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Munificence Contingent Small Business Growth Model (Special Emphasis to African SMEs Context)

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Abstract:	Despite the growth in number and kind of research emphasizing small and medium-sized enterprises (SMEs), little is known about the relationship between drivers and modes of SMEs' growth. To address this gap, the paper systematically analyzes the relationship between growth drivers and strategies based on the dynamic resource-based view and proposes munificence contingent growth model. The authors argue that the selection of growth strategy should base on firm's resource and environmental munificence settings. Firms can select either organic or inorganic growth strategies based on the abundance or scarcity of certain resources and the accommodative capacity of the economic environment. When the economic environment comes with attractive opportunities SMEs tend to cooperate with other firms either through collaborative framework or diversification strategies. Conversely, when they are faced with very competitive market conditions and the resource availability is limited bootstrapping strategies found to be helpful to maintain competitiveness and thrive. Subsequently, as the resource muscle of the firm develops through bootstrapping strategies SMEs are expected to employ expansion strategies.

1. Introduction

Growing small and medium enterprises (SMEs) play a pivotal role in a country's economy and many other fronts (Ayob, Ramlee and Rahman 2015). They are usually associated with poverty alleviation and food security (Tieguhong, et al. 2012), job creation (Ayob, Ramlee and Rahman 2015), social and economic wealth creation (Schoonjans, Cauwenberge and Bauwhede 2013), fostering efficiency and competitiveness (Marchesnay 2011) and are labelled as an engine of growth (Gedajlovic, Cao and Zhang 2012).

Cognizant of these well-established advantages of SMEs, governments and non-governmental organizations across the world give considerable attention to the growth and development of the sector. However, the sector is still prone to many adversities. The explanation for these limitations are innumerable. They range from local economic conditions to more global trade systems related to the relaxation of trade barriers and globalization (Roux and Bengesi 2014).

SMEs in Africa are no different from SMEs in other parts of the world; and they share the same challenges and opportunities. However, there are also multitudes of systematic challenges unique to African SMEs. The pressing ones are limited access to finance (Ishengoma and Kappel 2011; Mbonyane and Ladzani 2011), very limited access to markets and marketing skills (Mbonyane and Ladzani 2011), high collateral requirement to secure loans (Fanta 2016), and an unfavorable business climate (Canada International Development Research Center [CIDRC] 2013). These challenges can be largely attributed to limited resource abundance and lack of proper resource deployment skills and/or the stiff competition in the market (Meagher 2007).

If Africa must address these challenges, it needs sound theoretical framework that could effectively consider intricacies both in the internal and external environments of SMEs (Janssen 2009); and strategies that work under divergent conditions. Unfortunately, so far nothing is done in relation to this. Thus, to address this gap, the present paper proposes a munificence contingent model that takes into consideration both the internal and external contexts of SMEs by subscribing to dynamic resource-based view (DRBV).

In the process of developing the model, the author did an exhaustive and extensive analysis of pertinent research findings emphasizing African SMEs context and other similar contexts. Based on the analysis I argue that the problems stifling African SMEs growth mainly arise from limited resource and environmental munificence as well as failure to tailor growth strategies with firm's unique capacity and environmental requirements.

Many researchers proved that a strategy that works well under tight resource and capability and combative conditions may not effectively work in a context characterized by resource abundance and very accommodative environment (Navarro, Casillas and Barringer 2012). Therefore, I identify and discuss different strategies that corresponds with the resource context and environmental realities of SMEs.

In doing so, this article departs from the common trends in the SMEs research circle. To the knowledge of this writer no prior work has addressed drivers of growth along with strategies except for the work of Hong and Jeong (2006). Hong and Jeong (2006) followed similar approach to explain the importance of strategic focus and improving ones position in the supply for enhancing growth prospect. Besides, the African SMEs sector faces unique challenges that are uncommon in other corners of the world, making a model that primarily consider African context extremely relevant. Thus, the author gave due attention to findings that reflect African situations while developing the model. Furthermore, the African SME sector is devoid of theoretical and empirical research that duly consider particulars in the industry. This work is expected to through a light in this unchartered part of the ocean.

In sum, this article aims to systematically analyze the results of previous studies about SMEs growth and strategy to explicate growth strategies that could possibly work for SMEs in Africa and similar other contexts. It has given extra attentions to those works that focuses on African context, yet other pertinent research findings were also consulted. Thus, the model is expected to be relevant to SMEs in the other corners of the world.

The article proceeds as follows. The next section discusses literatures about dynamic resource based views, defines and describes resource and environmental munificence and identifies commonly used SMEs growth strategies. A brief discussion of the African SME sector is also provided in this section. The third section expounds the methodology and the next section discusses results of the analysis. The fifth section is totally dedicated to discussion and conclusions. The final part identifies contributions of the research, areas for further research and limitations of the study.

2. Literature Review

Dynamic Resource Based Views

Resource-Based Views (RBVs) explain that competitive advantage bases on differences in firm resources (Hansen, Perry and Reese 2004). They get their central assumption from the view that says firm growth is the result of resources accumulated from previous growth attempts

(Lockett, et al. 2011). These views describe heterogeneity in the competitive advantage of firms and illustrate why some firms outperform others (Liu, Baskaran and Li 2009).

In the same fashion, dynamic resource-based views consider munificence of organizational resources as a major driving force of competitive approach. However, the dynamic RBV stresses the role of dynamic resources and believe that future competitive advantage is achieved only through the continuous creation of new resources and capabilities than protecting current sources of competitive advantage (Winter 2003). This view claims that growth becomes within the reach of firms when they continuously develop resources and capabilities that duly improve both operational capabilities and dynamic capabilities of the firm (Helfat and Peteraf 2003). It, further, indicates the relevance of developing internal resources that could support the context of environmental munificence.

Dynamic RBV entails change and it appears very useful when exogenous changes target destroying competencies and require flexibility (Winter 2003). It places due importance on developing dynamic capabilities for sustaining advantages. These capabilities are expected to provide firms with a safe alternative path in threating situations and help them sustain their competitive advantage by spawning series of innovation that enables them to stand firmly in a very hostile competitive environment (Williamson 2016).

The continued interest to disrupt the market by developing new capabilities and improved resource base and the growing appetite of countries to liberalize their economy is making the business environment very dynamic. This is not different for Africa. African economies are experiencing dynamic changes because of liberalization and globalization (Kristiansen 2004) that significantly affecting small businesses success prospect (Meagher 2007). To counter the possible serious adverse effects and build a growing SMEs, owners and managers are being advised to develop strong resources at individual and firm level (positive resource munificence) that fits with the accommodative capacity of the market (environmental munificence) (Omri and Ayadi-Frikha 2014; Neshamba 2006).

In the ensuing section the author expounds these concepts (resources munificence and environment munificence) in considerable detail and show how they drive growth of SMEs.

Drivers of Growth: Resource and Environmental Munificence

Resource-based firm growth theorists claim that it is a resource that drives growth (Anderson and Eshima 2013). And they call for the prudent use of resources to improve the competitiveness of a firm (O'Cass and Sok 2013). Accordingly, there is a strong consensus regarding the relevance of building internal capabilities to hasten the expansion and growth of firms (Garg and De 2014). Yet, accumulating different kinds of organizational resources by itself cannot guarantee growth. It further requires the organization to build strong resource management and deployment capability. Hong and Jeong (2006) claim that the survival and growth of SMEs depends on how well SMEs effectively allocate resources through their strategic focus and secure effective negotiation terms through improvement of their supply chain relationship positions.

These claims underscore the influence of munificence of resources at individual and firm level in determining SME growth, implying the importance of resource munificence at the entrepreneur and firm level in shaping the growth prospect of SMEs (Neshamba 2006).

Resource munificence as defined by turnaround researchers represents a scarcity or abundance of resources when running a business (Pretorius 2008). The abundance is associated with enhanced growth prospects (O'Cass and Sok 2013); and in the contrary the absence or scarcity has been recorded as a reason for failure (Ishengoma and Kappel 2011).

Firms do require various forms of resources to effectively run their operation and achieve growth. Among them the entrepreneurial skills, managerial competencies and experiences that owner managers bring to their firm claimed as growth defining ones. Mitchelmore, Rowley and Shiu, 2014 and Mitchelmore and Rowley (2013) argue that SME growth is associated with entrepreneur's personality traits and entrepreneurial competencies. They claim that firms that are able to build strong personal and relationship, business and management, entrepreneurial and human resource management competencies are better positioned for growth.

Similarly, there are also number of researchers who posited munificence of managerial skills and competencies of entrepreneurs as a determinant for firm growth. These researchers argue that marketing management, human resource management, strategy crafting and execution, financial management, resource management and knowledge management are some of the frontiers where SME owners or managers need to excel to ignite growth to the total system (Barbero, Casillas and Feldman 2011; Kutllovci and Shala 2013; Mbonyane and Ladzani 2011; Lafuente and Rabetino 2011).

In addition to the competencies and skills, various research works posited entrepreneur's aspiration for growth as a crucial resource that encourage SMEs to consider growth (Wiklund and Shepherd 2003). Findings indicate that the desire to grow is the separating point between high growers and non-growers (Wright and Stigliani 2012); and it is suggested that lack of desire to grow is a common feature existing across non-growing firms and absence of this desire results in a lesser degree of aspiration and fewer attempts to grow (Hansen and Hamilton 2011; Wright and Stigliani 2012). In related note Majumdar (2008) has argued that owner's entrepreneurial vision towards growth determines strategy formulation and subsequent actions that influence growth attempts.

Apart from munificence of resources at individual level, munificence of firm level resources is found to be a critical determinant of business growth. Here we find many factors ranging from the entrepreneurial spirit of the business to the network and internationalization process of SMEs. Brouthers, Nakos and Dimitratos (2014) and Koryak, et al. (2015) claim that firms with strong entrepreneurial orientation opt for growth more than firms with limited entrepreneurial intensity. Moreover, entrepreneurial spirit was found to be a firm contributor to growth by creating a well-founded base for innovation and networking.

Besides, there are ample number of researchers who assert the importance of networking and internationalization for business growth. Small firms, which are naturally exposed to liability of smallness, benefit from forming networks and strategic alliances. In addition, firms with a high level of international marketing inclination have higher tendency to grow. Generally, firms with strong networks and that are international in certain features of their operation, are more open and ready for growth (Colombo, et al. 2012; O'Cass and Sok 2013; Hansen and Hamilton 2011).

Factors (size and age of the firm) which normally relate to resources in determining and indicating how much the firm will be resource rich or poor were also found relevant. Those firms which are in the market for long and with adequate firm size have a better chance to grow and thrive because of their rich experience and market knowledge. Moreover, firms that can attract a pool of talents and build a diversified team are likely to enjoy growth (Koryak, et al. 2015; Blackburn, Hart and Wainwright 2013; O'Cass and Sok 2013; Lafuente and Rabetino 2011).

In addition to the role that resource munificence plays in SMEs endeavor to growth, various research efforts also asserted the importance of factors relating to environmental munificence. As strongly argued by Gupta, Guha and Krishnaswami (2013) forces in external environment have a considerable impact on growth potential and endeavor of SMEs. This purports that growth is the function of internal preparations, and readiness and ability to leverage on external environment advantages (Janssen 2009). Hence, continuous following of various external environments including economic, demographic, political, trade, competitive and other relevant environments and being prepared to exploit opportunities as they emerge are pertinent for growth (Roux and Bengesi 2014; Gupta, Guha and Krishnaswami, 2013).

Environmental munificence denotes the capacity of a business environment to accommodate firms (Pretorius 2008). A positive environmental munificence entails comfortable competing grounds wherein ample and adequate marketable opportunities are prevalent.

Environmental munificence is very dynamic, which is the typical characteristics of the SME environment. If managed well these dynamics are expected to speed up and intensify firm growth endeavors. As claimed by Moreno and Casillas (2008) firm growth is favored in a dynamic environment that is not hostile. Lockett, et al. (2011) have also argued that growth opportunities become limited when economic growth slowdown and international competition increases. These results indicate the importance of consciously selecting a market with strong environmental munificence so that SMEs can comfortably achieve the growth they seek.

Despite the crucial position that munificence of both resource and environment has in SMEs growth attempts, the munificence has to be backed by appropriate strategies. Thus, as it is discussed below, a growing number of researchers encouraging a closer look at growth strategies and their role in SMEs endeavor to achieve a better performance (Davidsson, Achtenhagen and Naldi 2010).

SMEs Growth Strategies

Through considerable attention has been given to drivers of growth, there is dearth of research on modes of growth. As argued by Davidsson, Achtenhagen and Naldi (2010) researchers overly focused on drivers and neglected growth strategies. Wright and Stigliani (2012) have associated this with the failure to view growth as a process. McKelvie and Wiklund (2010), on the other hand, describe it as the impatience of researchers to study the “how” part of growth. Nonetheless, few studies have shown the importance of tailoring growth situations with strategies.

Hong and Jeong (2006), for that matter, identified five growth paths under four strategic situations by relating strategic position and chain relationship position of SMEs. Depending on their strategic focus and supply chain position, SMEs could find themselves in one of the four positions - efficiency, collaboration, coordination and innovation. And these firms may adopt five different paths if they intend to growth. Accordingly SMEs intending to change from low cost to value adding they may adopt *efficiency to collaboration path* or if a given firm is considering to growth just by improving its supply chain position *efficiency to coordination path* is advised. On other hand if firms’ desires to realize improved market potential while maintaining strong supply chain position *coordination to innovation path* is recommended but if the firm is intending to grow through external networking *collaboration to innovation path* is the preferred one. Finally if SMEs are well prepared internally in terms of building adequate resource and management expertise they can consider a radical transformation from efficiency to innovation. The *efficiency to innovation path* hasten intra-organization transformation and help to achieve inter-organization position of power.

Perhaps, Porter's generic growth strategies are the most common strategies both in SME and bigger companies' context though it is heavily associated with big corporations. Block, et al. (2015) claim that many startup use generic strategies (cost leadership or differentiation) to compete with incumbent firms. Leitner and Gu¨ldenberg (2010) have argued that SMEs that pursue combination strategy, which is part of Porter's generic strategies, perform well above than SMEs with strong orientation either to cost efficiency or differentiation. They purported that profitability, employment growth, and turnover growth are influenced by combining efficiency strategy with differentiation strategy. O'Regan, et al. (2012) have also reiterated the relevance of generic strategies for SMEs and they further indicated that SMEs are more comfortable with focusing and developing a single market.

Apart from the common efficiency and differentiation strategies various classifications of strategies are common in the context of SMEs. Penrose, in her seminal work dealt with organic and inorganic strategies (Penrose 1959). Lockett, et al. (2011) have extended the work of Penrose and claim that firms' strategic choice of growth has an impact on the future amount of organic growth. They described that subsequent choice of strategy depends on past strategies and identified a direct negative relationship between previous organic growth and current organic growth. They further depicted acquisitive growth (inorganic growth) as a positive contributor for future organic growth and a stimulator of current organic growth.

African SME Context

SMEs in Africa are playing a crucial role in transforming the socio-economic conditions of the continent. SMEs are driving the economy by availing around 80 percent employment opportunities, establishing a new middle class and fueling the demand for new goods and service (Santos 2015).

Despite its paramount importance the sector is exposed to multitudes of challenges. A careful scrutiny of the nature of these challenges would render the opportunity to categorize them under two broad headings. The challenges are either caused by limited resource munificence or environmental munificence.

Preponderant research works show the challenges SMEs are facing because of limited financial resource (Preisendörfer, Perks and Bezuidenhout 2014), weak entrepreneurial spirit (Lekhanya 2016), poor management and business skills (Singh and Belwal 2008), weak support and concern from actors responsible for SMEs sector (Pedersen 2006) and inhospitality of the business and economic environment (Roux and Bengesi 2014; Meagher 2007) and market structures favoring large companies (Mather 2005).

Mbonyane and Ladzani (2011) have discussed the challenges emanating from lack of strong institutional support and internal weaknesses. They further cited lack of legal knowledge, lack of funding and general business acumen as common growth impeding causes. Others attributed the impediments with the education level of owners (Robson and Obeng 2008), lack of entrepreneurial and managerial competencies and exposures, problems in marketing and distribution network (Singh and Belwal 2008), limited access to productive resources and lack of market access (Ishengoma and Kappel 2011).

Buuren (2008) in a related note argue that SMEs growth is being challenged by the failure to expand to the scale necessary to become involved in the value adding processing because of limited capital, skills and time munificence. Meagher (2007) has also shown the devastating impact of limited environmental munificence that resulted from Nigeria's decision to liberalize its economy. Small business clusters once leaders of their market were exposed to extreme competition from imports and their failure to successfully respond to challenges emerging from the market further crippled their growth propensity.

Taken together, these findings signal the importance of munificence of resource at individual and organizational level and environmental munificence in terms of support from external actors and hospitability of the market to foster growth.

Few research efforts aimed at exploring factors that drive growth and strategies of African SMEs have indicated relevance of certain bootstrapping activities. Tesfom, Lutz and Ghaur (2006) argue that problems of SMEs of developing countries can be partly solved through individual actions by the firms. Neshamba (2006) also claim that the actions of the individual entrepreneurs and their management team are more significant for business growth. Consistent to this claim, Fanta (2016) described the heavy reliance of SMEs on relationship lending than formal schemes to solve their financial problems. And we have empirical results that collaborate and show the positive consequences of using various bootstrapping strategies [for instance see, (Adekunle 2011)].

Similar other works also described how various strategies could be used to face problems arising from limited financial resource abundance. Ali, Peerlings and Zhang (2014) argue that clustering provides an alternative path for the growth of micro business into higher industrialization standard. Snyman, et al. (2014) on their part advised the application of strategic frameworks to utilize venture capital in order to develop SMEs in the manufacturing sector of South Africa.

There are also few works that decribe how African SMEs can sustain their growth. Some view expansion through internationalization as the major means of sustaining growth. Matanda (2012) claims that SMEs in Kenya follow an incremental approach for internationalization. These SMEs usually consider internationalizing after establishing in domestic market. Omri and Ayadi-Frikha (2014) on their part demonstrated the relevance of building various forms of resources to promote growth through innovation. They claim that abundance of resources encourages innovation and that will in turn drives growth of small businesses.

Despite the growing interest to search and research the full SME growth context in general, African SME in particular, still extant research preference tilted towards exploring hindrances of growth. Very little is explored about drivers and growth strategies of SMEs. As a result there is confusion about growth strategies and how managers can create an effective match between contexts and modes of growth. To fill this gap, in the coming the sections the author describes the drivers of growth along with strategies that suits with varying resource and environmental contexts.

Propositions

Considering the above-mentioned empirical findings, the author develops two major propositions. In the subsequent sections of the article these propositions are addressed, particularly, the model depicted these details:

- Drivers and modes of growth share common interface and the resource and environmental munificence determines their relationship.

- The success of growth strategy is determined by its alignment with the resource and environmental context of the firm.

3. Methodology

Torraco (2005) has said that researchers aiming to conduct an integrative review of literature need to provide details of the methodology by describing how the literature was identified, analyzed, synthesized and reported by the author. Hence, in this part the researcher describes how the works included in this article were selected and other important methodological issues.

3.1. Research design

This article utilized a systematic review method to reach the desired results. As identified by (Khan, et al. 2003) all the five steps that systematic review should follow are carefully addressed. Firstly, the research question was clearly defined and, secondly, through an intensive search process all relevant works were identified. Thirdly, to maintain the quality of the studies three criteria were identified and applied. Fourth, a summary of previous results was prepared and finally along with these findings were interpreted and the resulting model is discussed.

As it is common in research efforts aiming to produce a systematic review of literature (for instance see [Laufs and Schwens 2014; Vázquez-Carrasco and López-Pérez 2013]), the researcher identified specialized peer-reviewed journals, key terms and decided on the contexts to be included.

Criteria for inclusion and exclusions were identified and duly applied. The first criterion for inclusion was the reputation of the journal. The second requirement is whether a significant level of emphasis is given to growth and related concepts. Only research works that focused on growth and factors driving or affecting growth were considered eligible. The last criterion was the year of publication - articles published only after 2000 were included. Then a quick review of a few articles was conducted to determine keywords. The keywords "business growth", "firm growth" and "growth strategy" are used to browse articles and then articles were chosen based on their conformity to the three criteria. The major database used to identify studies eligible for this review was the OCLC's WorldShare Management Services (WMS) database.

Given the strong interest to specially address the Africa context, the researcher gave due attention to African journals. Reputable African journals were identified and a thorough and repeated search was conducted to identify articles that discussed SME growth as a major theme. Despite the effort to strongly represent the African SME growth context, it is curtailed by a lack of pertinent publications. Yet, all available articles in veritable journals are included. The following African journals were reviewed: *Journal of African Business, African Journal of Economic and Management Studies, South African Journal of Economic and Management Sciences, Development Southern Africa and African Development Review.*

To track developments in the general SMEs growth research area, the review capitalized on articles published in reputable small business, entrepreneurship, and strategic management journals. Some of the targeted journals included: *Journal of Business Venturing, Entrepreneurship Theory and Practice, Journal of International Entrepreneurship, International Small Business Journal, Journal of Small Business and Enterprise Development, Journal of Small Business Management, Foundations and Trends in Entrepreneurship, Baltic Journal of Management, Journal of International Business Studies, Journal of International Business Studies, Journal of Small Business, Journal of Innovation and Entrepreneurship, International Journal of Business and Social Science, and European Business Review.*

4. Findings

The munificence contingent model of business growth proposed by this article, integrates the resource munificence and environmental munificence settings of SMEs to reach at alternative decision situations. After identifying the contexts that constrain the flexibility and choices of the decision maker, the model attempted to systematically relate the situation with strategies that are believed to fit in with requirements and limitations of the situations.

The Model

Combining the resource munificence and environmental munificence results in the four different contexts as shown in Figure 1. An in-depth discussion of each typology is presented hereafter.

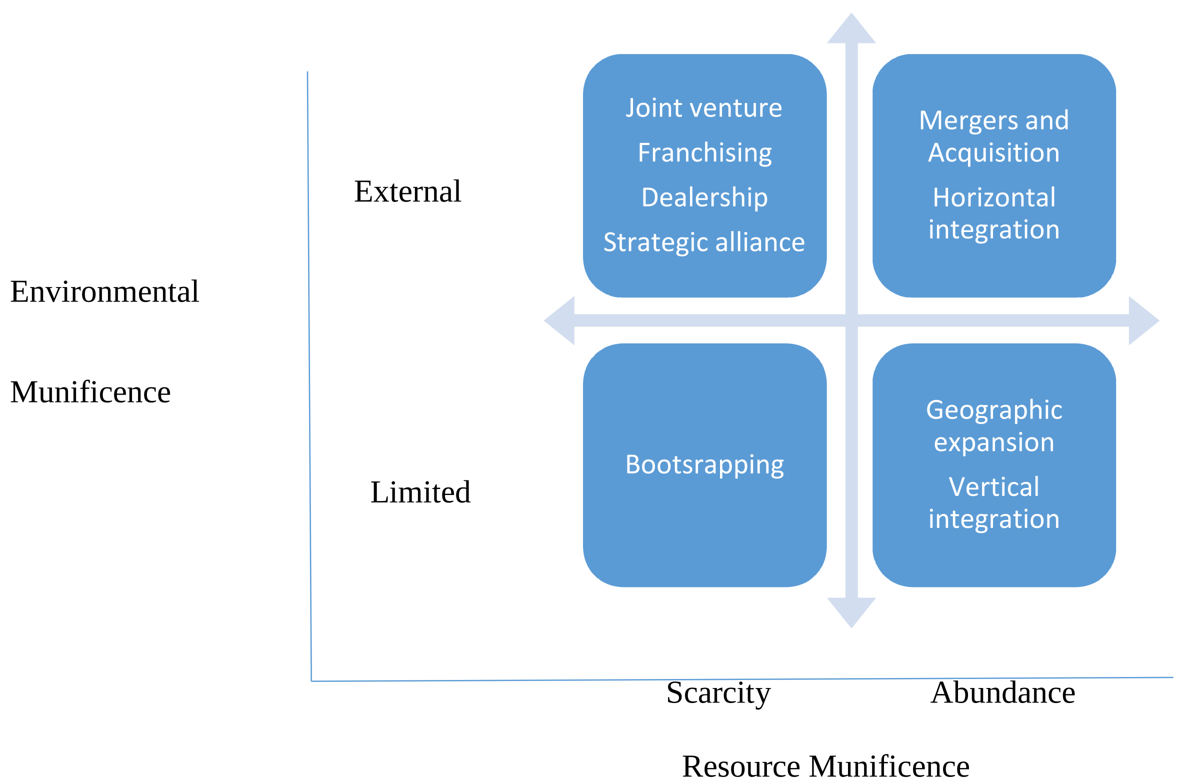

Figure 1. The relationship between decision situation with growth strategies

Bootstrapping

The lower left corner of the matrix (see Figure 1) presents a challenging circumstance for entrepreneurs. It typically represents the contexts of new entrepreneurs attempting to enter established markets with less resource abundance, little knowledge of the market and stiff competition in the market. The entrepreneur's strategy choice is limited because of the less welcoming environmental context as well as internal resource and capability constraints. Effectiveness at this stage is basically dependent on the management capability of the owner-manager (Asah, Fatoki and Rungani 2015) and flexibility installed in the total system to smoothly maneuver and develop an effective strategy which provides competitive advantage (Leitner and Gu¨ldenberg 2010). The context demands strong personal initiative and engagement from the owners' side.

Bootstrapping appears as the only feasible strategy in this context. It opens the chance to apply various tools such as angel financing to generate the finance that the entrepreneur badly needs. It is imperative to keep the firm solvent to counter the higher chance of failing young because of depleted financial resources following the difficulty of maintaining stable trade (Cressy 2006).

Certain competencies are very useful amongst others at this stage. As Barbero, Casillas and Feldman (2011) asserted, well-founded capabilities on marketing and human resource management are prerequisites for the choice of a strategy that boosts growth rates. In the same fashion, numerous researchers argue that strong functional management skills are relevant for the effective running of business in such circumstances. Planning skills with an emphasis on strategic planning (Kutllovci and Shala 2013), strategic capabilities (Kimosop, Korir and White

2016), human resource, and marketing management skills (Mbonyane and Ladzani 2011) are the kind of skills and capabilities that owners needs to possess.

Besides, SMEs performance and growth is highly contingent on the owner's competencies in relation to personal and relationship, business and management, entrepreneurship and human resource (Mitchelmore, Rowley and Shiu 2014; Mitchelmore and Rowley 2013), competencies on designing difficult yet achievable goals (Baron, Mueller and Wolfe 2016) and much importantly on the desire to grow (Hansen and Hamilton 2011).

For firms at the bootstrapping stage, various strategies could apply, yet focus strategy could give a better result and control. Since the stage is characterized by limited resource availability and uncertain environmental conditions, it is wise to focus on what the entrepreneur does best while encouraging specialization to improve performance (Payne, Kennedy and Davis 2009). Here, it is quite important to avoid complexity in the production and distribution system, and focusing on different entrepreneurial initiatives, such as innovativeness, to help to ease challenges. Marketing systems and all functional activities must be designed in such a way that they promote excellence and maximize customer satisfaction.

Expansion stage

SMEs which are effective at managing the bootstrapping stage and able to have the world at their feet could consider the next phase that is expansion. This stage is characterized by internal resource abundance and uncertain economic conditions. To effectively deal with both scenarios and exploit the advantage of the growing capacity, a form of expansion strategy is needed. Consistent with this argument Littunen and Virtanen (2009) have claimed that change in the capacity in the first three years represents growth, which induces diversification with respect to new markets and customers taking advantage of economies of scale in the production.

It is the position in this paper that geographic expansion and vertical integration provide a safe way to deal with resource abundance and risky economic conditions. Firms can go for either geographic expansion or vertical integration or both at a time; provided that they have the necessary management system in place. Internationalization could be taken as one form of an expansion strategy. Particularly, if firms have a formal foreign supplier, they can consider exporting as a possible mode of entry; provided that the foreign supplier serves as a catalyst for exporting by availing knowledge about the foreign market and creating networks (Hessels and Parker 2013).

For expansion, the resources and competencies described at bootstrapping stage remain important but the company has to go further to develop firm level competencies. Firm-level capabilities, such as sound entrepreneurial posture that allow the firm to develop dynamic capabilities, are essential (Koryak, et al. 2015). Strong entrepreneurial orientation that boosts innovativeness is such an important tool to enhance firm performance and solidify growth. Sound entrepreneurial culture also encourages expansion through internationalization and improved foreign market alliance (Brouthers, Nakos and Dimitratos 2014; Tesfom, Lutz and Ghaur 2006). Besides, the role of teams working together rather than a sole entrepreneur should be emphasized at this phase. A team with the necessary skills promotes cognitive diversity and create better-working atmosphere (Koryak, et al. 2015) and it will have a direct positive contribution to firm growth if it is managed properly (Koryak, et al. 2015; Lafuente and Rabetino 2011).

Furthermore, a firm intending to integrate vertically requires building of far more capabilities than those required for geographic expansions. Technological capability and resources of the firm must grow in terms of size as well as variety. Besides, the realization of competitiveness and efficiency that the firm is aiming to achieve through vertical integration requires the advancement of the existing technology. (Jasra, et al. 2011).

Diversification stage

This phase represents a context in which SMEs enjoy the plentiful availability of resources and positive environmental munificence that entails wider market opportunities to be exploited. The diversification phase is the most interesting stage of all given the positive sign both from the resource side as well as in the economic environment. The munificence of resources and the environment induce entrepreneurial initiatives that aim to exploit advantages through horizontal integration mechanisms. Per Buuren (2008) integrations pull resource needed to expand operations and engage in the value-adding process and help SMEs to enter the product processing sector.

Despite the positive accounts in terms of resources availability and very hospitable market condition, the management of this phase is much more complex than the rest. Particularly it could be challenging for SMEs from Africa given their limited entrepreneurial and management competencies (Singh and Belwal 2008). Horizontal expansion strategies require very adept management and sophistication in decision making. Rule of thumb and other simple heuristics do not help entrepreneurs to make the right decision when they are engaged in such advanced form of growth. Hence, a diversified team in terms of education, experience, and functional background is quite instrumental (Koryak, et al. 2015). In addition to this, thorough analysis of projected status of the firm and management should be made and this, in turn, may require a strong background in strategic planning and management.

Collaboration stage

This is the stage at which SMEs are challenged by resource shortages and exposed to alluring economic conditions. Though the entrepreneur can see opportunities in the market, he/she cannot exploit them because of limited resource availability.

This cell depicts the typical African SME context. Entrepreneurs know the existence of significant market but they fail to exploit the opportunity and fill the market gap due to limited access to finance (Ishengoma and Kappel 2011; Mbonyane and Ladzani 2011), high collateral requirements to get the necessary capital (Fanta 2016), low access to market and marketing skills (Mbonyane and Ladzani 2011), more structural factors such as trade liberalization (Roux and Bengesi 2014) and an unfavorable business climate (CIDRC 2013).

Such context demands some sort of collaboration with other parties to improve the competitiveness of SMEs (Gils and Zwart 2009). The question then is which specific collaboration strategy should be used? In this article, the four most common and widely applied collaboration strategies are discussed.

The joint venture is one of the four strategies that stands as a favorable strategy when a firm faces resource shortage while attempting to exploit market opportunities. Despite the foregone loss of total control over the firm, a joint venture can help to raise resources without making an additional financial commitment, passing through the hectic process of getting a loan and at less risk (O'Regan, et al. 2012). It also opens markets beyond the local market if the firm is joining with a firm from a different market and could augment firm performance (Damoah 2013).

Another suitable choice for SMEs is franchising. Franchising gives access to the resources of a well-known company, secures the right to use their reputable brand while helping to learn from the expertise of the franchisor (Sigué 2012). Besides, SMEs aiming to completely specialize on service delivery and remain at the tip of the supply chain can go for a dealership. The other strategy that is worth the attention of SMEs in the context of collaboration is a strategic alliance. It provides access to a new market, external complementary resources, embedded tacit knowledge and capital (Gils and Zwart 2009; Payne, Kennedy and Davis 2009).

At this stage, it is very helpful to underscore the importance of the resources, competencies, and skills discussed above. Nonetheless, there are some skills which will have a strong contribution to the success of such endeavors. One of the major skills which are strongly needed at this stage is networking. As described by Colombo, et al. (2012) networking is an effective tool to overcome liability of smallness. Further, Hansen and Hamilton (2011) have explained that well developed and well-enriched network provides higher propensity of growth. Networking support growth through enhancing firm-level capabilities or resources (Brouthers, Nakos and Dimitratos 2014), broadening resource base (Schoonjans, Cauwenberge and Bauwhede 2013), and offsetting gaps in internal capabilities (Birru 2011). Hence, firms looking for collaboration need to develop strong networking systems.

5. Discussion and Conclusions

The effort to explore the relationship between drivers and modes of growth has shown that firm growth is the result of complex interplays between resource munificence and environmental munificence, specifically the economic environment hospitability. The analysis revealed that growth is the function of dynamism on the two fronts which can be represented by changes in production capacity and availability of an economic environment that encourages strategic actions such as expansion (Littunen and Virtanen 2009). It further indicated that growth is significantly affected by the resources that the owner brings to the firm and the resources that the firm builds in its lifetime as well as the nature and severity of competition in the market (Damoah 2013).

In line with this general result, the article identified four unique decision scenarios that should be considered while choosing growth modes. Companies which identify themselves in the first scenario represented by bootstrapping could benefit more from specialization and exceptional attention to internal resource development. They will become susceptible to failure if the owner-manager lacks motivation for growth (Majumdar 2008), and general management and business skills (Mitchelmore, Rowley and Shiu 2014). This makes success at the bootstrapping stage to be highly dependent on the capability of the owner-manager. It requires strong entrepreneurial orientation, adept management skills, and proficiency in using resources.

When the firm can build up significant resources and experience, the need to follow a more advanced form of growth strategy becomes essential. Though it is difficult to set a time frame when firms reach this level it is believed that a well-managed firm can achieve this stage within three or four years. The resources and expertise accumulated in those years, coupled with assumed favorable economic environment, necessitate expansion with respect to market and product (Littunen and Virtanen 2009). It is expected that SMEs in the expansion stage will follow different expansion strategies. SMEs will tend to enter new markets both in the domestic market and international market through exporting. The expansion will not be limited to the market but it will also extend to targeting new customers in the supply chain by making a vertical movement.

The two remaining contexts that depict comfortable environmental contexts are represented by collaborative and diversification typologies. The collaborative context represents alternative strategies that can counter smallness liability of SMEs and help them exploit growth opportunities. This article has identified joint ventures, franchising, dealership and strategic alliance as handy strategies for firms in such context. The researcher claims that growth is possible through collaborative arrangements though the firm is struggling with resource scarcity. The collaboration strategy makes growth possible through availing the resources SMEs lack, opening new markets, and helping them to use massive expertise developed by their partner(s) (Gils and Zwart 2009; Payne, Kennedy and Davis 2009).

Another typology under the hospitable environmental condition context is captured by the diversification phase of the model. This context represents the most positive case scenario both in resource and environmental munificence and depicts multitudes of opportunities in the market and well-developed internal capacity. When firms are able to develop the muscle and are exposed to appealing economic circumstances, organic growth strategies alone are not sufficient to accommodate the rising need for increased growth. Hence, in such circumstances external strategies such as mergers and acquisitions could serve the purpose well. These external growth strategies are not applied with the mere expectation of actuating current growth. Rather, the decision is reinforced by the positive effect they will have both on future organic growth and the role they play in stimulating different forms of current organic growth (Lockett, et al. 2011).

The movement inside the matrix is the complicated part of the model. The researcher assumes a progressive movement in the matrix. The hypothesized movement is that diversification phase might be the stages that come after all others. A firm might move from the bootstrapping stage into expansion stage or collaboration stage based on assessments regarding resource abundance. However, it is not expected to leapfrog into diversification stage from the bootstrapping phase.

6. Contributions, future research areas and limitations of the study

The intention to develop a comprehensive framework that captures the concepts of drivers and modes of firm growth indicated interesting and promising findings. As indicated in the above discussion, business growth is contingent on resources and the environmental conditions particularly forces in the economic environment.

This study contributed to literature by proposing a model that extended the knowledge in firm growth research through combining drivers and modes of growth and concurrently analyzing the effects of availability and scarcity of resources and the capacity of the economic environment to entertain firms.

The model presented in this article brought a new paradigm to growth research by combining and analyzing the impact of resource munificence and environmental munificence and pinpointing strategies that align with the identified four contexts. It sheds a promising light for the advancement of growth research and provides a fertile ground for future empirical research. Future research can empirically ascertain the fit between the four situations and proposed strategies. Besides, future researchers could also empirically examine the movements in the growth matrix and pinpoint the challenges in moving from one strategic position into another. Exploring competencies and skills relevant to each situation and strategic choices are worthy to attract the attention of future researchers.

This research is expected to benefit different stakeholders in addition to its contributions to the body of knowledge. It provides useful tools and information for the managers, trainers emphasizing on SME growth, educators and researchers. Researchers, practitioners and policy makers can use it in their respective endeavors. It can also be considered as a working tool for those looking to examine factors affecting small business growth and possible modes of growth. Moreover, the framework will contribute much to the underpinning of small business growth theories and serve as a guide for future researchers.

Despite the strong urge to present the African small business context with respect to business growth, the desire is stifled by the lack of an ample number of articles published in peer-reviewed journals. Hence, it is important to note the limitations that would emanate from under-representing this environment, and future works are advised to look for more empirical works that emphasize African SME sector.

Finally, future researchers are encouraged to hold a holistic view while dealing with firm growth than giving extra attention just to a single factor. As Wright and Stigliani (2012) firmly stated, neglecting the general context in which growth occurs could result in wrong conclusions and directions. Therefore, researchers, as well as practitioners, are advised to consider the whole set of factors involved in determining the growth prospect and strategies of a firm.

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