecting the business and economic environment.

Again about going in a direction where there is a genuine need, and where that need has a high value and one that we can serve sufficiently better than competitors for people to buy our product/solution.

The business is wholly customer focussed and responds to customer needs, wherever they may be. Some of those needs are influenced by the business and economic environment of the customer, so these two are instrinsically linked. The environmental factor relates to where the service is delivered.For some it is online via skype - the situation of the customer can highly affect the efficacy of the service delivery. Face to face or group work can also be influenced by the culture of the organisation, the "feel" of the place in which the service is delivered, the atmosphere within the groups, the social interaction within the group and between me and the group or individual. Competitor's social media can sometimes undermine the good things that the service can provide, especially if the competitors seem to be offering more for less.

1. Theses affect the company because the price of buying steel affects the overall profit and quality of steel. 2. The customer demands for certain grades and qualities of steel can affect the business because if the steel isn't up to the correct standards it costs the company through rejections or maintenance of plant machinery. 3. Competitor effects can affect the business in price that we can charge for the product in order to remain competitive.

If a large competitor enters into the area we are operating we would be in trouble because we do not have the resources to compete head to head with a large corporation. Customer needs and requirements make our products relevant and if these change and we fail to adapt then we won't have a reason to exist. Finally the business and economic environment can affect the company's performance mainly in the way it can get funding and revenues since we are in a cyclical business.

Our customers image requirements have a big impact on our performance in terms of sales and repeat business. Their requirements and volumes are determined by the business and economic environment, so this indirectly affects our performance too. It also has an influence upon our profitability - our prices need to be competitive regardless of the increasing operating costs.
You have to keep the locals happy or they will stop coming
The amount of work available is directly related to the economic environment. If potential clients have no need for our services it is almost impossible to convince them otherwise. Also it would not be good or ethical practice to do so as a poor reputation would be developed.
1 Business is waiting for the referendum. Therefore investment is being withhold. 2 Business is very short term-always lacking for a "quick fix". Trying to explain and sell larger firm benefits is hard.
Looking after customers is the main goal of the business
We need a good economic environment so the clients feel confident to buy our services. Customer needs are always central, as we rely quite a lot on word-of-mouth recommendations.
People only invest in leadership when things are going well really, it would be nice if this were not true as we have terrific leadership in crisis programs
If business is poor then this affects my business as the businesses concerned are less cash rich. With smaller companies there may be a need without the ability to engage a consultant. If the economy is reported within the media as being poor then potential clients adopt this message regardless of whether or not the political environment reflects this. Having an upbeat ploitical commentator is key although rare regardless of the success of the country. i.e. if there is good economic news from the Treasury this can be counter acted by the opposition who will hood wink the country into believing it is poor
We are a very customer led/driven business social and economic factors influence our customers resources to learn languages and political factors have a strong influence on visa applications.
All the products design, development and distribution are depend on the customer needs and requirement, other external factors will define our position in the market and provide the reference for identify in the trend.

Statistic	Value
Total Responses	34

15. How would you describe your company's predominant management style? (You can choose more than one)

#	Answer		Response	%
1	Empowerment		21	53%
2	Consultative		18	45%
3	Persuasive		8	20%
4	Democratic		11	28%
5	Organic		10	25%
6	Paternalistic		4	10%
7	Autonomy		5	13%

Statistic	Value
Min Value	1
Max Value	7
Total Responses	40

16. What is the company's current business plan for development in the short term? How will you company use social media to underpin business plan?

Text Response
Unclear.
To recruit more people
Growth in number of clients and CPD for staff.
The current plan is to diversify to gain new market share and sell more to our existing customers. I don't think there is any real plan to use social media like this
Site rebuild with new developer. Relaunch with promised support from Scottish Enterprise. Will use SEO and teitter and facebook extensively.
I also work full-time and do this to gain experience and build contacts. I attempt to use Social Media to gain credibility, build contacts to identify potential sales opportunities
Social media is the cheapest form of advertising for sme and word of mouth is the strongest influence to pursue. ....
Testing demand for product to see how potential customers respond prior to business model finalization. Web site Dog's Bark for thought leadership and to create and maintain mindshare
Sustainable growth across all key sectors. Social media is important to ensure that we can have an open discussion with our audience
We are very engaged in an extensive cultural change programme. We are looking to develop all of those involved within the business to support this plus make us an attractive employer in an extremely competitive market place. We use social media to sell the brand etc and let them market know what we have been up to.
I need to update and expand my Linked In profile to derive more work and contacts from that route. Also, I'm not using Facebook at the moment, but plan to develop a 'Business' Facebook page to widen the range of people I reach.
Raise finance and introduce a comercial version of the product. Social media will be used to promote the comercial version of the product.
Global expansion.
Business plan is expand client spread and grow new and existing clients. We will use social media in a very limited way. .It is over-rated.
As with many established small businesses, we don't have a formal business plan but are currently working on servicing existing Resellers and their clients needs, as well as reaching out to identify and attract potential new resellers. Social media is very under utilised at the present time.

Short term is to development 3 new collections, including a Fine Jewellery collection (gold and diamonds). Roll out our marketing plan with a view to releasing the new collections and Bespoke Service. Increase the 'lifestyle' element of the brand by using our blog, Facebook etc to tel the story of Patience, create a 'Patience' way of life and entice people to come in and explore and become.
promote our products and services via social and show client case studies
Consolidate on existing verticals and develop into more. Social media used to raise awareness and share knowledge.
short term: Develop marketing strategy and branding, continue to promote cash cow products
Continuing growth in service, revenue and profit
Gain new clients through direct sales, inbound marketing and outbound via email. We have a social media strategy that is both in and outbound.
Continue expand the business
Social media so far has little prominence in our company.
In the short term, social media will be widely used- via twitter, facebook, pinterest and linkedin in particular. The business plan includes developing the corporate training offer to include taster sessions, self help for employees and entrepreneurs and an app that can provide solutions to some key issues.
They are currently inputting a system which will digitise all the procedures throughout the work place and should eliminate the need for paperwork.
Social media are not currently a major part of our short term development plans.
We are trying to stabilise our sales volumes in one area of our business whilst diversifying into other areas. Social media will be used to highlight new areas of operation and be a contact point for clients to provide feedback.
Don't have one because we have sold the premises and are retiring
To increase the number of clients.
Gradual expansion. The launch of an updated website will lead onto blogging and twitter
Short-term plan is to fully update our computer system. We hope social media (we are using this more and more) will at least allow us to maintain our market share, and hopefully increase it.
We're using social media to increase our B2B sales, aiming for a 10% sales increase this year
To find more clients through a social media awareness campaign
Add to existing markets and consolidate existing. Well established facebook and website could do more with instagram and twitter
Fund and develop elearning projects to meet online learners' needs

Statistic	Value
Total Responses	35
17. What are the company's future intentions or business objectives/strategy in the long-term? How will you company use social media to underpin business strategy? Text Response	
Unclear	
To continue to grow and provide more business help & support	
Possible acquistion of (or merger with) similar or complementary business.	
The future plan is to diversify to gain new market share and sell more to our existing customers. I don't think there is any real plan to use social media like this	
Not avilable right now.	
Long-term plan is to employ another member of staff. I use social media to build relationships and have been meeting with other start ups and SME's in my sector to build relationships now to identify potential new recruits and outsourcing opportunities	
Send our products international.	
To implement a business model via a business plan that gets firms the right kind of money from the right people and increases the odds of it being used to create capital from approximately 50% to 75%	
As above, but with further leverage of core brand.	
We are looking at new markets to allow growth. We utilise social media to identify staff and develop the brand within these market.	
We only use one social media platform just now, and it's intermitent. Our intention would be to increase use and expand across other platforms.	
Intend to continue to gain a wide variety of interesting and well-paid work. Will use social media to ensure that a steady flow of such work is maintained.	
To raise finance through and investmnet, trade internationally and employee a work force here in Scotland.	
To develop an exit plan to ensure I can retire. We will not use social media to achieve this. It is over-rated.	
We have steered away from long-term projections until our current marketing phase can be analysed.	
Future intentions are to secure 30 stockists across the UK by 2015, employ 2 members of staff. Open a luxury showroom in Edinburgh and frequent our bespoke orders to 2 monthly (at least). Our plan is to also include other products such as leather bags, scarves and homeware. Social media will build excitement for all this things as they are in pipeline.	
we want to grow - social media will help spread the word	
Consolidate on all verticals, expand to new locations. Social media used to raise profile and spread marketing information	
Long-term: Develop industry changing technology (investment needed). Apply 80/20 rule to customer base and focus on similar prospects in the future	
more invest £ + people	

Social media is used in the customer journey and will hopefully be used as a touch point in the future.
open branches oversea
Future intentions are to develop the branded product which is an unique offering in the current marketplace and inform potential clients and customers widely of this via social media.
The company is always looking to increase productivity and profits while making the production system more lean and efficient. The company doesn't use social media in a big way.
Social media is a great way to gain wider recognition but social media would never underpin our business strategy.
We are trying to stabilise our sales volumes in one area of our business whilst diversifying into other areas. Social media will be used to highlight new areas of operation and be a contact point for clients to provide feedback.
Retiring
To be known as being good at what we do.
To be the best small volume packaging manufacturer in Scotland
Long-term is to move to larger premises, more central in Edinburgh. Social media may play a part in this, but I don't see it as having a major role.
We're innovating around ways to develop leaders that make it accessible for people who don't live in a city, using technology to produce good leadership habits and learning
To grow my sole trader status into a Limited Company and employ other consultants again all highlighted on scial media
similar to shorter term goals no plans to radically alter our business model
strategic Partnership development

Statistic	Value
Total Responses	34

18. Do you regard your business as successful?

#	Answer		Response	%
1	Yes		33	77%
2	No		10	23%
	Total		43	100%

Statistic	Value
Min Value	1
Max Value	2
Mean	1.23
Variance	0.18
Standard Deviation	0.43
Total Responses	43

19. Please explain why you regard your business as successful.

Text Response
We have continued to trade since 2005 and we have a lot of opprtunities ahead.
Having started trading in 1989 as a sole trader, and grown to a size after ten years, at which I deemed it necessary to incorporate, the business has continued to grow and is in its 25th year.
Because we are still gaining market share, and influential customers in the UK market are choosing us over global companies who offer a similar product
Although financially it would not suggest this I have sold items and repatriated items across the world and the site is considered popular among the sieable membership group and Press it has received.
We are profitable.
We keep trying. We have 37 staff but try to think and operate like a big business. We have given fantastic opportunities to people to enable them to grow.
It provides me with a living! And my clients are happy with the service I provide.
Strong growth and successful investment rounds
We have clients and we make money and we make a real difference. Our clients tell us we do a great job.
Has been providing services consistantly since we purchased the IP in 2008, and making profit for most of those years.
In 9 months of trading, and no funding pre start up we are achieved targets set by ourselves that were set with £35,000 capitol. We started on £6,800 and have managed to achieve these sales. We have already 4 prestigious stockists with no marketing whatsoever.
New client wins and financial performance.
We regard the business as successful but are very aware of industry turbulence and that constant innovation and review of strategy is needed in order to remain sustainable
successful and sustainable a growing, successful business, keen to grow profit
It gives me the lifestyle I want, work and money to people I contract and a great service to our clients. A win, win, win.
The company is expanding slowly.

Because we are still here, we have a growing market share, a growing team, and we are still leading the market in terms of our system.
New customers are being found by word of mouth, being referred on by existing clients
We are supplying a high quality product to our customers and reducing costs throughout the business in a difficult environment.
It has not failed yet and its currently achieving its milestones.
The business is turning a profit in the face of intense competition.
Have been finalists in neighbourhood shop of the year twice and were in the top 6 in Scotland for best Post Office
I and my colleague achieve our required standard of living.
No very successful, to early to tell
Yes, Still going strong since 1860's innovating, leading the social case sector, meeting changing needs of society, changing people's lives, continue to adapt to societal needs.
It has a good reputation, reasonable turnover, and it has survived when other similar companies have failed!
we effect the change we want to create. So we are succeeding in developing these leaders who drive business performance, but in a sustainable way. We know because we measure their skills before and after our learning programs. We still have some challenges around market share, but I'm okay with that for now.
Customer satisfaction and recommendations, increased turnover/profit.

Statistic	Value
Total Responses	28

19. Please explain why you do not regard your business as successful.

Text Response
Still in start up mode. Trying to create a product/service that people require.
It has to grow to make a living. It has not yet
Trading for 1 year my income was so low I had to take on a full time job. I started the business after graduating with only a laptop and £0. This resulted in me not having enough working capital to run the business. I now work in the evenings and weekends. So as I couldn't earn a living in my 1st year, then this so far is why I say it's an unsuccessful business
Not yet profitable and may not become profitable
As we're at the beginning of our journey. We hope to turn it in to a successful family business once it's set up.
The product is still in development, business has 1 employee and has sold no products.
i think there is so much more potential and i need to unlock funding
The business is in set up mode. as yet I have not converted any potential customers into clients
We are an eleaning start up. we will develop Partnerships, design and develop engaging online learning materials to meet learns needs.

Statistic	Value
Total Responses	9

20. What do you perceive to be the threats/risks/challenges to the company?

Text Response
Running out of cash.
The FSB is a threat - it actually damaged our reputation for a reason that should remain confidential. This created a problem with customers.
Access to finance
Government Legislation and HMRC's attempts to provide facilities thereby making our service superfluous are threats. However the Legislation also provides challenges which, with our experience often enables us to overcome the threats and provide enhanced service. The main risk is loss of client confidence, which, given our track record, can only be self-inflicted, either by carelessness or a failure to train staff correctly.
Saturation in the industry will mean that eventually there is no one else we can sell to. Technology can change quickly and we have to keep on top of it to keep up. We might be over stretching ourselves and risk disappointing customers who don't get what they want
Lack of time, people, and financial investment are the threats...some replication is aalso a threat though measures have been taken to counteract this.
Only me and my ability to access finance or to generate finance to run the business
lack of paying customers
Digital media, erosion of advertising, lack of paper based audiences
Another recession
Threat from competition. Financial challenges.
Economic factors beyond my control which either reduce the amount of work available or depress the rates I can charge. Developments in print/web/software which render my skill set obsolete. Ill health.
desease, karnivor behavior between product
Large companies that are working to ressolve the same problem. They have considerably more resources.
Speed of change from large internet competitors
Over-trading and cash flow.
Changes made by third parties affecting our ability to gather the information contained in our reports.
Slow Growth Incapability in Management lack of stratagy
cashflow. location. skills shortage.
Cash flow. Over-reliance on big customers
Hypercompetitive industry where margins are being squeezed, - build a service layer around products, continuous innovation
Competition from larger organisations -Cutting prices
Google demoting my websites. Losing my support team.

If the industry overall performance in risk, the company's performance in risk.
Finance for growth, recruiting the right new staff, increasing competition in some key areas of product performance, project management complexities in continuing new product development to address mainstream market requirements (as opposed to "early adopters").
it's dependent on one person - me. Illness, lack of focus or other factors may reduce my effectiveness which will affect the business
Steel supply, investments, maintenance.
Entrance of a major competitor in our niche.
Client requirements.
Breaking even in shop was a success because of the Post office salary but many Post offices are being closed
economic downturn and illness of the priciples.
Business is too short term. Software provides the "quick fix" without addressing the underlying problems. i.e. we have solved the simple problems; what remains is the more complex, global, problems. That's a hard sell.
Changes (reduction) in local and national governmental funding and an increasingly ageing population.
Decline in the manufacturing sector in Scotland (our main customer base)
Government policy is the main challenge (too much legislation)
Threats to our business are really around economic climate - leadership development always needs a fair one, and we also have challenges getting the word out about the business because we balance growth and quality probably too far on the quality side.
No income
Political environment regarding visa provision
competitions, high development cost, lack of good elearning specialists

Statistic	Value
Total Responses	39

1. What plans/actions have you taken to address any threats/risks/challenges to ensure the long run sustainability of the business?

Text Response
Cost control
Contemplating legal action. Re-establishing relationships. Knocked back 6 - 9 months at least.
Not to have any borrowings
Considering the possibility of minor diversification into complementary/ancillary activities, such as HR/Personnel.
I can't answer that
2 more team members will be joining me for the rebuild period and purchase of competitors domains should prevent replication.
Started a full time job and to continue to network and build my client list
Pricing strategy bulk of upside comes from successful clients when and as the succeed.
Growth and investment in digital platforms, diversification of product range
Critical mass re revenue streams and diverse markets.
Nothing yet
Try to maintain my overview of both current and affairs and developments in the industry which may affect my business, so I can anticipate changes and put measures in place to adapt, either through training or diversifying. Try to keep healthy!
for desease. I will quarantin it, also will cure it for carnivor behavior, I will make more place for get them separate
Applied for a patent to protect my technology and tested the product with people in the market.
Employ great people, manage cash flow and manage clients well.
We are reliant on Technical inovation to step up to the mark each time the third parties make a change
Attending courses, seeking help from others. Applying for funding.
looking to build long-term contracts and to develop workforce
Financial governance, business development strategy
High dependency on Partners – diversify Partner portfolio
Continue to raise people to TCOM on a 1:1 basis
Good SOP manuals. Multiple marketing channels. Multiple streams of income.
Securing extra funding and building the team; investment in sales/marketing materials and support (which in due course will also include "new media").
insurance, developing networks etc

Our major risks cannot be currently addressed. We can just hope for the best and hope we can grow enough to be a nice acquisition target if a major competitor decides to enter.
Increasing dialogue with clients.
Sold the premises
Insurance and extending our network
Education. Hopefully people will start to understand.
Diversify income streams.
Diversification where appropriate into other areas of packaging
Concentrating on other clients/markets to avoid this legislation.
Our move in to technology is a mechanism to make leadership development cheaper - no need to higher a trainer or a coach, at least not for incremental development. This will mitigate the sensitivity to economic conditions. We now also have a sales team that will push us to grow a little bit faster.
A start with network marketing and undergoing sales courses
New markets
we are trying to build strategic Partnership and bring in paying customers in advance

Statistic	Value
Total Responses	36

22. Which industry does your company operate in?

Text Response
Business consultancy
Education, not-for-profit
Professional services
We provide service to numerous Industries/Activities. Sole Traders, Limited Companies, Charities, Local Authorities etc
Technology for the Hospitality sector
online auction and ecommerce
marketing & social media
financ
Publishing and media
We recruit mainly within the engineering sector
Crafts and gifts
Advertising, marketing, graphic design.
Eletronics design and sports
Online
All sectors
Marketing / Search Engine Optimisation
Luxury Jewellery
sales and marketing
Legal services
Mobile Technology Solutions
Career management and outplacement training consultant
Business services, content marketing.
IT consulting
Electronics, software, manufacturing, agriculture (livestock management)
corporate and personal training and wellbeing
Manufacture
Internet
Media and photography
Retail
Manufacturing and Housing associations
Multiple sectors.
Third sector social care
Manufacturing
Education/language teaching
Consulting
Retail
Education
online education

Statistic	Value
Total Responses	38

23. In which year was your company established?

Text Response
2009
2012
2005
Business established 1989 as a Sole Trader. Incorporated as a Limited Company in 1999.
1979
2011
2013
2012
!974
2000
2014
2000
2013
2007
2004
2008 (but had traded since 2005 under different management / structure)
2013
2007
2013
2012
2009
2008
2002
Current company (with private investment): 2008 Previous incarnation (with VC investment): 2002
2013
2011
2001
2009
2013
1860's
1976
2003
2008
2014
2002
2014

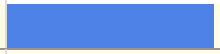
Statistic	Value
Total Responses	36

24. Please indicate the numbers of employees in your company.

#	Answer		Response	%
1	0-10		28	70%
2	11-50		5	13%
3	51-100		2	5%
4	101-250		3	8%
5	250≤		2	5%
	Total		40	100%

Statistic	Value
Min Value	1
Max Value	5
Mean	1.65
Variance	1.41
Standard Deviation	1.19
Total Responses	40

25. What is your company's average annual turnover?

#	Answer		Response	%
1	£ 50,000-£ 500,000		10	27%
2	£ 500,001-£ 1,000,000		3	8%
3	£ 1,000,001-£ 5,000,000		5	14%
4	£5,000,001-£ 10,000,000		0	0%
5	£10,000,001-£ 20,000,000		1	3%
6	£20,000,001 ≤		2	5%
7	≤ £ 50,000		16	43%
	Total		37	100%

Statistic	Value
Min Value	1
Max Value	7
Mean	4.32
Variance	7.11
Standard Deviation	2.67
Total Responses	37

26. Would you be willing to provide your company full name? (This information will be treated confidential)

Text Response
Blue Sky Consultancy and Training Ltd
JohnARudkin.net and 3E Partnership CIC
Kent Business Academy
payman.co.uk ltd
no
www.reunitems.com ltd
Jason King Consultancy
The Kemball Group
Wyvex Media Limited
Escape Recruitment Services Ltd
Dragon Digital
Shotscope Technologies
No
Patience Jewellery Ltd
no
4G Scotland Ltd.
TCMO
Global Communications
Sumerian Europe Ltd
IceRobotics Ltd
no
Tata steel
Danias Consulting Ltd
Mosshead General Store & Udny Post Office
The Improvement Practice
Data Science and Analytic Ltd
Caledonian Packaging Ltd
Capital School of English
Yes
No thanks
GeeLearn Ltd

Statistic	Value
Total Responses	31

27. If you wish to be kept informed about the study, can you please provide your company full name and email contact? All information will be treated as confidential and not passed on to third parties.

Text Response
Blue Sky Consultancy and Training Ltd Davide08@live.co.uk
John Rudkin. johnar@me.com
Bill Fox bill@kentba.co.uk
jim@payman.co.uk ltd payman.co.uk ltd 3 Church Street FROME Somerset BA11 2LE
Stephen King stephen@reunitems.com
Jason King Consultancy jason@jasonkingconsultancy.co.uk
The Kemball Group www.TheKemballGroup.com
Wyvex Media Limited bcameron@scottishfield.co.uk
Paul Leishman, Escape Recruitment Services Ltd, Unit 6, Alderstone Business Park, Livingston, EH5 7DF paul.leishman@escaperecruitment.com
Dogcrafts, Lilypond Crafts Admin@dogcrafts.co.uk, enquiries@lilypondcrafts.co.uk
membakut.online@gmail.com
davidhunter81@hotmail.com
I answered question 26 in the negative so no company name you emailed this request so you have my email
Moira Warren 23/1 Newington Road Edinburgh EH9 1QR moira@patiencejewellery.com
james@virtualglobal.co.uk
Sumerian Europe Ltd
IceRobotics Ltd r.boyce@icerobotics.com
pgrice2012@gmail.com
Danias Consulting Ltd contact@danias.com
Danuta@live.co.uk
calum@data-science-analytics.co.uk
Caledonian Packaging Ltd info@cal-pack.co.uk
Capital School of English info@capital-school-of-english.co.uk
PAX Leader Labs louise.metcalf@paxleaderlabs.org
martin@palman-consultancy.co.uk Palman Consultancy
Live Language graham.wilson@live-language.com Graham Wilson 07800736202
3applesparks@gamil.com or 07506901433

Statistic	Value
Total Responses	27

28. Would you be willing to take part in a short interview to provide any further details?

#	Answer		Response	%
1	Yes		20	50%
2	No		20	50%
	Total		40	100%

Statistic	Value
Min Value	1
Max Value	2
Mean	1.50
Variance	0.26
Standard Deviation	0.51
Total Responses	40

If Yes to take part in a short interview, please provide detailed contact information.

Text Response
07834564583 or jim@payman.co.uk
Tel 07766012024
01875 321 038
Skype peter.r.kemball
mobile - 07748982310
kaz@dragonhelicopters.co.uk My availability by phone isn't good, so I hope email is OK...
membakut.online@gmail.com as my primary email
you have my email
07950551437 James
Call Baby and come to Birmingham to see Baby
Via email best: r.boyce@icerobotics.com
pgrice2012@gmail.com
New retired address will be Beech Cottage, Forgandenny
calum@data-science-analytics.co.uk
Mr Gerry Callan 0131 553 6886 or info@capital-school-of-english.co.uk
3applesparks@gamil.com or 07506901433

Statistic	Value
Total Responses	16

Appendix 7 Cross-national Prediction Model (CPM) Model

Lussier and Pfeifer (2001) examined these nonfinancial factors and predicted their success and failure reasons among these 15 variables as following.

1. Capital. A firm starts with adequate capital have a greater chance of success than that of a firm starts undercapitalized.
2. Record keeping and financial control. A firm keeps updated and accurate records and use adequate financial control shows more chance to success.
3. Industry Experience. It shows the firm Manager with prior industry experience can increase the chance to succeed than Managers without prior industry experience.
4. Management Experience. A firm with plentiful management experience in managing people can achieve great chance to succeed than firms with scanty management experience.
5. Planning. A firm with good planning can drive for more success than a firm with poorly planning.
6. Professional Advisor. A firm employs professional advisors doing business have a greater chance to success than firms without using professional advisor.
7. Education. Employees without higher education have a greater chance to failure in their business than firms employ qualified employees.
8. Staffing. A firm employs qualified employees and retain them have a greater chance to success than firms that cannot.
9. Product/Service Timing. The product or service that provide by the firm are too old or too new may lead failure of business than that of mature product or service.
10. Economic Timing. A firm starts its business during a recession have a greater chance of failure than firms start business during expansion periods.
11. Age. Younger people with less experience have a greater change of failure than elder people who start business with rich experience.

12. Partners. Business starts by single person has a greater chance of failure than a firm starts business by more than one people.
13. Parents. Business Owners whose parents do not own a business have a greater chance of failure than Owners whose parents do own a business.
14. Minority. Minorities have a greater chance of failure than non-minorities.
15. Marketing. A firm starts its business with plentiful marketing strategies have a greater chance of success than firms lack of marketing strategies.

As shown from the above 15 variables, Lussier and Pfeifer (2001) believe these variables can predict a firm's performance situation enormously. Researchers need to collect all the requiring information from the firm and compare a firm's data with another firm's data. Therefore, it would predict a firm's overall performance and its competitiveness ability over others. However, there also exists some difficulties during the data collection process, for example, in terms of industry experience and management experience, there are no fixed criteria to define a firm's experience and measure its quality. There also is not any formal criterion to test the economic timing and a firm's marketing strategies. Even the Cross-national Prediction Model (CPM) generally predict a firm's performance situation, it cannot evaluate a firm's performance comprehensively. What is more, SMEs need to evaluate and develop the Cross-national Prediction Model (CPM) to fulfil their requirement.

Appendix 8 SMEs Success Theme Analysis Findings

Theme: 1 Performance Measurement

	Words	I	II	III D	III G	IV	V
Customer Performance/ Measurement	Customer Value Performance	20,22,7	21,		5,14,19,23	15,18	8,3,24
	Customer attrition		10				
	Average customer value	22	10,21		14,23		
	Customer performance/loyalty	20,22	21	17	14,23	9	24
	Customer acquisition cost		10		23		
	Meet Customer expectation	20,22,7	21		14,16,23		
	Customer feedback	20,22,7	13,21		14,16,23	18,4,9	24
	Client service	20	21		14,16,23	15,18	
	Customer satisfaction	11,20,22,7	21	17	5,14,16,23	15,4,9	8,3,24
	Customer contact/relationship	11,22	21	17	5,19	4	8,24
Employees Performance/ Measurement	Staff annual review		21		12		
	Employee suggestions	20,22	13,21		23		
	Employee performance	22	13,10,21	17	12,5,19,23	4,9	8,3,24
Products/ Service/ Project Measurement	Business process performance/problem solving	20,22	13,21,		14,23	9	
	Deliverable (timeliness)/time investment	11,20	21	17	16,19,23	15	8,3
	Usage of product/product	20,22	10				
	Project review	11					3
	Number of projects/business growth/sales target/referral	20,22	21	17	12,19,23		
	Quality measure/projects	11,20,22,7	21		12,14,16,19,23	15	8,3,24
Financial Performance/ Standard	Financial standards	22	21	17	12,5,14	18,9	8,3,24
	Size of turnover	22	13		12,5,23	15,18,9	8,3,24
	Recurring revenue run rate/revenue	11	13,10	17	14,16	15,	8
	Cash flow	11	13	17	5,19,23	4,18,9	8,3,24
	Profit	22	13,21	17	5,14,16,23	15,4	3
	Target earn			17		18	24
	Annual budget					18	
	Financial performance	11,22	13,21	17	14,19	18,4,9	8,3,24
Leadership	People helped		21		12		24
	Board		13				
Innovation and	Competition ability	22	21			15,18	24

Competition Measurement	/comparators						
	Promotion score		10				
	Innovation Performance/creative	11,20,22	13,10,21		14,16,19,23	15	8,3
	Survival		13			15,18	24
	KPI	11			23	4	
	Balance Score Card						3
	Social Impact				16, 12,19,23		
	Management system				23		3
	Working environment		13,21				8
	Economic environment	22			14	15	
	Economic barometer					15	

Customer Performance Measurement Research Findings

- All companies value customer satisfaction
- Early stage companies it is more critical
- There is some confusion amongst companies about customer value
- Early stage companies business development relies much on customer feedback and focus on enhancing customer loyalty
- SMEs want to establish good customer relationship either they are at early stage of development or mature businesses

Employees Performance Measurement Research Findings

- The research results demonstrate almost every SME either from early stage development or success businesses regards employees' performance as an important business performance indicator.
- Early stages SMEs especially start up and survival ones care more about employees suggestions than mature business.
- Less firms take employees review

Product or service Measurement

- Almost all SMEs measure their performance through the quality of their products or services
- SMEs from all stages of development measure their performance through the efficiency of product or service delivery
- Early stage of development SMEs regard their problem solving ability as one measure of performance measurement
- Start-up SMEs are more likely to access their performance through products or service sales than mature businesses

Financial Performance Measurement

- All SMEs take financial measures as their main ways to access their performance such as size of turnover, recurring revenue, cash flow, profit etc.
- Mature businesses also measure their financial performance through target earn

Innovation and competition measurement

- SMEs from all stage of development either they are start-up businesses or mature businesses regard innovation as an essential element in their business development
- Few SMEs access their performance through their competition ability, mature businesses focus more on measure their survival situation

Commonality

1 Many companies have commonality on revenue, quality of products/service, innovation, employee performance, customer performance, cash flow, financial standard, due to their nature of their business.

2 More mature firms at stage IV are interested in aspects associated with economy conditions and competition and customer value performance.

Dissimilarity

1 Only one company at stage II consider customer acquisition cost, customer attrition and average customer value.

2 Only one company at stage III G consider number of projects or projects quality.

3 Only one mature firm uses standard management system such as balance score card.

4 Some refers specifically to their own content at stage III G, such as number of projects, leadership and employees annual review.

Theme: 2 Influence on Business Success

	Words	I	II	III D	III G	IV	V
Customer Preference /Competition	Customer (Satisfaction/expectation customer needs and requirement/ Preference/retention/reaction/behaviour)	11,20,7	10,21		5,14,19,23,	15,18,4,9	8,3,24
	Customer money spending	22	21				3
	Competitors	11,20	13,21	17	12,5,14,19,23,	15,4,9	8,3,24
Internal Management/ Operation control	Management accounts				12		24
	Investment					18,15	3,
	Use of social media/search engine	22			23		24
	Management/operation system	20,7	20,21		5,14,19,23	15,4	8,3
	Organisational Capability	11,22		17	12,5,14,19,23,	15,4,9	8
	Business growth speed	22					
Product/ Service/ Innovation Control	Technology development	11,20			23		3
	Project involved				12		
	Intellectual capital (patentable)	11			5,16	15,18	8,3
	Innovation/creative	11,20	21		12,14,16,19,23	18,15,9	3,8
	Deliver Timeliness (Time management)	11	10,21		19,23		
	Service/products updates (Price)	20	10		5,14,19	18	3,8,24
	Reputation	20			12,5	18	24
	Quality of Service /product	22	21		12,5,16,19,23		3,8,24
	Product/service sales	22			23		
	Visibility/product recognition/location	20,22	21			9	24
Financial	Cash flow	11		17	12,14,19		24
	Financial figure				14		24
	Management financial capability	20	21		14,19		
	Financial performance				12,5	4	3,8,24
Employees/ Leadership/ People Affect	Human Resource Factor	11,20	10,21	17	12,5,19	18	24
	Employees' capability (networking)	11,20,22	10,13,21		12,5,14,16,23,	15,18,4,9	3,8,24
	Leadership	20,22		17	19,23		8,24
	Family/non-family	7	21		5,16		
	Shareholder wealth	11,7			16		8,3
	Business vision (understand)		21				
	Employee Communication		13				
External Market and Business Context	Good Supplier Relationship/collaboration	22	21		19,	9	3,8
	Whether/climate						8
	Seasonal factor/Tourism/festival				14		8,24
	Tram						8

	Marketing strategy	20,22	10		19,23		3,8,24
	Regulatory (Law)	11			12,5		8,24
	Political environment (VAT)	22	21		12,14,19,	9	8,24
	Business & Economic environment	22	10,21		5,14,16,19,	18,15,4,9	8,3,24
	Job security						3,8
	Market-orientation	11,20	21		12,14,16,19,	18,15,4,9	3
	Social Culture	20		17	16	4	8
	Business context		21				
	Target market /market understand / market saturability/size of market	20	21				24
	Distractions /personal reason	7	21				

Customer influence on business

- Customer experience includes customer satisfaction, customer expectation, customer needs and requirement, retention, customer reaction and consumer behaviour will greatly affect SMEs business performance
- Start-up SMEs hope for more customer money spending than Mature businesses

- All SMEs regard competitors as great influence on their businesses expect some start-up SMEs that are in very niche market

Management system and Operation control affect SMEs business

- SMEs either at early stage of development or are mature businesses believe their organisational capability and management system will have a big influence on their business performance
- Business growth affect more on early stage of development SMEs, while most mature businesses focus on long-term investment

- Product/Service Innovation Influence on business
- Be innovative and creative will greatly affect SMEs businesses and nearly all of them take some innovative activities to improve their product or service
- Most SMEs claim the importance of maintain good products or services quality and the necessity of produce or service quality update
- Most start-up SMEs want to improve their products or services visibility for customer to get easier access to them and products or services deliver time is crucial for their business

Financial influence on business performance

- Cash flow can greatly affect SMEs performance except few companies, therefore, start-up SMEs' management financial capability would affect them much more than mature businesses who are more financial stabile
- Mature businesses have more formal financial performance standards that can have more affect compare with start-up SMEs
- Employee influence on business

- Most SMEs claim human resource factor is important in affecting their business performance and employees' capability directly affect SMEs business and their success
- Few firms have clear business vision and they established their business because they are good at what they are doing
- Leadership can have more effect on SMEs, those provide intangible service, particular those with informal organisational structure

External effect on performance

- Business and economic environment, market orientation affect broad range of SMEs except few industries, such as luxury industry and accounting the service industry
- Political environment affect a lot on industries who provide service or products based on certain rules or regulations such as accounting, legal service, software etc.
- Most start-up SMEs care more about their target market situation rather than the big business context due to the nature of their businesses

Commonality

1 Many companies have commonality on customer affects, quality of service/products, human resource factor and employee capability, business and economic environment, intellectual, innovation, competitors and organisational capability.

2 More mature firms consider legal/political issue, investment decision, management system and supplier relationship as influencing factors.

Dissimilarity

1 Timeliness and employee communication are issues of keeping customer happy which shows important for early stage companies.

2 Reputation, leadership, social culture, management system, family factors affect more for established companies.

3 Only one mature firm considers about transportation, tourism/festival and climate/weather.

4 Only one success firm considers family business affect.

5 Only one success firm considers political environment and project involved.

Theme: 3 Business Challenges Risks Threats

	Words	I	II	III D	III G	IV	V
Weakness in Products/Service	Quality of service /product	22	10		12		3,24
	Timeliness		10				
	Lack of Technology	11	10				
	IP/patent	11					
	Substitute	11	13,21				
	Technological breakthrough	11			23	4	
	Lack of business plan	11					
	Price of service/product	11				15	
	Severe/Bad business context				12,5		
	Lack of visibility /product recognition (search engine)	20			22		
	Fail in a project				12		
Risk from Clients/ Customers	Customer attrition		10			18	3
	Customer communication		13				
	Customer preference	20	13		5,14	15	24
	customer cut of spending					15,4	
	Customer payment issue				19		
	Tram						8
Management/ Control System	Growing fast without control		10				
	Management system		10				
	Not Break even		10				
	Not well defined product category	11					
	Run out of cash (cash flow)	11				15	
	Unforeseen situation				14	15	
	Lack of capital/finance				14		
	Lack of market research	22					
	Lack of Supplier/Partner collaboration	22	21		19		
	Internal management					15	
	Lack of credibility						
	Lack of time /time management	22					
	Lack of marketing and promotion	20					
	Managing growth			17		4	

	Slow in implementing	11					
Challenges in Legal/Market/ Business Context	Competitive economy				12		24
	Political/legal/Regulatory/regulation				12,5	18, 4	24
	Market challenge	11,20			19		
	Bad reputation/reputational risk				12,19		24
	Competitors/competition	11,20, 7	10		12,14,19	15	
	Social culture(shift)		13	17			
	Red tape		10				
	Copy-cat version service/product		13				
	market is quite saturated		21			15	
	Technology development		21				
	Good economic environment				14		24
	Economic Downturn/recession				5	15, 4	
People/ HR/ Employees/ Leader Issues	Leadership issue (lack of communication)					18	24
	Employee capability	7				4	24
	Distractions /personal reason	7				9	
	Lack employee loyalty				23		
	Decision-making			17	12		
	HR Recruiting				5,	4	
	Retention of employees		10,13			18, 4	

Business Challenges Risks Threats

- Start-up SMEs face business challenges and risks from broad perspective, internal challenges such as quality of products or services, management system challenges, human resource challenges, lack of customers, external challenges from market or economics environment
- SMEs at take-off stage or mature stage face less challenges and only from limited aspects
- Competitors are challenges to SMEs from different stage of development
- Start-up SMEs get more challenges from their products or services
- Human resource or employees issues bring more challenges or risks to mature firms compare with start-up SMEs, the reason might be start-up SMEs focus more on their products or service, while mature businesses care more about employees retention
- Marketplace and economic environment are equally important to either early stage of development SMEs or mature firms

- SMEs at early stage development receive more risks from management system or organisational capability compare with mature firms

Commonality

1 Many companies have commonality in face the challenge from employee retention, and regulation/legal.

2 Retention of good employees is common issues for all firms.

3 Threats seen as competitions cover range of stages.

4 Customer affects, competitors' competition, product/service quality are challenges for both early stage development companies and mature firms.

5 Early stage companies consider more on quality of products/service and lack of business plan or technology as challenges.

6 Most success and mature firms consider business context and economic situation, internal management and HRM as threats to their business.

Dissimilarity

1 Only one company in early stage development considers about red tape, lack of growth control.

2 Only one mature firm regards commute situation will challenge its business.

3 Most mature firms regard employees' communication and training as potential risks.

4 Only one firm at Stage IV believes the current saturate market is risk.

5 Only success firm takes bad reputation seriously.

Theme: 4 Business Aim and Objectives and Advantages

	Words	I	II	III D	III G	IV	V
Product/Service	Product/service updating	20	6	17			24
	Expand product category	20,22	6	17	16		
	More channels for sales	22					
	Raise brand awareness	22					
	remain committed to the goal		10				
Financial	Be profitable	11,20,7					
	Bring big amount of money		6	17			
Expand/grow	grow the company size /increase employee		6,13		12,23	4	
	Get more project and resource				12		
	Increase market size	20		17	14,19		
	continue to expand			17	12,14		
	Expand service category				12	15	8
	Grow Slowly and stably					4,9	
	Geographically grow						
	Expand international market		10		19		
	More contract		21		16		
	Open shops	22					
	Move to large premises						24
	More clients/business	20,7	21,6	17	5,14,19,23	15,18,4	
Merge or Sell	Sell business or be acquired	11				15	
High innovative development	Technology development						3
	Achieve break even		10				
	Leading company in own industry	11					
	Increase growing as quickly as possible				23		
	Be active on business		6				
	Improve organisation capacity		6				
	Look for big projects		6				
	Own IP and developed technology						3
Customer	Good relationship with clients	22	13	17	12,19		24
	Customer loyalty				16		24
Employees	More employee training				16		
	Recruit new members	7	6,13		23		

SMEs Aim and Objectives

- Start-up SMEs concentrate more on improving their products or services quality compare with mature firms
- Survival SMEs, success SMEs and take-off SMEs put more effort on expand their market and enlarge businesses, it might be start-up SMEs want to maintain survival firstly and mature firms reach their bottle neck with growing their businesses
- All SMEs aim to enlarge clients group and establish good relationship with customers
- Start-up and survival SMEs concentrate more on be innovative that maybe they are still at early stage development and it might be more difficult for success to be more innovative and launch something new
- Less SMEs aim to have more training on employees even through employees are big challenges, the reason might be lower employee retention rate or lack of sufficient resource (SMEs did not aim to solve the Challenges: Human resource or employees issues bring more challenges or risks to mature firms compare with start-up SMEs, the reason might be start-up SMEs focus more on their products or service, while mature businesses care more about employees retention)

1. Early stage firms were interested in specific issues, most of them focus on survive and meet achieve break even or profit.
2. While mature firms looking at expansion, e.g. more clients and grow the size of their business.

Theme: 5 Strategy

	Words	I	II	III D	III G	IV	V
Improve Management Practice	Maintain small size and very focused		10		16	15	24
	Sell business and establish new business	11			16		
	Maintain cash flow	11					
	Cutting cost					15	
	Improve working efficiency and effectiveness	7	10,21		5	9	3,8
	Because leading company	11	21				3
	Use /improve online social media	20	10		19	18	8
	Geography benefits/convenience				12	15	
	Be flexible in management		21		12,16	18,4	3
	Use of online searching engine	22	10		5		8
Grow/Expand Business	Going global		10			15	
	New (international) market/Partnership /market size	20,22	10,6		19	15	24
	New channel for business /sales	22			23		
	Carry on business				12		
	Grow the amount of organisations			17			3
Improve Products/ Service Quality	File patent	11					3
	Expand business/service category	22	21,10,6	17	12,16,19,23	18,4	3
	Achieve more project/business		13		12		
	Be innovative		21	17	12,5	18	3,8
	Service/product Quality updating	11,20,22	10,6	17	5	18,4	3,8
	Build brand awareness/recognition	20,22	21,6		19		
	Customise product	22					
Customer/ Market	More client communication/relationship	20,22,7	13,21	17	5,19	18	3,8,24
	Improve customer retention		10			15	3,8,24
	Build client base					15	3,8
	International clients				19		
	Improve market understand	20	21		19		
	Target familiar/right market	20,22	21,6				24
	Build market/customer loyalty						
	Look for well-paid/good quality customer		6		19		
	Build business/client network			17			

Improvement in Employee Performance	Recruit more (skilled) employees	20	13,6		12,19,23	18	
	Empowerment					18	24
	Improvement in employee capability	7	10,21				3
	Bonus to employees		10				
Financial	Apply more funds				16		
	bring in more money						
	Crowdfunding				16		
Marketing	Active marketing strategy	11	10,21		5,19,23	18,4	8
	Ads	20					
	Open a shop	22					
	Word of mouth	7	6				24
	Newspaper marketing	22					
	Launching party for new products	22					
	Referrals				19		

SMEs Strategy

- Survival and mature SMEs apply more management practice strategies in their businesses
- Even most SMEs claim employees are important to their business, fewer strategies were implemented to improve their employees capability
- Most SMEs would like to explore new market for their businesses, the reason might be the market is squeezed
- Most SMEs concentrate on updating their products and services, survived and later on SMEs want to be more innovative and early stage development SMEs intended to strength their brand awareness (conflict with Aim and Objectives: Start-up and survival SMEs concentrate more on be innovative that maybe they are still at early stage development and it might be more difficult for success to be more innovative and launch something new)
- Almost all SMEs want to establish close relationship and more communication with their clients
- Again few SMEs make the strategy to improve their employees working capability though employees will be challenges for their business (Less SMEs aim to have more training on employees even through employees are big challenges, the reason might be lower employee retention rate or lack of sufficient resource (SMEs did not aim to solve the Challenges: Human resource or employees issues bring more challenges or risks to mature firms compare with start-up SMEs, the reason might be start-up SMEs focus more on their products or service, while mature businesses care more about employees retention))
- Only fewer SMEs regard applying more funds as their strategy, the reason might be SMEs are not insufficient of money or they did not regard applying financial capital as strategy
- Start-up SMEs would like to use various of marketing strategies to expand their businesses compare with other SMEs

Commonality

1 All companies at different stage have commonality on updating quality of products/service, implementing marketing strategy, be more innovative and have more client communication to expand their business.

Dissimilarity

1 Only one company perceives exit strategy by selling company, but wants to continue in business as entrepreneur.

2 As pass surviving expansion becomes issue.

3 More mature firms perceive personality being a sound approach.

Theme: 6 Economic Environment and Politics

	Words	I	II	III D	III G	IV	V
Negative Business and Economic Environment	Client companies get bankrupt		10				
	Depression time over the last four years	11					
	economic circumstances are bad ever since industrialisation competition				12		
	Tough and competitive				12	4	3
	mature, crowded, competitive, capitalist economy				12		
	bitten by the recession					15	
	Lose employees during the difficult recession of three years' ago					18	
	lack of consumer spending						3
	it is difficult to be successful tough struggling economy					4	
	The fact is the economic is not growing					4	
	Clients cut off their service spending					4	
	in recent time, there used to be a lot downturn.				5		
	In the recession, people would not spend as much						8
	mortgages price goes up or heating all of these living costs go up.						8
	I do not think now coming out of the recession	20					
	It is never going to be as busy as past ,the economy is never going to be as past					9	
Positive Business and Economic Environment	I can not say anything apart from grow steady				23		
	We suppose it is covering slowly for the economy		21				
	financial situation is much better than it was					15	3
	signs of improving						3
Not much influence	The luxury business is grown over the recession by about 30%. When you at that stage, it is enough to spend so much money on those stuffs, so I do not think economic situation will affect luxury business.	22					

Economic environment and Politics

- Most SMEs regard economic environment as big effect to their businesses and bad economic environment brings negative impact to their business, vice versa
- Few SMEs believe financial crisis would be positive signpost for their business
- Some particular SMEs such as luxury industry does not regard economic environment as an impact to their business, either it is good or bad financial environment, it doesn't affect rich people's consumption

1. Firms at all stages still consider the economic situation is very bad.
2. Early stage companies focused on the immediacy of the situation, where more mature focus on strategic elements.

Theme: 7 Nature of Business

Words	I	II	III D	III G	IV	V
training software for training companies, internal training departments and higher education or educational institutions		10				
is we have a music flow streaming, which is a digital streaming service.	11					
And the main activity consists of managing projects, international projects funded by the European Union.				12		
change consulting		13				
The main business is public relations, Business to business public relations					15	
Our main business is a membership model, So we have entrepreneur members. We have community members, as in different organisations that are just funding us to see us succeed			17			
legal advisors. We deal with commercial well general, commercial. That includes intellectual property, agreements, legal agreements, employment law					18	
this company's main business is providing high definition audio solutions to our customers who are mainly in the consumer electronics market						3
media planning and buying					4	
The Company's main business is small accounts and tax returns.				5		
Catering service						8
Career management.				14		
We develop novel methods and new methods for insect control				16		
The main focus of this company is business learning and development. Helping people to develop personal ability for effectiveness collaboration and building relationship to be successful in producing whatever they want to produce.				19		
Qualitative software	20					
a telecommunication company		21				
jewellery collections	22					
online marketing				23		
The mean businesses recently being consultancy, digital strategy help organisations using new media technologies, to be more efficient than what they are doing now		6				
We are service suppliers. I am qualified distributors, we have service in mobile phones, gas and electricity etc.	7					
It is a restaurant					9	
English Learning						24

Theme: 8 Management Style

	Words	I	II	III D	III G	IV	V
Directive	set top down goals		10				
	directive					4	
Empowerment	empowerment	13		17	12,19	18	3,24
	democratic	13			12,14	15,18	
	consultative			17	12,14,23		
	flat management structure		21,6	17		15,18	8
Organic	flexible	11,7					24
	organic			17			
	relative autonomy			17			
	freedom	13,	21				
	Fair/listen to others /equal/open	20,22,7	6		16,19	9	8
	informal					15	
Paternalistic	paternalistic			17	5,16		
	still make final decision	22	6		19		

Management Style Findings

- Success, take-off and mature firms are more empowerment due to their fixed or structured organisational structure or organisational culture
- Start-up and survival SMEs are more flexible and employees can more self-freedom in their business
- Few early stage of development SMEs have paternalistic management style

1. Firms at all stage take empowerment as their main management style.
2. Mature firms are more directive, while young start-up are quite flexible in management.

Theme: 9 Business Established and Stage Development

Words	I	II	III D	III G	IV	V
2013	20 (Basic it is existence really. In the very early stage), 22, (would like to say it is a start-up company) 7 (It is growing slowly)					
2012		21(I would split that into start up and growing)				
2011		6				
2010		10 (very early stage) not at break even yet				
2009	11 (still the start up)		17 (start up moving into the growing stage.)	14 (We are a growing business)		
2008				23 (who really grows the sales of the business)		
2006				19		
2005				12 (Still a growing business) 16 (still growing)		
2004		13 (We definitely				

		have the start-up vibe)				
2003					18(I would say growing/mature because there is a certain size for the kind of work that we do)	24 (I think it is established.Actually, for me, it is quite mature and quite well established at this moment, quite fixed, quite stable)
2002					15(started off as a fairly mature company)	
1997					4(I would say it is a mature business.)	8 (It is a small café but we have a very good turnover, I think it is a success business)
1990					9 (I think it grows currently)	
1984						3 (you this company has gone through different stage of evolutions)
1928				5 (I would say continuing, continuing business)		

Theme: 11 People Influence and Leadership (Management Style)

Words	I	II	III D	III G	IV	V
Motive staffs and make a joke		10				
freedom and trust		13				24
Learn from mistake		13				
be really honest		13				
With two very different personalities and two very different skill sets (1 personally am a persuasive person, paternalistic is a good one, empowerment are important ones; 2 consultative, organic, really thrive on the relative autonomy, effectively to set the pace, set milestones and make sure we achieve them)			17			
work alongside employees, have an appraisal system for staff and have key people to be doing this to identify the gaps					18	
the CEO changed the company and the new strategy						3
would let them make their own mistake, , I try to trust them the job they have been trained to do. They are good at what they do; I want them to prove it.					4	
Employee training and development					4	
we want qualified people. If staff does not moves on, we need to replace.				5		
So I will come up with some suggestions and get people to put together. If we have new ideas, then I would do with somebody. So they know what they do and they take that on and do it. So I am teaching people basically. I have an angry face but I am quite friendly.						8
Put good ideas together		10				
Improve implementation	11					
helps maintain the culture and freedom		13				
Operations come first obviously, and Directors are paying themselves last			17			
My management style is I would not ask anybody to do something unless I do it						8
You have to make sure everybody works together. I like people to think for themselves						8
The managing Director takes some paten or personality, he will, he has got a lot of experience that he worked in Nokia before. Yes, he has got a lot to share, also, I think it is a very strong learning environment in the company		21				
leadership and entrepreneurship, Absolutely important, just like I said, if I was not involved in this business, the business will disappear.				16		
So it was open minded style trying to empowerment individuals, they will give a lot of training and opportunities, pay for them to chamber of commerce. I will bring them to different meeting to help them understanding different ways of the business world.				19		
Everything is equal, because I 100% trust her. But when it comes to the future, we definitely need someone to manage the company, but not me.	22					

Theme: 12 CSR

Words	I	II	III D	III G	IV	V
Give employee Bonus to stop smoking		10				
No, but will donate charity after break even		10				
Contributing to NHS24	11					
up to 10% of the profits of that are going to go back to the resource nations		13				
No CSR, not really					15	
The core of our business is around spending our money of large corporates CSR budgets, on meaningful activities that genuinely create wealth in the economy			17			
I suppose corporate social responsibility could extend to external, overall obligations for society as a whole. So I suppose we are, we do take part in business enterprise projects. (We do contribute back to Fife charities and allocate a certain amount of our money to go back into Fife based businesses)					18	
,we help charities in the local community. We make sure we don't do anything detrimental to the environment. So we take our corporate social responsibility very seriously.						3
we have a green committee. We try to limit the energy use, We support local charities. We do advertising for nothing for them, We help them to clear water release. Apart that is the environment.					4	
We support what we buy. We buy hand washes from a company called XXX. XXX is a company that employees that run buy blind people. We also use disposable by a degree of all. So we are not adding to land filling, it is all compostable we use things are made of corn-starch recycled material for packaging.						8
We work with XXX foundation. We do Merry meal, it is charity who give food to orphans. That is it.				14		
We are not in a position to sponsor them, but we are working on things like prevent diseases. We are dedicated our whole life for that solutions. Our thought is to solve problems.				16		
Yes, we have done a lots in social responsibilities. We do discount rate for charities. I also do free training for young start up entrepreneurs. I do training for junior chamber of commerce for free.				19		
Too early. Plan to do so if profitable, for example free licences and training to selected 3rd sector organisations, and sponsor a master programme in qualitative research.	20					
I can not say we actually do invest some time. I can say through our networking, for example we tend to talk or join some events that are CSR related. We will concern we are CSR related, but we can not say we make such as difference.		21				
No. I should, when I get bigger and could pay myself in proper way.	22					
No.				23		
We try to work with charities. It depends on the money if you want to do. Not now, but we do regularly before.					9	

We do some activities for British Heart Foundation, we bake some cakes and sell them. All the money will be donated to them						24

Theme: 13 Success

Words	I	II	III D	III G	IV	V
we're winning more customers now, we do it all right from the beginning and it'll be good, we feel like in 2014 we'll turn the corner and then it'll become very, very successful.		10				
I think the inherent strength of the company, it is a very good company	11					
And the company has grown, it has grown quite a lot, Internationally, and that is very attractive, it allows us to claim to be in a unique position so that is quite important, it's a very worthwhile company, It is small, but it is trying to, it is trying to make a difference to the world we live in and that's a good thing to do, it's a good company.				12		
we are successful right now		13				
we are very experienced in what we do so that kind of counts for a lot, Our cash flow is good, our clients pay us on time we have no bad debts.					15	
we've developed a secondary business, a spin off business, the first spin out business is already looking to be a great success. We're having a lot of success at it at the moment; our main business model at the moment is a very positive cyclical model, we get to reach full financial sustainability as an organisation. And that's ultimately a measure of it's success.			17			
I think we have the right size of business, and this would be our aim, not to let it grow to become too big; We've got quite good cost controls. We don't waste money. We're quite efficient. It's quite well managed financially.					18	
This is Scottish market; because we are the biggest; If they are looking for a media agency, we quite often will be on their list. Because we have a big name, here, what we call a prospective centre; I think we are high-functional business. I think we operate very professional, even just small business. I think we make good profits. So I think we are profitable and efficient. I think we should strive to be creative whatever we can. There is always working progress. I think we do work well and we are good at. And that essential what it is about.					4	
Even it is downturn time, there still people come to get advice. It is (the business) not going up, but the business is slightly growing. I would not say increase, but we do not have decrease; I think we get good reputation.				5		
It is a successful business with my help also with the staffs. Because of the staffs and the standard we have and keep trying new products things like that. I think it is a success business.						8
By financial figures. Number of clients we have, I suppose.				14		
It is not successful right now. But it could be very successful cause very low amount of money need to be used and the running cost is very low. Potential risk is very rare.				16		
Well, it was, now it is reborn. Again, I think it is successful business, there is no reason why.				19		
On the one hand, yes we do. But on the other, if you say your business is successful, do that mean you are satisfied with that and you do not any room to improve. So consider we are in		21				

our second year business, and in terms of the profit, we have done at that time, I consider we are successful.						
Well, I want to achieve a happy life. In terms of my business, it gives me sufficient life style. I do not want to become a millionaire, I want to make something I am proud of that has dignity.	22					
I have got an amazing return business and excellent plan further. I have spoken there are about half dozen clients in five years. It is not the best way to run business but it gives me a best way what to do. Everything is in place, the system is in place, just waited for the right people who is really boost the business in growing. I am happy with that. My customers are very happy, a lot people make nice money from it.				23		
I can see success, there are successful people. I just have faith in that. I still have to push myself. I do follow up. My clients can recommend their friends or families to me. I think it is a good one. I like the money works.	7					
Yes, I would say successful. My definition of successful is it does not mean I am a millionaire. It relies on the choice, I had been a teacher, I had never run a company before, but I thought the job I did is very interesting. I think it is successful, because it is still here. It does alright, it does not have any financial problems and there is no reason why I will not be here for another 10 years. For that reason, it is successful. So survive is the most important thing at the beginning. I had no experience at all before this, it is still here after 12 years. I am happy, I think the school offer value for money, I think we offer the quality, most of the students like the experience here. I like my experience here. It is more like lifestyle thing.						24

Customer Success

Business Growth Success

Products/Service Improvement (Success)

Financial Success

Success in Business Model

Survival

SMEs Success Research Findings

- Start up SMEs regard maintain survival or not stuck in financial failure as success, some mature businesses also regard success as being survival

- Almost all stage SMEs regard success as maintain customers and bring in more new customer, Growing size of business, expand international market and attract customer in various geographic area is business

- Maintain good cash flow and earning in more income and benefits is regarded as financial success in most commercial businesses

- Launch new products and expand their products or service category and follow updating is success

- Some businesses want to be sold or acquired and set up other business

- Success business also means good business model and well balanced work-life business

- Some companies believe more social contribution and engage in more public activities is success

Theme 14: Networking

	Words	I	II	III D	III G	IV	V
Client Network	Go to work with clients	22	21	17	19	4,15	
	Look for people or other company	7,20	6,13,21	17	5,12,14,19	4,15	
	Social media network to attract more clients	22	10		23		8,24
	Keep contacting with clients	11,20	10,21	17	19		
	Employees individual clients network	7,11,20,22	6,10,13,21		5,15,19	18	
	Build (internet) platform and forum network to find clients	11		17	19	18	8,24
Collaboration Network and WOM Referral Recommendation from collaborators (Intermediaries, agencies, Clients, Competitors etc.)	Collaborate with experienced employees network	11,20,22	10,13,21		5,15,19,23		
	Get clients from WOM, referral and recommendation	22	6		14,15,19,23	4,18	24
	Collaborate with supportive organisation	11		17			
	Collaborate with competitors				19	15,18	
	Intermediaries or agencies, Partner network	20	6,	17	23	18	24
Business Events or conference Network	Sponsor Business Events				19	4,18	3,8
	Trade show network	22					
	Business Conference network	11,20	21		12,23		
	Networking breakfast				5		

	Exhibition network	11,22					
SME Internal Network (Manager-Employees or E-E)	Team network to enhance SME capability	7,11,22	10,13,21	17	12,14	4	
	Social life network					4	8
	SME employees network for work in different geography area	20	6,21		12,23		

(Yellow highlight are applied by more than 10 SMEs, Green highlight are applied by most success or mature SMEs, Blue highlight are applied by SMEs from early stage of development)

Clients Network	Establish network and look for clients either go to work with them or negotiate with them and maintain a longer relationship and keep contacting with them
	Employees should have personal clients work to attract more business and clients
	Build social media network to enlarge customer group and attract more clients
	Build internet platform and forum network, Take advantage of social and online networking to attract clients
	Lose some network could be harsh for business
	Open new shop to increase network channels
Collaboration Network and WOM Referral Recommendation from collaborators (Intermediaries, Clients, agencies, Competitors etc.)	Collaborate with agencies, clients, competitors, intermediaries, supportive organisations from different background and increase personal relationship, and more network both local and globally for collaboration and collaborate with other network which can help with business growth, SME can achieve business through WOM, referral and recommendation from collaborators
	Right networks to help self-development
	Competitors could be co-operators
Business Events/ Conference Network	Engage in more external activities to attract more clients and generate more business
	Go for some customer networking events such as networking breakfast
	Business trade show network, conference network exhibition

	network
SME Internal Network (Own/ Manager – Employees or E-E)	Owners networking with key employees team leader could improve working efficiency and time saving
	Network among employees or team network enable knowledge and idea sharing that can enhance SME capability and improve SME efficiency
	Social life network among entire SME can build trust and good relationship
	SME employees network for employees from different geography area

Appendix 9 LinkedIn Discussion For Achieving online Survey Response

70% of SMEs were failed or bankruptcy due to lack of sufficient support or some other reasons. What aspects do you think SMEs should particular focus on to maintain their performance and how?

BORAN Li
PhD at University of Edinburgh

Like • Comment (1) • Share • Unfollow • 1 day ago

Comments

1 comment

Harry

Harry Santamaki
CEO and Co-Founder at KoppiCatch, Inc.

Wrong advises, not understanding customers, non-scaling business model, lousy execution, bad luck.

Like • Reply privately • Flag as inappropriate • 1 hour ago

70% of SMEs were failed or bankruptcy due to lack of sufficient support or some other reasons. What aspects do you think SMEs should particular focus on to maintain their performance and how?

BORAN Li
PhD at University of Edinburgh

Like • Comment (1) • Unfollow • 34 minutes ago

Comments

1 comment

MASTER

MASTER WONG MUN CHONG
MIRACLE HEALER, FOUNDER,CEO & MANAGING DIRECTOR at Qi-Synergy Evergreen Health Sdn. Bhd.
Top Contributor

My belief is that most SMEs are sadly lacking in enough experieces in their calling or business forays as well as good marketing technic, to bring about enough income to offset total expenditure. It can also mean that the failed SME have no source of additional capital to sustain then in the startups period but all these are only specualtions. In actual scenario, it could be a combination of many reasons or factors, above mentioned or not mentioned and to make it a success in business, is not the priviledge of all entrepreneurs.

Like • Reply privately • Flag as inappropriate • 1 minute ago

70% of SMEs were failed or bankruptcy due to lack of sufficient support or some other reasons. What aspects do you think SMEs should particular focus on to maintain their performance and how?

BORAN Li
PhD at University of Edinburgh

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Comments

2 comments

Jason

Jason Baranec
Account Manager at BDC

Working capital and responsive feedback.

Like • Reply privately • Flag as inappropriate • 2 days ago

Gary

Gary Brown
Certified Business Coach at FocalPoint Coaching Canada

Get orders that turn into invoices that turn into receivables that get collected.

Like • Reply privately • Flag as inappropriate • 15 hours ago

70% of SMEs were failed or bankruptcy due to lack of sufficient support or some other reasons. What aspects do you think SMEs should particular focus on to maintain their performance and how?

BORAN Li
PhD at University of Edinburgh

Like • Comment (1) • Unfollow • 37 minutes ago

Comments

1 comment

Nick

Nick Goulding
Owner Club Class Taxis

Be cautious of insolvency statistics. Business cease trading for a range of reasons not all of which are the result of business failure. For example a sole trader who incorporates will be counted as one business closure and one start up, which is a little misleading, and there are many other ways in which the statistics can mislead.

So your question contains a bit of a non sequitor, however in short

Cash is King

and

if someone is hoping for support from Government, banks etc etc they are doomed to failure. better just to get on a do it

If all the big company and public sector "experts" really knew how to run a private business they would be out doing it.

Like • Reply privately • Flag as inappropriate • 13 minutes ago

Why 75% of European SMEs failed in their first 3 year? What are the reasons SMEs failed? What does sustainability mean to SMEs and how to maintain their sustainable?

BORAN Li
PhD at University of Edinburgh

Like • Comment (2) • Unfollow • 7 hours ago

Comments

2 comments

MASTER

MASTER WONG MUN CHONG
MIRACLE HEALER, FOUNDER,CEO & MANAGING DIRECTOR at Qi-Synergy Evergreen Health Sdn. Bhd.
Top Contributor

My belief is that they are less tough than the Asians to weather the hardships of being an entrepreneur in SME startups and the reasons for them to fail can be varied but the main ones, may be due to no planning, not enough capital and not enough knowledge & experience in their chosen calling of the SME project to succeed.
To maintain their sustainability, it takes a miracle or get a partner who have enough money to extend the life of that SME and also the knowledge and experience to make a success of it.

Like • Reply privately • Flag as inappropriate • 7 minutes ago

BORAN Li
PhD at University of Edinburgh

My research focus on UK SMEs and it seems SMEs failed are more lack systemic guidelines regarding their business. However, it is quite interesting when interviewing CEOs, Managers, Directors, and staffs, it is really difficult for people to jump out the box and thinking independently.

Delete • Edit Comment • 14 minutes left to edit

BORAN Li
PhD at University of Edinburgh

One CEO told me 'Cash flow is more important than your mum'. But companies from different sectors have different views. Some interviewees claimed their businesses focus on adding value to their service which will bring them more businesses.

If you are interested in my PhD research "Factors influencing UK SMEs Performance and Sustainability", you can fill my online survey and hope to get something new. Thanks

https://qtrial.qualtrics.com/SE/?SID=SV_b8E1tybI5OBL8YB

Delete • 4 days ago

Jim

Jim Parsons MCIPP MCMI
Company Secretary at payman.co.uk ltd

"70% of SMEs were failed or bankruptcy due to lack of sufficient support or some other reasons,"

In fact, this should read 100%

Unlike • Reply privately • Flag as inappropriate • 20 hours ago

BORAN Li likes this

Why 75% of European SMEs failed in their first 3 year? What are the reasons SMEs failed? What does sustainability mean to SMEs and how to maintain their sustainable?

BORAN Li
PhD at University of Edinburgh

Like • Comment (2) • Share • Unfollow • 7 hours ago

Comments

2 comments

Lynn

Lynn Johannson
Adjunct Lecturer at University of Waterloo, ENBUS at SEED

The Canadian Federation of Independent Business has 40 years of data on their members. Now, they have about 109,000 small business members. This represents about 10% of the legally constituted employer market in Canada. There are three specific reports on the environment, one in 1991, 2001 and 2007. However, to fully understand the needs of SMEs, reading all their research and then forming a composite understanding is far more useful. Sustainability is a term that is often viewed as a policy term. SMEs are by nature and need focused on the practical - greening their productivity is perhaps a more realistic way to approach what they have done to date. SMEs have done things, what they do not do is write about it. That takes time they do not have to spare. One last point - the term SME can be very misleading as often people assume that this term represents a homogeneous group, which is not an accurate picture. Good luck with your research.

Like • Reply privately • Flag as inappropriate • 28 minutes ago

BORAN Li
PhD at University of Edinburgh

Greening is a new concept and might not be widely used at their early stage. The nature of consultancy service SMEs , marketing agencies who provide intangible service are totally different with physical products SMEs. My research focus on UK SMEs and it seems SMEs are more lack systemic guidelines regarding their business. However, it is quite interesting when interviewing CEOs, Managers, Directors, and staffs, it is really difficult for people to jump out the box and thinking independently. Thanks anyway and all the best.

Delete • Edit Comment • 14 minutes left to edit

3 comments

Walter

Walter Wise
CEO, Northeast Veterans Business Resource Center and the BPI Strategy Group

Here is my guess:
Poor marketing
Poor financial management
Poor management

Like • Reply privately • Flag as inappropriate • 1 hour ago

BORAN Li
PhD at University of Edinburgh

But do you think sufficient marketing, financial management and management can definitely make SMEs successful?

Delete • 28 minutes ago

Walter

Walter Wise
CEO, Northeast Veterans Business Resource Center and the BPI Strategy Group

Takes alot more to be successful, but those are the top three reasons for failure.

Like • Reply privately • Flag as inappropriate • 18 minutes ago

Lynn

Lynn Johannson
Adjunct Lecturer at University of Waterloo, ENBUS at SEED

Small business experts will tell you that companies with fewer than 50 people tend to operate with INFORMAL management approaches. That pertains to 95% of most national economies.

Unlike • Reply privately • Flag as inappropriate • 21 hours ago

BORAN Li likes this

Peter

Peter Dolphin
Strategic Communications Advisor and Web Designer

Hi Lynn. Would you happen to have the name of that research 2007 report by the Canadian Federation of Independent Business on the entrepreneurial environment in Canada?

Like • Reply privately • Flag as inappropriate • 21 hours ago

Lynn

Lynn Johannson
Adjunct Lecturer at University of Waterloo, ENBUS at SEED

Peter, the 2007 report was on the ENVIRONMENT, and it was called Achieving Eco-prosperity: SMEs' perspectives on the environment. However CFIB has many other good bits of research and associated reports on their website. It's worth the search!

Like • Reply privately • Flag as inappropriate • 20 hours ago

Lynn

Lynn Johannson
Adjunct Lecturer at University of Waterloo, ENBUS at SEED

While it's not just a numbers game, it's worth noting that in Canada, SMEs represent all but .1% of the legally constituted employer businesses in the country and they account for 54.2% of GDP. They just are not visible like a big company that has a large marketing budget. Stats Canada also has some interesting data on SMEs. Think of big companies as the tallest trees (not necessarily the oldest) in the forest. They spend their time talking at the canopy level to their peers and governments. Small business operates on the forest floor. However, they are critical to the health and wealth of the forest floor; ignore them at your peril.

Like • Reply privately • Flag as inappropriate • 1 minute ago

Michael

Michael Smith
Business Growth & Performance Improvement

I'm confused. In US, SME = subject matter expert; SMB = small and mid-size business.

If you are referring to business, those are good statistics as compared to US. Problem in the US is business is often started by SME who has little real business or venture experience - managing businesses often (but not always) requires business management skills..

Unlike • Reply privately • Flag as inappropriate • 1 day ago

BORAN Li likes this

Ben

Ben Elder
President & CEO at West Sanitation Services, Inc.

I see SME's fail because once they survive the first year they begin to feel invincible and their decisions the second year tend to feed their ego rather than their bank account.

Unlike • Reply privately • Flag as inappropriate • 14 hours ago

BORAN Li likes this

BORAN Li
PhD at University of Edinburgh

Hi Michael. UK SME in academic and business = small and medium-sized enterprise (SMEs). All large companies grew from small size, and many internal and external factors affect their success and downturn. My research focus on service SMEs and give a guideline to them to survival-grow, if they are fortune enough they can thriving.

Delete • Edit Comment • 11 minutes left to edit

BORAN Li
PhD at University of Edinburgh

Hi Ben, it seems SMEs can not get that much success in their start up stage, especially sufficient financial income. Most UK start up SMEs need a few year to break-even even with Government support. I agree with you some SMEs do ambitious about their market. SMEs need ego in innovation but not the entire business.

Delete • Edit Comment • 14 minutes left to edit

Shabbir

Shabbir Lalji
Founder/ Ceo

Hi , I think many entrepreneur goes thought a process of failure experience,
and most entrepreneur , learn by doing, and it is costing huge amount, and each entrepreneur is unique
Also Europe is more open market and easy to start a business different then a protected markets, open markets have considerably more failure ,

Like • Reply privately • Flag as inappropriate • 2 days ago

Bob

Bob Norton
Serial Entrepreneur, CEO since 1989, Author, Speaker and Creator of AirTight Management

This is a complex question but most often they are not willing to listen and iterate their business model and offering by listening to the marketplace. Much falls into "Marketing" in terms of market research, ideal client profile, target niche and specific offering (4Ps). I wrote The Start-up Manual and developed The CEO Boot Camp around 2004 and have trained thousands of entrepreneurs, CEOs and senior managers in best practices. I suspect Boran wants to create a good list but a list without a core philosophy connecting those things is not that valuable. A new business is a very hard thing to start and your need a sustainable competitive advantage. Most people who start companies do not even understand what that is really.The jump too early, before forming the needed skills and experience and do not test their concept and have the staying power. Starting a company (not selling you time in a service business) generally takes at least a year to do. If you have not got your personal expenses covered for that year then don;t even think about it. Capital is available only to the top 5-10% that have "done it before".

Like • Reply privately • Flag as inappropriate • 8 hours ago

Lynn

Lynn Johannson
Adjunct Lecturer at University of Waterloo, ENBUS at SEED

While it's not just a numbers game, it's worth noting that in Canada, SMEs represent all but .1% of the legally constituted employer businesses in the country and they account for 54.2% of GDP. They just are not visible like a big company that has a large marketing budget. Stats Canada also has some interesting data on SMEs. Think of big companies as the tallest trees (not necessarily the oldest) in the forest. They spend their time talking at the canopy level to their peers and governments. Small business operates on the forest floor. However, they are critical to the health and wealth of the forest floor; ignore them at your peril.

Unlike • Reply privately • Flag as inappropriate • 23 hours ago

BORAN Li likes this

Gary

Gary Brown
Certified Business Coach at FocalPoint Coaching Canada

I like the forest metaphor. It seems to me that the SMEs struggle to survive on the forest floor because the owners have difficulty overcoming the obstacles that come their way.

The inevitable enthusiasm that the business owner exhibits for his/her new venture is laudable. However, that energy must be augmented with some rudimentary business understanding and skills.

Do those early stage companies have such things as:
- a compelling vision
- a clear set of values
- a deep understanding of what they are actually offering
- sufficient awareness of their competition
- clarity around customer needs
- a unique selling proposition
- a strategy

Overall, I'd say that the early stage SME failure rate is due largely to the fact that these companies can't sell enough product to sustain themselves. So, they either can't find sufficient prospects or perhaps not enough people value the products being offered. In either case, obstacles have been encountered and the owner has failed to find an adequate response.

Like • Reply privately • Flag as inappropriate • 3 hours ago

Bob

Bob Norton
Serial Entrepreneur, CEO since 1989, Author, Speaker and Creator of AirTight Management

See www.StartupPlanet.com for resources for entrepreneurs and CEOs at early-stage companies.

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Shabbir

Shabbir Lalji
Founder/ Ceo

I Agree with BOB NORTON comments,

I also see in my 35 years of entrepreneur experience, in normal population you may find less than 3% of people are ready to be entrepreneur, as it is non ending journey of learning every day , very few don't give up,
Many new entrepreneur don;t consider the entrepreneur journey , and many look for short term return on their investment

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BORAN Li
PhD at University of Edinburgh

Hi Bob. There are so many internal/external factors affect SMEs' businesses. SMEs are in several different stage of development and in each stage SMEs face different problems. They have no systemic planning for their development. No performance measurement methods are applied during their development, that they are lack of awareness where they are.
Sustainability=Business Strategy ? Most of Start up SMEs told me Cash flow is the king. They can not survive without sufficient financial support. In terms of my research, I need a framework or philosophy connecting of those factors to generate the research findings. Overall, there are thousands of reasons lead to their failure. But fortune is certainly a reason lead to success. I am quite interested in your PhD research Performance Management Systems for Business, could you recommend some useful resource to me please? libohengliboran@hotmail.com

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Kenneth

Kenneth Grant
President | CEO | Founding Shareholder

There are some very good reasons. Most involve more than one of the following:
1. Under capitalized
2. Product is a "me too" type of product with no unique selling propositions
3. No road map to know when your are off tract (business plan)
4. Priced too low and margins are slim
5. Poor production management to control costs
6. No accurate target markets identified
7. Poor administration and control of credit
8. Wrong place and that wrong time

Any one of these and many more are fatal.

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Comments

1 comment

Alan J. Zell
Ambassador Of Selling @ Attitudes for Selling -- Consultant, speaker, author of "Elements of Selling"

Alan J.

Boran, It is not that one "loves" their business that is important, it is that the business's customers loves what the business does that is important.

Daniel Defoe in his book, "The Complete English Tradesman" put it this way:

"Now in order to have a man apply heartily, and pursue earnestly the business he is engaged in, there is yet another thing necessary, namely, that he should delight in it. To follow a trade, and not to love and delight in it, is making a slavery or bondage, not a business; the shop becomes a bridewell*, and the warehouse a house of correction to the tradesman, if he does not delight in his trade.

To delight in business is making business pleasant and agreeable, and such a tradesman cannot but be diligent in it. This, according to Solomon, makes him certainly rich, raises him above the world, and makes him able to instruct and encourage those who come after him."

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Bob

Great list Kenneth. Of course these could all be called "symptoms" of a lack of experience of the entrepreneur too. ;0) I am big on models and processes to validate the business, product and team. The Lean Start-up (book) model of a "Minimum Viable Product" is a good one, my own are more elaborate but all the same underlying philosophies. I call my model, that I teach at my CEO Boot Camp (on video only now) and in AirTight Management Strategic Planning "Rapid Growth By Design". It is a comprehensive process to validate a business/product idea without spending a fortune or even building the product. Remember about 90% of products introduced into grocery stores fail too - even though Proctor and Gamble and other large PG companies have tremendous resources to "validate" along the way. My process will generate virtually 100% success at product launch due to its iterative nature and working with customers along the way.

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How can SMEs differentiate their ways of using social media with large enterprises (LES) and competete with LES? Do social medias can really help SMEs at their growth stage?

BORAN Li
PhD at University of Edinburgh

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Comments

David Hood, Jason King BA (Hons) Cert DMP like this

1 comment

Jason

Jason King BA (Hons) Cert DMP
I help Small Business realise the potential of Social Media & Marketing

SME's can differentiate on Social Media by offering individual time and attention with clients and prospects. Very few larger organisations commit the resources to making social media effective so SME's can trump their larger couterparts. Build relationships, personalise every single point of contact on social media including conversations and with the products/services they offer. So SME's can use personalisation to gain an advantage on Social Media :)

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Jonathan

Jonathan Hill
CEO - Pierrepont

I am surprised the figure is so high? For my clients it would be well below 10%. The 90% failure rate quoted would include involuntary and voluntary failures where self-employment was undertaken in response to redundancy. With the unemployment rate falling there may well be a negative correlation with an increase in voluntary business failures with the offer of a regular salary to replace the uncertainty of self employment.

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