

I. Title Page

Mergers and Acquisitions as a driver for SME's growth and profitability

Name : Mashack Mthethwa
Student NO : 18378103

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II. Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Mashack Mthethwa
11 November 2019

III. Cover Letter

Employment is fundamental to the social sustainability of the country. Given that business is at the forefront of achieving employment growth it needs to thrive to reduce unemployment.

It has been established across the world that most new jobs created are from Small and Medium Enterprises (SME), and this sector contributes significantly to the GDP of the country. One problem that a country like South Africa has is high number of SME failures experienced during the early stages of their lifecycle, sending a number of people to unemployment. A lot of research has been done to establish reasons for SME failures, but not a lot of solutions to sustain and grow these businesses.

With Mergers and Acquisitions (M&As) proven or argued by many to contribute to large entities' growth as their strategy, this research sought to establish whether M&As could have the same impact on South African SMEs.

A relevant journal suited to contribute to regarding this topic was identified to be the Small Business Economics Journal. This is an AJG 3 star ranked journal under the Journal of Economic Literature (JEL) classification. The article followed the journal's guidelines.

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1. THEORY & LITERATURE REVIEW

1.1. Introduction

This chapter covers theory and relevant literature around M&As and small business management concepts. Through defining and delving into some key theoretical concepts underpinning the impact of M&As on non-productive companies hoping to avoid failure or their exit which leads to increased rates of unemployment. This chapter first discusses business performance improvement theory and reviews relevant literature in the field. Secondly it discusses business sustainability and job creation, and then ends with a discussion of entrepreneurial start-ups and innovation by reviewing its literature in detail.

This research is based on the theory that M&As can lead to improved company profitability, growth and sustainability, which occurs when heterogeneous productive companies merger or acquire a non-productive company or innovative entrepreneurial owned SMEs or start-ups struggling to survive. This leads to the survival and growth of the non-productive company or start-up as it avoids exit through shutdown. This in turn results in both jobs being saved and, as these companies grow, the creation of more jobs.

1.2. Theoretical View

The graphical model representation seen below in Figure 2 depicts how the research topic will contribute to theory informed by the established concepts, after which key research questions are developed.

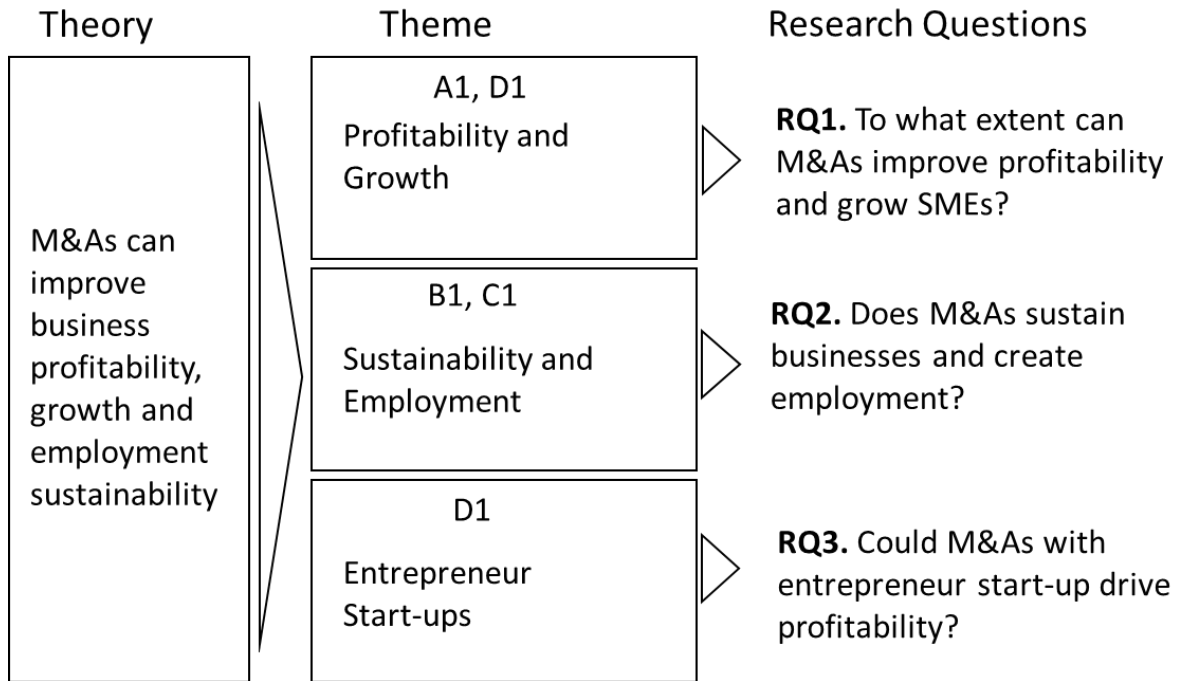


Figure 2: Research theoretical model, Source: Author's own.

1.3. M&As Improving Business Profitability and Growth

1.3.1. Profitability or Commercial

It was discovered that unproductive firms would strive to search for merger opportunities with productive companies because they know they will grow significantly (Dimopoulos & Sacchetto, 2017). Growth through M&As have been a critical success ingredient for many companies operating in the new economy through increasing sales, profits and gaining the market share (Basmah & Rahatullah, 2014). A study done by Valouch, Králová, & Sedláček, (2015) found no statistical significance regarding profit increase after mergers for companies that merged three years prior at a 5% significance level. However they further state that given the low level of significance set the concluded that M&As probably have a positive effect on earnings after tax. When the impact of M&As was tested with large entities' profitability post-merger at the same 5% significance level it was found to be very close to significance, proving that larger entities do see an increase in earnings after tax through M&As. This is furthered by a strong significance increase in large entities' return on assets through mergers (Valouch et al., 2015). In turn, this was supported by a study conducted by Leepsa & Mishra (2013) showing that acquisitions do not improve profitability more than internal growth. Rather, it leads to long term losses for companies as pre-merger performance is found to be better than post-merger performance for the acquiring companies; however this not consistently the case in different sectors or industries (Leepsa & Mishra, 2013).

The relationship between M&As and the performances of companies is influenced by many factors, including the results market status, governance, and capital markets (Zhang, Wang, Li, Chen, & Wang, 2018). As an example, research by Aamir, Asif, & Zafar (2018) found that the financial sector had more positive post-acquisition results when compared to pre-acquisition.

Reis, Carvalho, & Ferreira (2015) have suggested that M&As create value and synergies as firms acquire one another for strategic manoeuvring in certain unique areas of benefits including economies of scale. It has also been argued by Dimopoulos & Sacchetto (2017) that mergers promote productivity as the entry of new players sparks productivity improvement. Another benefit of M&As is the productivity gains that result from two firms with different productivity levels coming together. When M&As take place the productivity value of the combined companies decreases, but the productivity of each separate companies increases sharply (Dimopoulos & Sacchetto, 2017). Leepsa & Mishra (2013) found that in order to achieve improvement on profitability, the acquiring firm must update its customers through reaching out to the target customer base or acquiring an entity with a different market and location to access the new source of income.

Haltiwanger (2015) found that higher growth is more attainable for SMEs than for established firms, presuming they can survive for long enough. This is supported by research from Ipinnaiye et al., (2017) which suggests that unproductive firms achieve faster growth which drives productivity. The economic growth of an SME is not always guaranteed; rather, it depends on the performance of the acquired entity if it was a top performer, it is likely going to be adversely affected by the acquisition (Foreman-Peck & Nicholls, 2012). Additionally, Lee (2014) argues that M&As do not always result in increased profits for the merging firms, nor do they lead to positive welfare effects for merging companies; the overall effect should not be positive, because M&As do not lead to synergies. Valouch et al., (2015) emphatically argue that M&As do not contribute to profitability of SMEs. In fact at times it leads to a reduction in profitability, as opposed to the benefits seen by large entities; therefore, if SMEs are looking for growth in profitability M&As are not the way to do so.

Regardless, some M&As do lead to increased profits for the acquired company (Mason & Weeds, 2013), by providing access to capital markets through belonging to a larger, publicly traded company, rather than remaining private (Cotei & Farhat, 2018), enhancing productivity. However, this was later shown to be not the case for the acquiring companies, as a meta-analysis of 93 studies reviewing data on 206,910 acquisitions revealed that, post-acquisition, acquiring

companies are poorer than that of the acquired entity (Zaks, 2016).

1.3.2. Market and Volume Growth

M&As have generally been found to have significant positive economic effects to businesses in a number of key areas such as sales growth, value-add per employee and innovation (Arvanitis & Stucki, 2015). They are also able to gain significant market shares by acquiring competition or other similar companies, including vertical acquisition for dominance (Grill, 2018). Growth by M&As has been found to be quite beneficial to SMEs as some of the benefits include access to markets, without having to pay the costs and flow of other reputational benefits and scale amongst others (Dwyer & Kotey, 2016).

Foreman-Peck & Nicholls (2012) highlighted the fact that takeovers and M&As result in the likelihood of SMEs exit or closure if taken over by a larger entity, despite the fact that research confirms that takeover increases productivity. For proper growth opportunities, it has been found by Cotei & Farhat (2018) that SMEs are likely to sell their businesses through M&As rather than through Initial Public Offerings (IPOs), as firms that have low market concentration and stagnant performance could realize significant growth and value creation (Cotei & Farhat, 2018). M&As provide an opportunity for access to new customers and markets (Kirby & Kaiser, 2003).

1.3.3. Skills and Technology

While the focus is on SMEs improved performance through M&As, Cornaggia & Li (2019) found that growth is easily realized if the acquirer has had many opportunities for growth, and acquires or merges with a target firm that has greater access to finances. It is also true that firms must acquire businesses that are in-line with their motives and goals; most critically, objectives relevant to the business must be aligned (Lee, 2014). Research and Development are key to improving the firm's business performance in terms of turnover and productivity (Ipinnaiye et al., 2017).

A study by Foreman-Peck & Nicholls (2012) highlighted three main factors that influence which SMEs are targeted for M&As or takeovers; knowledge assets, internal generated innovation and skills. Expanding further, Foreman-Peck & Nicholls (2012) also highlighted the likelihood of SMEs exiting post-takeover by larger entities. In executing M&As, companies must remember that, in order to get their intended value, the process needs to involve due diligence in identifying the strengths and weaknesses of the target company, as the seller may not volunteer all the necessary information. (Lehmann & Schwerdtfeger, 2016).

According to Zaks (2016), there are many operations involved in the acquisition of SMEs and the

principal driving force behind these acquisitions is the need for new skills and new technical and technological knowledge.

RQ 1: To what extent can M&As improve and grow SMEs?

1.4. Sustainability and Employment Growth

1.4.1. Business Survival

Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde (2018) have argued that in order to sustain performance and survive in this highly competitive ever-changing market, firms need more than just a strong entrepreneurial orientation; they also have to be ambidextrous in their execution. Syverson (2011) argues that productivity is a large component of a firm's survival, as companies that are highly productive survive longer than those that are not. Zhu & Zhu (2016) also found that managerial self-interest can either further a business or destroy it. When it comes to pursuing M&As, young executives are more motivated by a large permanent increase in their financial gains, while senior executives are more focused on post-retirement directorship roles as their motivation to pursue M&As (Zhu & Zhu, 2016).

Managers tend to try to defend their territory from being acquired, since this tends to lead to unemployment, as they may not fit with the acquiring company. Some managers, unable to deal with losing some of the power they had adopted anti-takeover provisions making them less likely to be acquired (Zhu & Zhu, 2016).

While there are many advantageous synergies for M&As they have not been without failures (Basmah & Rahatullah, 2014). M&As do encourage unproductive firms to remain in the industry (Dimopoulos & Sacchetto, 2017) improving sustainability as exits declined by 2%. When performance was compared between merged entities and that of established businesses, (Cotei & Farhat, 2018) found that other businesses performed better profitably than merged entities proving that the main reason for mergers is not always for profitability performance but for growth sustainability through innovation and access to key markets amongst others.

Mergers, however, do offer market access opportunities which contributes significantly to the survival chances of SMEs by providing access to the acquiring entities' resources (Foreman-Peck & Nicholls, 2012). The sustainability of SMEs post-acquisition or mergers rests in what the new management chooses to do; this may provide new, much-needed resources that help sustain the SMEs, improving productivity or, the new leadership may destroy the prior entrepreneurial spirit, causing more harm than good. Reis et al., (2015) found that integration was a determiner of whether or not an M&A was successful. While patents protect innovative ideas that drive the firm's competitiveness, it should be noted that R&D is quite costly for young companies as they

struggle to survive during the first few years of establishment.

The survival of SMEs is not only dependent on its leadership strategies as there are other factors that influence how it performs, regardless of M&As. Some of these other factors are: imposed laws such as free movement of goods and services across the borders without high import tariffs to protect local industry or high tariff walls (i.e. import tax, quotas or voluntary export restraints) imposed by the importing nations, both of which may prevent SMEs from competing in the global market (Mukherjee, 2018).

The survival of any type of business requires a strong and inclusive work culture that is open to all stakeholders. This cannot be achieved without knowing the local market environment and its culture well; Jespersen, Rigamonti, Berg Jensen, & Bysted (2018) rated this factor as being one of their top three findings in their SMEs proximity research. Further Jespersen et al. (2018) argued that social capital, in a form of strong relationships, creates a strong bond in transacting or collaborating parties which leads to reduced risk and improved communication thus reducing transaction costs. Culture fit of the merging organizations is critical for business success and survival, as there needs to be congruence in risk-taking, leadership practices and alignment on values and objectives as the two companies become one (Prabhudesai & Prasad, 2017).

Cotei & Farhat's (2018) view is that new companies with high innovation are financially constrained, leading to providers of debt to see them as risky. Additionally the sustainability or survival difference between SMEs and large entities operating in an environment with large sunk cost and high economies of scale is high. Generally SMEs have less chance for survival in such a business environment when compared to larger entities, but this will differ from industry to industry. Karami, Wooliscroft, & Mcneill (2019) emphasized the fact that the growth and survival of SMEs in a globalized world will be underpinned by partnerships.

SMEs that operate in high capital intensive industries with high growth potential normally do not pursue selling their business or exiting, as they wait for the right time to get the right value for stakeholders (Cotei & Farhat, 2018). This is not necessarily easy to get right due to information asymmetry between acquirers and targets. Target firms looking to be acquired have an incentive to make favourable information public while keeping unfavourable information hidden, which may lead to value destruction for the acquirers' shareholders (Zhu & Zhu, 2016).

According to Jespersen et al., (2018) research findings, an SMEs partnership with market peers and competitors is a way to survive tough market conditions that could force them to exit. In

addition to these necessary ingredients for SMEs' survival, it is key to not lose focus on the importance of government and regulatory bodies, as they play a significant role in opening doors and allowing businesses to grow (Williams & Ramdani, 2018). Moreover in order for SMEs to survive it must have internal business processes and systems to innovate and customize product delivery to customers. Talebi, Rezazadeh, & Nobari (2016) discussed at length the significance of internal business processes to innovate where processes and systems are aligned for delivery.

1.4.2. Employment

M&As lead to job creation and sustainability as companies grow. Creating a user-driven business model and platform is critical for a business's survival and profitability (Song, 2019).

Depending on the size of the acquiring or acquired firm, this could have either a negative or positive effect on employment growth and economic impact on either company's shareholders (Burghardt & Helm, 2015). Although employment growth is a conservative measure of company growth (El Shoubaki, Laguir, & den Besten, 2019), and may not be the prime reason for any SME business for emerging economies employing more people is critical for economic growth. Selling firms often seek compatible culture alignment and autonomy in order to try to match their employee's expectations, in order to keep them and avoid resignations post-merger (Zaks, 2016).

In integration, an acquiring firm may make the decision to not fully integrate, instead partially acquiring the entity. This would have been identified as the best move from due diligence done; or the decision may be to buy the whole company but not fully integrate it, to allow for full autonomy of its existence (Zaks, 2016). Research by Hedman & Sarker (2015) showed that they have seen M&As that involve complete integration leaving no trace of the target company, as well as M&As resulting in partly integrated or even complete autonomy depending on intended .

RQ 2: How can M&As sustain businesses and enhance employment?

1.5. Innovative Entrepreneurial Start-Up Acquisition for Growth

1.5.1. Start-Up Acquisition

According to Haltiwanger (2015), regardless of the level of an entrepreneurial start-up is placed at in the profitability curve, they tend to eventually play a significant contributory role in the productivity of the entity suggesting a turn-around in performance. Whilst there may be risk associated with start-ups, the reasons that influence start-up commitment during the initial and growth stages is the profit potential that the start-up possesses; making M&As a high-risk but high reward decision (Zaks, 2016).

One of the challenges that lead to not acquiring start-ups is that many of these companies are unprofitable, or do not have a sustainable revenue model for their business. High valuations, especially in tech space, can also put pressure on founders, as they need to deliver on these expectations (Block, Colombo, Cumming, & Vismara, 2018). What Zhu & Zhu (2016) found was that most acquirers are generally conservative and rational decision-makers in bidding prices, however they may end up overpaying due to target firm resistance, competing bids, or desire for growth. This however is not the case in the global renowned acquisition of start-ups, as they are found to be endogenously pro-competitive if acquired by larger companies--as seen with Apple acquiring Siri and Google's acquisition of Android, these became a driving force within these large entities (Pires-alves, Gonzalo, & de Oliveira Lyra, 2019).

Acquiring SMEs is not the only way for firms to innovate; they can ensure smaller, continuous innovation in R&D themselves in order to grow (Deschryvere, 2014). This however is disputed by Zaks (2016) who argues that in order to leverage technological advantages, companies often acquire young, underfunded companies without any prospects for generating any cash flow in the near future. Pires-alves, Gonzalo, & de Oliveira Lyra, (2019) argue that many large firms have looked to start-ups to innovate and injected some of their much-needed dynamism. While small entrepreneurial business provide higher employment growth opportunities (Cotei & Farhat, 2018), the merger may strip creativity or dynamism out of the young entity (Foreman-Peck & Nicholls, 2012). Findings by Ayyagari, Demirguc-Kunt, & Maksimovic, (2014) state that young and small businesses disproportionate creates and destroys jobs. In the USA, starts-up are found to account for 3% of employment rates, with 20% of gross job creation. In emerging economies, entrepreneurial start-ups are found to be significant contributors to employment, as statistics indicate that job creation by SMEs is higher for low-income countries than for high-income countries (Ayyagari et al., 2014).

Further, it was found by Cotei & Farhat (2018) that prior entrepreneurial experience makes SMEs attractive to potential buyers or investors, as they see growth potential. Additionally, a takeover of an entrepreneurial business by established firms allows for rapid growth as innovation and sophistication on product or services variations is acquired (Lehmann & Schwerdtfeger, 2016).

1.5.2. Innovation

Small or young entrepreneurially owned businesses endogenously drive innovation, productivity and high growth, accounting for higher job creation than established corporations Haltiwanger, (2015); Lehmann & Schwerdtfeger, (2016). It has been found by Guzman & Stern (2015) that the

organization type of both the business and the ownership is a significant predictor of growth potential. A study by Arzubiaga et al., (2018) shows that the ability of entrepreneurs to innovate and reinvent in the face of challenges is mostly due to the entrepreneurs' ability to develop dynamic capabilities Herbane (2019). This leads to productivity and growth, if merged with a resourceful and productive company. When large, established entities acquire minority stakes through what is known as corporate venture capital, innovative start-ups get an independent lifeline for accelerated growth (Block et al., 2018). This view is supported through research by Pires-alves et al., (2019) showing that M&As of entrepreneurial SMEs are not always beneficial, as this may be eliminating innovative competition.

Dezi, Battisti, Ferraris, & Papa (2018) found that while there is a connection between M&As and the concept of innovation in studies, this is not always the case in practice, especially when dealing with open innovation. Research done by Pitchayadol, Hoonsopon, Chandrachai, & Triukose (2018) on family-owned SMEs and innovation found that innovation decreases from one generation to another as they are more risk-averse and quite protective of their businesses.

Statistically significant findings by Cotei & Farhat (2018) prove that, during the early stages of a start-up, businesses that were organized as corporations innovated. Family involvement in directorship roles of an SME can have negative effects on innovation and entrepreneurial orientation in the firm, due to limited experience and knowledge. They also engage in conflicting economic and non-economic activities which are counter to the development of the company; however, it was found that family SMEs must ensure that family directors are actively involved in devising business strategy to turn the firms' entrepreneurial orientation into ambidextrous innovation (Arzubiaga et al., 2018). In order to diversify their exposure, family-owned businesses prefer to rather engaged in more M&As to manage risk exposure as a priority; this could be extended to mean that family business favours M&As more than organic growth (Zhu & Zhu, 2016).

Acquiring companies often pursue technology acquisitions to tap into the innovative potential of entrepreneurial firms, which are becoming an increasingly important engine of new technical knowledge (Zaks, 2016). This has been confirmed by Zhu & Zhu (2016) whose research shows that technological innovation is the primary motivation for acquirers looking to innovate, sometimes acquiring minority stakes just to have that technological exposure. According to Zaks (2016), most large and established firms choose acquisition over organic growth as means to

build technology resources because smaller, younger firms are often more innovative. On the other hand Pires-alves et al., (2019) argued that acquisition could be a curtailment or killer of innovative momentum within an organization, as product development does not continue. Acquisitions distract decision-makers from continuing to innovate and over time innovation gets to be completely non-existent within the organization as growth focus shifts to M&As (Zhu & Zhu, 2016).

While higher growth, innovation, and employment growth could lead to an SMEs exit, research done by Lehmann & Schwerdtfeger (2016) confirms that stock markets value young and high-tech firms positively. This is especially true for the corporation owned entity, but not always for an entrepreneur owned business. Large corporations in countries like Israel have used their deep pockets to acquired small innovative enterprises as a means to grow their technological prowess (Zaks, 2016).

RQ 3: Can M&As with entrepreneurial start-ups drive productivity?

1.6. Conclusion

M&As have largely been proven to have a significant and positive effect on business performance through its contribution to a business' ability to unlock key markets, innovate, acquire skills and improve economies of scale (Arvanitis & Stucki, 2015; Ipinnaiye et al., 2017; Lehmann & Schwerdtfeger, 2016). Growth through M&As is further enhanced if the acquirer has growth opportunities, or if the acquired entity has underfunded growth opportunities which can be pursued soon after acquisition through the financial muscle of the acquirers. SMEs also prefer M&As to grow or exit their business as opposed to IPOs, and more benefits are presented by mergers when it comes to accessing resources or enabling development (Cotei & Farhat, 2018; Reis, Carvalho, & Ferreira, (2015).

M&As don't always result in success and growth, which sometimes leads to the SMEs exit or closure of the business if wholly acquired by a large entity. This in turn leads to employment reduction at times, which can causes slow or declining performance if the acquired entity was a top performer (Foreman-Peck & Nicholls, 2012; Burghardt & Helm, 2015).

While M&As could be counteractive to the growth of certain performing businesses, it generally provides growth. Not only do they drive growth in profitability and performance, M&As provide what most business would rather have business sustainability in times of failure or lack of growth, in order to avoid closure and shutdown, through provision of necessary resources and skills that

encourages an ambidextrous approach (Ipinnaiye et al., 2017; Arzubiaga, Kotlar, De Massis, Maseda, & Iturralde, 2018). Family directors ought to participate actively in strategy formulation and be ambidextrous in exploring opportunities (Arvanitis & Stucki, 2015; Cotei & Farhat, 2018; Arzubiaga et al., 2018).

2. PROPOSED RESEARCH METHODOLOGY & DESIGN

2.1. The Rationale for the Chosen Methodology

The literature review suggested that the post-merger economic performance of M&As is diverse, and can be positive or negative for SMEs or large organizations alike, depending on how the merger done. Most of the literature reviewed was written outside SA. A qualitative methodology was adopted for this research following an exploratory study design that seeks new insights in the most under-researched area in SA (Saunders & Lewis, 2018). This study is based on interpretivism philosophy with the intent to create new, richer understandings of organizational realities (Saunders, 2016), (Mitra & Basit, 2019). The research is predicated on seeking an understanding of the extent of possibility, and a “why” question in an interpretive way (Saunders & Lewis 2018) in order to understand the dynamics of how M&As encourage productivity and growth, and how to sustain SME businesses and save jobs.

The philosophy is therefore based on developing an understanding of how and why. Based on research questions, the problem has been defined, which aims to contribute practical solutions to inform future practice (Saunders & Lewis, 2018, p.111). While an interpretivism philosophy is widely understood as aiming towards an understanding that is appreciated for being interesting, this research will approach interpretivism in a pragmatist way, as it aims for constructive knowledge that is appreciated for being useful (Goldkuhl, 2012).

This research will work towards knowledge creation, that makes a positive difference and contributes to better business practices (Kelemen & Rumens, 2012).

An induction theory development has been followed in order to build an understanding of general conclusions or theories for the process. This approach presents a more flexible structure to permit changes in research emphasis as the research progresses (Saunders & Lewis, 2018, p.113).

Furthermore, this exploratory approach is suited for qualitative methods such as semi-structured interviewing, since many mergers fail to produce synergies, or firms over-estimate the potential

synergies. This can be better understood through this methodology (Basmah & Rahatullah, 2014). With this qualitative research, a new theory regarding the impact of M&As on unproductive firms will be shaped, and in an iterative “constant comparison” interplay between rich data and emerging conceptual insights can be related to existing theories, which will then allow for the creation of new theoretical insights (Doz, 2011).

Regardless of the fact that archives and secondary data are also approved data collection methods, the method of interviews and observations were the only methods used, due to it being the most appropriate way to gather information about the understanding of events (Eisenhardt, 1989). The qualitative research provides the researcher with the perspectives of target audience members through captivation and direct interaction with the people under study (Basmah & Rahatullah, 2014).

A case study approach was used as one of the leading qualitative research design methods; the approach mostly addresses the why as well as the what, when and how certain activities were done. This was done while also exploiting data received through other qualitative supported means (Parylo, 2012).

The research was done in a cross-sectional design study format due to limited time, as well as the exploratory nature of the research, collecting some descriptive data through interview questionnaires over a short period of time (Saunders & Lewis, 2017). This data was collected through semi-structured interview questionnaires carefully developed to gather valid and reliable data.

Primary data was gathered through face to face interviews with organizations from Construction, Manufacturing, and Professional Services sectors

A multiple case study approach was adopted because it will provide or has an advantage in constructing a framework in which either literal replication predicts similar results across multiple cases (Yin, 2009), it is also good as it allows more than one case to be looked at in order to provide balanced views of the findings (Eisenhardt, 1989). Eisenhardt, (1989) further clarifies that this approach helps with theory building and its frequent overlap of data analysis with data collection is a significant striking feature of the approach.

The adopted case study approach will assist on adequately addressing the questions raised and provide an understanding of how M&As can indeed introduce competitiveness and economic growth to SMEs, further, the case study approach contributes significantly to much-needed theory

building on this least researched area in South Africa. On reasons to select a couple of case sectors or companies as indicated above, Yin (2009) states that single case studies are relevant for critical cases in order to test theory, or to analyse cases that may be extreme, typical, revelatory or longitudinal.

2.2. Population

The population selected for this study is cases of SMEs within the identified sectors of Construction, Manufacturing and Professional Services operating across South Africa who meet the criteria for sampling--being an SME or former SME in the recent past, and in operation for over three years. While sampling from a population is normal, Eisenhardt (1989) found that sampling of cases from a chosen population is a bit unusual when building theory from case studies.

2.3. Unit of Analysis

From the in-depth analysis done it became clear that the unit of analysis will be the number of cases sampled, and not the SMEs. Therefore the unit of analysis was Construction, Manufacturing and the Professional Services sectors, which allowed for ease of drawing comparisons and similarities from the results and arrive at sound and balanced conclusions as cases can be everything and it is identical with the unit of analysis (Grunbaum, 2007).

2.4. Sampling Method and Size

The study followed a non-probability sampling approach as there's no sampling frame with snowballing sampling as a combination (Saunders & Lewis, 2018). It adopted purposive sampling as we need to understand what is happening to make logical conclusions albeit generalized. An extreme case was adopted as we wanted to sample a variety of participants to find out the most relevant findings (Saunders & Lewis, 2018).

The cases sampled comprises of SMEs who have existed for over three years with interest in Construction, Manufacturing and Professional services sectors as they would be amongst the biggest employers according to Cotei & Farhat (2018), they must have merged or bought by another SME, larger entity or have gone through M&As but never succeeded. Given the qualitative case study approach, the sample was the small size of seven SMEs belonging to the three case sectors mentioned above. Eisenhardt, (1989) had said no matter how small the sample size in a case study method they have tried to go to organizations with a well-defined focus to

collect data.

2.5. Data Gathering Process

Primary data was collected through interviews based on semi-structured questionnaires as one of the most effective and useful ways for exploratory research is best conducted through literature review and interviews (Saunders & Lewis, 2018). The structure of the questionnaires was a combination of questions adapted from credible relevant qualitative research journal articles, and few developed in line with the research questions.

The structure had main questions, follow-up questions and probing questions, which ensured that the research problem was thoroughly examined, and that each part of a broad topic was carefully and thoughtfully explored, and expressed so as not to restrict or predetermine the responses while still covering the research concerns. (Rubin & Rubin, 2005). Interviews were planned, voice recorded and then transcribed to text. A total of seven interviews were conducted as a means of gathering primary data.

Secondary data was sought from the sampled case companies, however this proved difficult for SMEs to provide as it is deemed highly sensitive data notwithstanding confidentiality in place. Secondary data in whatever form it is presented as long it is from credible sources, its analysis might be used productively, where it is accompanied by a critical understanding of contextual specificities, that it might even be used to draw out such specificities and that it may engender new questions, new avenues of inquiry and, it is hoped, offer a helpful research resource (Irwin, 2013). Cowton (1998) indicated that the relevant type of sources used for secondary data amongst others includes government or regulatory bodies, companies reports, the press, other academic researchers, and private sources.

2.6. Measurement or Data Collection Tool

A standard questionnaire was used to collect the qualitative data for all respondents and the data was transcribed and all arranged in the same format for analysis. The measurement of information or data gathered was loaded on a systematic instrument that will assist with coding creation to ensure reliability and validity as systems checks will be done to ensure correctness.

With interviews being seen as one of the most effective or useful ways for conducting an exploratory case approach interview it was seen to be best to develop semi-structured questions to conduct face to face interviews with the three sectors' seven participants or interviewees.

Interviews were held at the convenience of interviewees' comfort (their offices, or chosen spaces). The longest interview took an hour and 31 minutes, while the shortest took 23 minutes.

Participants were invited to participate through an email, with the research questions and the confidentiality declaration form attached, clearly indicating for the time limit I was asking for.

2.7. Analysis

The qualitative data collected was analysed on an on-going basis, meaning the first interview data were analysed to gain insights from it to improve the following interview and also as a measure to assess if data saturation would have been reached. Interviews were transcribed using a technology called TEMI and analysed using Atlas TI.

The analysis process involved the identification of key quotes and coding them, creating super codes or constructs and then themes as a process of inductively building the theory (Saunders & Lewis, 2018). The super codes were extracted from Atlas TI and the generated report analysed to identify frequencies or number of quotes around that theme.

2.8. Quality Controls

In order to ensure validity and reliability of the findings the audio and notes data collected from the semi-structured interviews were transcribed, converted consistently categorized accordingly as part of the analysis to inductively develop an understanding of the subject and theory. It has been found by Saunders & Lewis (2018) that qualitative data gathering is subjective and affected by biases mostly, to manage this a standard set of open-ended questions was developed and consistently asked from all participants to ensure validity and reliability.

Data gathered has been triangulated with the three case sectors of Construction, Manufacturing, and Professional Services to ensure credibility, while Apuke (2017) argued that data triangulation involved external multiple employment of collection as well as analysis, this study has employed collection from the three sectors and face to face interviews and some observations amongst the sampled SMEs. It is said that failure to reach data saturation has a negative impact on one study however on the same breath it is acknowledged that this depends on the type of study design and this must be known upfront on how to know when you have reached it (Apuke, 2017). In order to accurately build theory following this inductive approach, meaningful categories emerging from the qualitative were established based on the unit of data and continuously refined to ensure reliability (Saunders & Lewis, 2018 p.210).

2.9. Limitation

Some of the limitations of the research method chosen for this study are; the sample selection through snowballing by others, could be biased as interviewees may refer me to SMEs that they like, or to those that they believe will only provide me with the information I want. Given the fact that this area is the least researched in the country, and M&A practice is not prevalent amongst SA SMEs, finding a good sample size of SMEs was difficult. Secondary data was not received from sampled SMEs, as they deem it to be very confidential, and were uncomfortable discussing finances during interviews. Findings are limited to the selected sample and do not necessarily represent all the sectors, or even the sector in which the sampled SMEs belongs.

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4. Appendices

4.1. Author's guidelines for the Journal

Title Page

The title page should include:

- The name(s) of the author(s)
- A concise and informative title
- The affiliation(s) of the author(s), i.e. institution, (department), city, (state), country
- A clear indication and an active e-mail address of the corresponding author
- If available, the 16-digit ORCID of the author(s)

If address information is provided with the affiliation(s) it will also be published.

For authors that are (temporarily) unaffiliated we will only capture their city and country of residence, not their e-mail address unless specifically requested.

Abstract

Please provide an abstract of 150 to 250 words. The abstract should not contain any undefined abbreviations or unspecified references.

Keywords

Please provide 4 to 6 keywords which can be used for indexing purposes.

CLASSIFICATION CODE

JEL

An appropriate number of JEL codes should be provided. This classification system is prepared and published by the Journal of Economic Literature, see

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TEXT

Text Formatting

Manuscripts should be submitted in Word.

- Use a normal, plain font (e.g., 10-point Times Roman) for text.
- Use italics for emphasis.
- Use the automatic page numbering function to number the pages.
- Do not use field functions.
- Use tab stops or other commands for indents, not the space bar.
- Use the table function, not spreadsheets, to make tables.
- Use the equation editor or MathType for equations.
- Save your file in docx format (Word 2007 or higher) or doc format (older Word versions).

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- LaTeX macro package (zip, 183 kB)

Headings

Please use the decimal system of headings with no more than three levels.

Abbreviations

Abbreviations should be defined at first mention and used consistently thereafter.

Footnotes

Footnotes can be used to give additional information, which may include the citation of a reference included in the reference list. They should not consist solely of a reference citation, and they should never include the bibliographic details of a reference. They should also not contain any figures or tables.

Footnotes to the text are numbered consecutively; those to tables should be indicated by superscript lower-case letters (or asterisks for significance values and other statistical data). Footnotes to the title or the authors of the article are not given reference symbols.

Always use footnotes instead of endnotes.

Acknowledgments

Acknowledgments of people, grants, funds, etc. should be placed in a separate section on the title page. The names of funding organizations should be written in full.

MANUSCRIPT LENGTH

- Texts should, normally, be no longer than 8,000 words, including references. Any materials that are relevant, but not essential, should be included as an online only appendix, also known as "Electronic Supplementary Material".

REFERENCES

Citation

Cite references in the text by name and year in parentheses. Some examples:

- Negotiation research spans many disciplines (Thompson 1990).
- This result was later contradicted by Becker and Seligman (1996).
- This effect has been widely studied (Abbott 1991; Barakat et al. 1995; Kelso and Smith 1998; Medvec et al. 1999).

Ideally, the names of six authors should be given before et al. (assuming there are six or more), but names will not be deleted if more than six have been provided.

Reference list

The list of references should only include works that are cited in the text and that have been published or accepted for publication. Personal communications and unpublished works should only be mentioned in the text. Do not use footnotes or endnotes as a substitute for a reference list.

Reference list entries should be alphabetized by the last names of the first author of each work.

Journal names and book titles should be *italicized*.

- Journal article
Harris, M., Karper, E., Stacks, G., Hoffman, D., DeNiro, R., Cruz, P., et al. (2001). Writing labs and the Hollywood connection. *Journal of Film Writing*, 44(3), 213–245.
- Article by DOI
Slifka, M. K., & Whitton, J. L. (2000) Clinical implications of dysregulated cytokine production. *Journal of Molecular Medicine*, <https://doi.org/10.1007/s001090000086>
- Book
Calfee, R. C., & Valencia, R. R. (1991). *APA guide to preparing manuscripts for journal publication*. Washington, DC: American Psychological Association.
- Book chapter
O'Neil, J. M., & Egan, J. (1992). Men's and women's gender role journeys: Metaphor for healing, transition, and transformation. In B. R. Wainrib (Ed.), *Gender issues across the life cycle* (pp. 107–123). New York: Springer.

- Online document
Abou-Allaban, Y., Dell, M. L., Greenberg, W., Lomax, J., Peteet, J., Torres, M., & Cowell, V. (2006). Religious/spiritual commitments and psychiatric practice. Resource document. American Psychiatric Association. http://www.psych.org/edu/other_res/lib_archives/archives/200604.pdf. Accessed 25 June 2007.

For authors using EndNote, Springer provides an output style that supports the formatting of in-text citations and reference list.

- EndNote style (zip, 3 kB)

TABLES

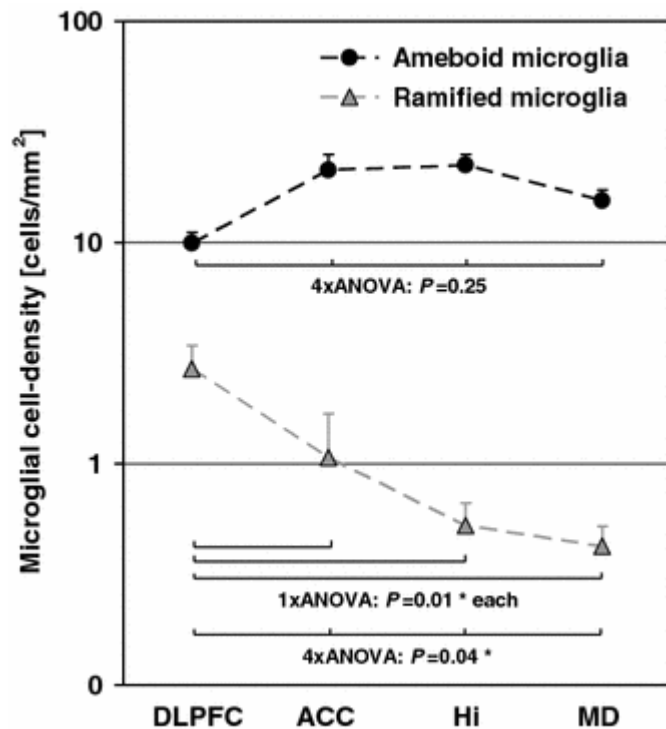
- All tables are to be numbered using Arabic numerals.
- Tables should always be cited in text in consecutive numerical order.
- For each table, please supply a table caption (title) explaining the components of the table.
- Identify any previously published material by giving the original source in the form of a reference at the end of the table caption.
- Footnotes to tables should be indicated by superscript lower-case letters (or asterisks for significance values and other statistical data) and included beneath the table body.

ARTWORK AND ILLUSTRATIONS GUIDELINES

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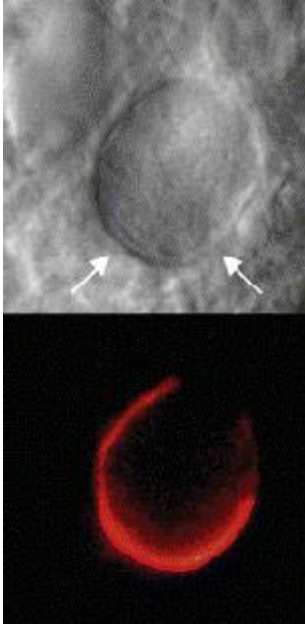
- Supply all figures electronically.
- Indicate what graphics program was used to create the artwork.
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- Vector graphics containing fonts must have the fonts embedded in the files.
- Name your figure files with "Fig" and the figure number, e.g., Fig1.eps.

Line Art



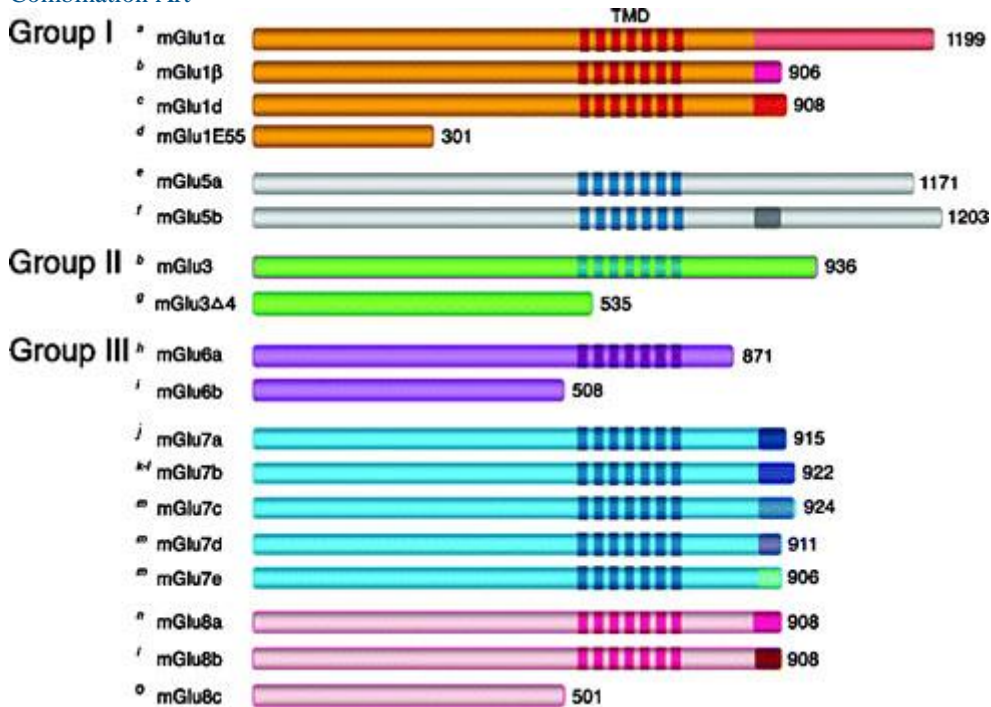
- Definition: Black and white graphic with no shading.
- Do not use faint lines and/or lettering and check that all lines and lettering within the figures are legible at final size.
- All lines should be at least 0.1 mm (0.3 pt) wide.
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- Color art is free of charge for online publication.
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- No punctuation is to be included after the number, nor is any punctuation to be placed at the end of the caption.
- Identify all elements found in the figure in the figure caption; and use boxes, circles, etc., as coordinate points in graphs.
- Identify previously published material by giving the original source in the form of a reference citation at the end of the figure caption.

Figure Placement and Size

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- When preparing your figures, size figures to fit in the column width.
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Springer accepts electronic multimedia files (animations, movies, audio, etc.) and other supplementary files to be published online along with an article or a book chapter. This feature can add dimension to the author's article, as certain information cannot be printed or is more convenient in electronic form.

Before submitting research datasets as electronic supplementary material, authors should read the journal's Research data policy. We encourage research data to be archived in data repositories wherever possible.

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- Supply all supplementary material in standard file formats.
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- Maximum file size: 25 GB
- Minimum video duration: 1 sec
- Supported file formats: avi, wmv, mp4, mov, m2p, mp2, mpg, mpeg, flv, mxf, mts, m4v, 3gp

Text and Presentations

- Submit your material in PDF format; .doc or .ppt files are not suitable for long-term viability.
- A collection of figures may also be combined in a PDF file.

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- Spreadsheets should be submitted as .csv or .xlsx files (MS Excel).

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Collecting Multiple Files

- It is possible to collect multiple files in a .zip or .gz file.

Numbering

- If supplying any supplementary material, the text must make specific mention of the material as a citation, similar to that of figures and tables.
- Refer to the supplementary files as "Online Resource", e.g., "... as shown in the animation (Online Resource 3)", "... additional data are given in Online Resource 4".
- Name the files consecutively, e.g. "ESM_3.mpg", "ESM_4.pdf".

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- The manuscript contains a descriptive caption for each supplementary material
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For editors and reviewers to accurately assess the work presented in your manuscript you need to ensure the English language is of sufficient quality to be understood. If you need help with writing in English you should consider:

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If your manuscript is accepted it will be checked by our copyeditors for spelling and formal style before publication.

4.2. Examples of Journal Article

4.2.1. First example

Small Bus Econ

<https://doi.org/10.1007/s11187-019-00152-x>



Strategic decision-making in SMEs: effectuation, causation, and the absence of strategy

Adrian Hauser & Fabian Eggers & Stefan Güldenber

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Abstract Since the early 2000s, effectuation has gained substantial interest in literature. Whereas Sarasvathy in her seminal 2001 article distinguished effectuation from causal decision-making, still effectuation seems to get confused with ad hoc decision-making or strategy absence. On the basis of a qualitative study with 12 managers from 10 Swiss small-to-medium enterprises (SMEs), this manuscript analyzes their decision-making approaches and distinguishes between causal, effectual, and absence-of-strategy reasoning. Whereas principles for effectuation and causation are well established, this study reveals new categories on which strategy absence can be mapped. The three decision approaches and their interplay are then investigated in four business contexts (founding, takeover, new artifact creation, and existing artifacts). Whereas causal reasoning is found in all four, signs of strategy absence are apparent in three. Effectual logic dominates all four

contexts. Further, this manuscript finds that choice of the strategic decision approach does not depend on company size but rather on decision context. Also, firms demonstrate the ability to switch between effectual and causal decision models according to the specific decision context.

Keywords Small and medium-sized enterprises · Effectuation · Causation · Strategy · Entrepreneurial decision-making · Emergent strategies · Absence of strategy

JEL classification L10 · L26 · M13 · O31

1 Introduction

Effectuation is an entrepreneurial logic which follows a dynamic and interactive process for the creation of new artifacts (Sarasvathy et al. 2008). In her seminal article, Sarasvathy (2001) introduced effectuation by contrasting it with causal decision-making, oftentimes also referred to as the classical planning school. This, to some extent, led to the belief that effectuation is everything except strategic planning, that is some sort of unstructured decision-making, preferably in small firms (Stonehouse and Pemberton 2002; Wang et al. 2007). However, effectual decision-making is a deliberate approach and there is a need to draw a line between effectuation, causation, and any sort of ad hoc decision-making.

A. Hauser (*)

Institute for Entrepreneurship, University of Liechtenstein,
Fürst-Franz-Josef Straße, FL-9490 Vaduz, Liechtenstein
e-mail: adrian.hauser@productivenetwork.com

F. Eggers

Department of Marketing, Menlo College, 1000 El Camino Real,
Atherton, CA 94027-4301, USA
e-mail: fabian.eggers@menlo.edu

S. Güldenber

International Management, Institute for Entrepreneurship,
University of Liechtenstein, Fürst-Franz-Josef Straße,
FL-9490 Vaduz, Liechtenstein
e-mail: stefan.gueldenberg@uni.li

In strategic management, there is a long tradition of studying the absence of strategy (Inkpen and Choudhury 1995). Starting with the Garbage Can Model (Cohen et al. 1972), Reactor Strategy (Miles et al. 1978), or Ad hoc Decision-Making (Ansoff 1987; Winter 2003), all of these consider the observation that firms do not always follow a specific strategy and that firms sometimes get along with no rational decision-making approach. Yet very little empirical work has actually been undertaken to look deeper into this absence. That is why Inkpen and Choudhury (1995, p. 32) urge research into the following question: «Specifically, if absence is treated as a dependent variable, what are the environmental and firm factors associated with its occurrence?»

This paper attempts to do exactly that through an in-depth qualitative study of 10 SMEs. Choice of SMEs was driven by extant literature that argues for SMEs being an ideal setting in which to study the absence of strategy. In particular, recent research has questioned if decision-making approaches developed for large companies (e.g., strategic typologies of Miles et al. 1978, Porter's Generic Strategies 1991, or Kaplan's and Norton's Balanced Scorecard 1992) apply to SMEs (Leitner and GüldenberG 2009). For instance, SMEs oftentimes follow different performance objectives such as pursuing primarily personal, noneconomic goals, thereby ignoring opportunities to increase profits and growth (Wang et al. 2007). In addition, SMEs are often relatively resource-constrained businesses that operate in markets fraught with uncertainty (Knight 2001). In this context, Gibcus and Kemp (2003) as well as Bryant (2007) found that only a few SMEs write down their strategy. Given these special characteristics, it can be assumed that SMEs are particularly prone to exhibit strategy absence (Beaver 2002; Wang et al. 2007; Abosedo et al. 2016).

Robinson and Pearce (1984) document a lack of strategic planning in small firms. Studies show that strategy absence will harm SME performance in the long run (Spanos et al. 2004; Andrews et al. 2009; Leitner and GüldenberG 2009). «Of all strategy groups, those companies with no coherent strategy generally achieved the lowest levels of performance» (Leitner and GüldenberG 2009, p. 184). However, it is important to remark that a firm's performance is not necessarily connected to the presence or absence of strategy, since a series of bad decisions can still be consistent with a bad strategy that eventually leads to failure. As such, we will

not research performance, but consistency in the stream of a firm's decision in different strategic business contexts. Consequently, we adopt Inkpen's and Choudhury's (1995, p. 320) definition of strategy absence as «a stream of decisions to a strategic context without an observable consistency.»

Specifically, this paper focuses on the following research questions: What role does strategy absence play in SMEs and how does it relate to effectuation and causation? Furthermore, how much do effectuation, causation, and strategy absence differ in different business contexts?

In contrast to arguments from extant literature that strategy absence will be rife in SMEs, we find that absence is rather scarce, leading us to question whether extant literature has unwittingly lumped effectuation with the absence of strategy in the SME setting. All the same, given the extensive details of qualitative data, we were able to dive deeper into the various dimensions of strategy absence. In sum, our findings lead to two major contributions. First, we contribute to the literature on effectuation by showing exactly how effectuation and causation differ from the absence of strategy. In the interviews, different business contexts emerged from the data. In particular, we found and compared decision-making approaches that relate to the founding process, takeover of other firms, the creation of new products, services or processes, and the dealing with such existing artifacts. Second, we offer important contributions to the literature on strategy absence by delineating five dimensions of strategy absence that map on to the dimensions of causation and effectuation.

2 Theory

2.1 Absence of strategy as a phenomenon of interest in strategic management

Even if a company has a product line or serves particular markets, Inkpen and Choudhury (1995) argue that the existence of such artifacts is insufficient to support the assumption that all firms have strategies. Along these lines and following Mintzberg (1978), without realizing an intended strategy or developing an emergent strategy, a firm is absent of strategy (Inkpen and Choudhury 1995).

Consistent with Mintzberg's (1978) definition of strategy, Miles et al. (1978) introduce a so-called

reactive strategy which can be described as adjustments to the environment that are both inconsistent and unstable. The reactor, a residual strategy arising when one of the other strategies is improperly pursued, is responding inappropriately to change and uncertainty. Later conceptualizations of the reactor strategy type vary in literature (Anwar and Hasnu 2016). Reactors were also characterized as companies with organizational inertia that lack a consistent strategy and simply respond to environmental pressures when forced to do so (McDaniel and Kolari 1987; Rodwell and Shadur 2007; Blackmore and Nesbitt 2013).

Inkpen and Choudhury (1995) see three perspectives for viewing strategy absence: absence as failure, absence as transition, and absence as a deliberate and virtuous void. Rodwell and Shadur (2007) discovered a specific decision-making type which they called drifter. The Drifters appear to meet the...characterizations of absence in that they do not have a strategy and they do not focus their efforts in any one area or range of areas, short of the extreme of focusing on everything. Furthermore, Drifters have no distinguishing patterns of activities or cogent realized strategies (p. 53). Also, Rodwell and Shadur (2007, p. 53) state that these firms appear to be too busy 'running the business' to strategically manage it. Van den Steen (2016) sees an obvious characteristic for lack of strategy: Each decision is optimal on a standalone basis but without alignment across decisions, or in other words, the absence-of-strategy theme (see reactors and drifters above) can be described with a lack of consistency, either in decisions or actions (Anwar and Hasnu 2016). Accordingly, a company's strategy is more than a static position in the marketplace and rather the result of a series of managerial decisions and activities that emerge as a logical pattern (Inkpen and Choudhury 1995).

All in all, it is possible that no decision has been made about organizational goals, scope, or competitive strategies, or that these decisions are not aligned. Existing research concludes that there is a residual strategy which appears when the pursuing of one of the generic strategies fails (e.g., see Spanos et al. 2004; Leitner and Guldenberg 2009; Andrews et al. 2009). Furthermore, empirical studies observe the existence of these non-strategies (e.g., see Salavou 2010; Leitner and Guldenberg 2009; Rodwell and Shadur 2007).

To conclude, theoretical and empirical evidence exists that describes the absence-of-strategy theme and distinguishes it from strategic planning. But none of

these studies examine whether the absence of planning or goals also includes the absence of an effectual approach to strategy.

2.2 Causation and effectuation—a very brief overview

Causation resembles the ideas of the classical planning school and refers to the traditional view of entrepreneurship and business research where the decision-maker first sets a goal and then procures the necessary means to achieve it. According to Mintzberg (1978), many definitions of strategy treat it as (a) explicit, (b) developed consciously and purposefully, and (c) made in advance of specific decisions. In common terminology, a strategy is a plan (p. 935). Therefore, the logic of strategic planning is that a company should start with an analysis of its environment and afterwards create a plan which has clear achievement goals (Andersson 2011).

In contrast, effectuation is based on the effects of resources, capabilities, entrepreneurial orientation, and learning on company performance. The five principles of effectuation eschew the need for goals, planning, and competing within existing competitive landscapes. Instead, these principles aim to cocreate new landscapes and artifacts. A previous research has shown an interplay of causation and effectuation in smaller firms. SMEs use effectual decision-making primarily in the identification and selection of business opportunities and switch to causal logic during company growth (Read and Sarasvathy 2005; Berends et al. 2014; Ciszewska-Mlinaric et al. 2016). This is in line with Nummela et al. (2014) and Kraus et al. (2005) who believe that companies shift their applied decision model according to firm size. Crick and Crick (2014), Ciszewska-Mlinaric et al. (2016), and Guo et al. (2016) found evidence for alternating phases of both logics. Others found that the use of effectual and causal logics depends on the decision context (e.g., see Nummela et al. 2014; Smolka et al. 2016; Vershinina et al. 2017).

2.3 Relating effectuation and causation to absence of strategy

On the one hand, the absence of strategy could be confounded with effectuation since people have been defining absence in terms of lack of consistency in planning and goals within extant competitive

landscapes. On the other hand, there could be a way to more systematically distinguish the absence of strategy from both causation (*viz.*, planning, goals, and existing landscapes) and effectuation (*viz.*, systematic strategies that do not assume planning, goals, and existing landscapes) by identifying nuances within the absence-of-strategy construct. The latter is the task we seek to accomplish in the current study.

3 Method

3.1 Research design

In this study, we apply a phenomenological case study approach via semi-structured interviews (Gupta and Awasthy 2015; Creswell 2013). Conducting these kinds of interviews yields rich information that may not be possible to obtain otherwise (Basu 2015). This is particularly the case since this study investigates strategy absence. A qualitative study design allows us to identify how and why strategy absence occurs. Also, our design is very much in line with other recently published literature such as Solesvik and Gulbrandsen (2013), Crick and Crick (2014), and Alsos et al. (2016).

3.2 Sample

For the qualitative case study, we applied purposeful sampling (Creswell 2013). According to Patton (2002), this sampling method investigates typical cases of varying intensity, which fit the research

question. As the research question of this study is inductive, the sampling should involve a high variation of different aspects such as events, settings, actors, and artifacts. A maximum-variation approach increases the likelihood that the findings will reflect differences or different perspectives (Creswell 2013).

Sample selection began with a target list containing 34 Swiss SMEs defined by the European Union as companies with up to 250 employees (Storey and Greene 2010). To achieve high variation of firm characteristics, selection criteria focused on firms from different industries, ages, and sizes. Additionally, a minimum headcount of five was set to ensure that firms had at least a basic structure and organization.

Interviewees from these firms had to meet all of the following criteria:

- The interviewee has to be either the cofounder, founder, or managing director of the firm.
- The interviewee has personally invested a substantial stake in company shares.
- The interviewee has at least 5 years of experience in leading or coleading the company.

During the first telephone call, the research project was explained and interviewees were told that the interview would take 1 hour of time and that anonymity would be guaranteed. Twelve interviewees from 10 SMEs agreed to participate in the study. Nine personal interviews and one group interview with the team of C08 (see Table 1) were

Table 1 Sample overview of companies

ID	Industry	Founded	Size	Headcount	Founding process	Interview	Communication
C01	Trading	2011	Small	45	Start-up, single founder	00:35:56	Phone call
C02	Agriculture	1948	Medium	108	Family business	00:21:58	On site
C03	Building	1990	Small	35	Management buy-out	00:39:37	On Site
C04	Landscaping	1991	Micro	6	Start-up, single founder	00:30:14	On site
C05	Engineering	2013	Micro	6	Corporate start-up	00:54:05	On site
C06	Cleaning	1994	Small	12	Takeover and redesign	00:47:57	Phone call
C07	Catering	2005	Small	16	Takeover and redesign	00:28:15	Phone call
C08	IT	2003	Small	43	Start-up, team of two	00:54:29	On site
C09	Cleaning	1984	Small	11	Takeover	00:43:23	On site
C10	Marketing	2011	Small	14	Start-up, team of two	01:03:50	On site

conducted between April and May 2016. This fits well with Creswell's (2013) requirement of a heterogeneous group from 3 to 15 as a feasible sample. While SME success was not an explicit selection criterion, all sample companies operated in the profit zone. An overview of the sample can be found in Tables 1 and 2.

3.3 Data collection

Interviews were conducted in German. The average recording length was 42 min. In the tradition of a subjectivist style of qualitative research, interviews did not focus on facts but on the interviewees' perceptions, conceptions, understandings, viewpoints, and emotions (Creswell 2013; Eriksson and Kovalainen 2016). Similar to the procedure used by Chetty et al. (2015), Alsos et al. (2016), and Vershinina et al. (2017), the interviews followed a four-stage plan. The interview started with a brief introduction of the topic and few preliminary questions regarding the interviewee's background. In the introduction, no mention was made of the concepts under investigation or other popular concepts within strategy research (Miles et al. 2014). Thereafter, the recorded interview began with the request to describe the business in general, the strategic events in the history of the company, and its business model. Next, some events or business contexts which met the research question were identified

and the participant was asked to describe the determining factors of each context from his or her point of view. Finally, business contexts were questioned in more detail in terms of strategic questions, decisions, and actions. It was the objective to get the participant to speak openly and freely about the experience. If the interviewee drifted to stories which did not help to answer the research questions, he or she was politely guided back to the topic of decision-making (Basu 2015).

3.4 Coding

We used NVivo to implement attribute coding as per Miles et al. (2014). Attribute coding provides essential participant information for context analysis and interpretation and is particularly appropriate for cross-case analysis (Creswell 2013; Miles et al. 2014). Throughout the coding process, we checked if the interviewee showed an inconsistency in the stream of decisions according to Inkpen and Choudhury (1995). That is, behaviors that did not line up with other decisions in the same business context. If so, the relevant text was coded as *absence of strategy*.[^] Continuously during coding, patterns were revisited and thereby patterns for the *absence-of-strategy* theme developed. Thereafter, data was coded into categories representing distinct business contexts. Each category therefore indicated one of the basic strategic decision patterns: effectuation, causation, and absence.

Table 2 Sample overview of interviewees

ID	Company	Entry year	Job function	Stake
E01	C01	2011	Founder and Managing Director	100%
E02	C02	1995	Executive for Sales and Marketing	Family owned
E03	C03	2005	Owner and Managing Director	100%
E04	C04	1991	Founder and Managing Director	100%
E05	C05	2010	Employed Managing Director	Substantial
E06	C06	2008	Owner and Managing Director	100%
E07	C07	2008	Partner	33%
E08A	C08	2003	Cofounder and Head of Engineering	Substantial
E08B	C08	2009	Partner and Head of Department	Substantial
E08C	C08	2013	Partner and Managing Director	Substantial
E09	C09	2010	Owner and Managing Director	100%
E10	C10	2002	Cofounder and Managing Director	50%

4 Results

4.1 A framework for delineating the absence of strategy from effectuation and causation

4.1.1 Empirical evidence and connection with literature

Effectuation and causation have been reasonably clearly developed in the existing literature. We began our coding by using previous theoretical definitions to extract chunks from our data which reflect effectual and causal strategies. The result of those efforts is presented in Tables 3 and 4. Then, using the categories that define effectuation and causation, we identified thoughts that distinguish from the absence of strategy. Detailed in Table 5 and summarized with effectuation and causation in Table 6, our process for extracting the rationales which delineate the absence of strategy from effectuation and causation is described below.

Blinded-by-the-light rationale E07 was forced to cancel an already running project. The partners had invested their planned resources when it became clear that marketing costs will be much higher than expected. This is an example for the insufficient evaluation of financial resources. E07: «We offered this service hotline which ended in a big failure. Uhm, we didn't have the means for marketing, so it ended as failure and we lost 10,000 (CHF)...We should have pushed this more with an insane marketing campaign. But we simply didn't have the means and we didn't want to have them (didn't want to invest that much).» In a different case, E10 and his partner already organized big events for a couple of years without legally forming their company. As such, they exposed themselves to unnecessary risk. E10: «It wasn't about the money, we didn't earn money, we hadn't any legal form, the company did not exist...In the second year, we opened a bank account for ourselves. Perhaps, there was a little bit (of money) left... The efforts never paid off.»

Finkelstein (2005, p. 25) describes this behavior as «blinded by the light.» This typically happens in situations where managers push their company into projects that go way beyond the capability of the organization. This is not only dangerous from a resource perspective. The strong focus on (unrealistic) targets might also lead to a complete loss of risk perception (Finkelstein 2005). Beaver (2002) describes a situation of overconfidence when an entrepreneur lacks skills or is unfamiliar with

basic management techniques: «Small business managers often lack the necessary skills and confidence to begin strategic planning and lack the motivation or resources to commission consultants or outside assistance» (p. 177). Robinson and Pearce (1984) describe reasons for the absence of strategy, which can be that SME managers are unfamiliar with strategic planning concepts. Because they are generalists, they often lack specialized expertise. As a consequence, the entrepreneur fails in assessing the risks and resources needed.

Walking-alone rationale This rationale appears when relationships with stakeholders are either nonexistent or unspecified. This occurred as E07 missed the right moment to establish a contract with his business partner. While the cooperation started well since they shared the same business ideas, they did not come up with an agreement about how to share the firm's assets and profits. Later on, E07 faced a serious problem when his partner decided to end the relationship with the consequence that exit conditions had to be negotiated afterwards. Even during the time of the interview, E07 and his former partner did not know if they saw each other as rivals or partners. E07: «As contracts did not exist, nobody knew how to sell his stake and leave the team. What the others are thinking? That's a fundamental question...we should have discussed it earlier.»

Walking-alone is often a consequence of an owner or manager not willing to share information or strategic plans with employees and stakeholders (Beaver 2002; Finkelstein 2005). That is why jobs are often given to close friends or family members—people who are perhaps unable to provide an objective viewpoint or professional advice (Aram and Cowen 1990). This is in line with the heuristic of trusting others: entrepreneurs are reliant on stakeholders. If they feel they cannot trust a party needed to act on an opportunity, then the opportunity will most likely not be exploited (Robinson and Pearce 1984; Bryant 2007).

Dead-end rationale When E01 had quality problems regarding one of his products, he mentioned, «I, as the representative of Switzerland, had no legal protection, so I had to carry everything myself...It appeared quite clear to me that I cannot continue to work with this product.» Following effectuation's lemonade principle, E01 should have gained something like new business contacts, a change in his business model, or worthy insights from the situation. But in this event, E01 had

Table 3 Matching patterns of the causation theme

Pattern	Definition	Examples	Literature
Goal-driven	To what extent was the underlying driver for a project related to achieve a previously defined goal?	E01: ν I set targets for earnings for the next few years. And growth targets for the quantity of partners. \wedge E03: ν Every day there must be a production of 10 pieces at minimum. \wedge E05: ν We planned our targets for three years and wanted to sell our USP to the customers. \wedge	Read et al. 2009, Berends et al. 2014, Smolka et al. 2016, Appelhoff et al. 2016
Expected-return	Calculating expected returns in order to choose from different options.	E03: ν The company's goal we had set was an EBITDA of 7%. \wedge E03: ν We were searching for the opportunity with the best return on investment. \wedge E01: ν To buy the three devices, I needed to invest \$16,000. But I calculated to break even in under one year. \wedge	Read et al. 2009, Berends et al. 2014, Appelhoff et al. 2016
Competitive-analysis	Relying on plans, opportunity costs, and competitive analysis to reduce uncertainty.	E07: ν For the luxury segment, we are stuck in the middle somehow. One either can deliver a good pizza, cheap but tasty...or you deliver super high-class. The money is still here. \wedge E08B: ν As a managing director, I started to formalize the strategy:... where we want to have the organization, how we estimate market trends. \wedge E03: ν We do have the capability of producing two-thirds of the volume, just because we are close to the customer and have an advantage in transportation costs. \wedge	Read et al. 2009, Berends et al. 2014, Appelhoff et al. 2016
Avoiding-surprises	Avoid, overcome, or adapt to unexpected events.	E05: ν We need to bring in a certain consistency, I mean important customers with recurring orders...and generate a steadier workflow. \wedge E04: ν Here, we do not want to be pioneers....We see the waves sometime, but we certainly could be. \wedge E03: ν I learned, that there are huge benefits from repetition...Technically, it was the same work to do, but one got better and better. \wedge	Dew et al. 2008, Read et al. 2009
Predictive-trends	Socioeconomic trends and technological trajectories are seen as the prime driver of creating business opportunities.	E08A: ν We did not believe to earn money in this business, we believe the hardware business will decrease in the future.... \wedge E08B: ν On the other hand, there are forces (in the market), which we cannot influence in any way....If you are small, you have not the same possibilities. \wedge E03: ν There you can see where the tendencies are, where the demand, where the development goes....The product X...10 years ago, we could not have released it then. \wedge	Read et al. 2009, Berends et al. 2014, Kuechle et al. 2016

Table 4 Matching patterns of the effectuation theme

Pattern	Definition	Examples	Literature
Bird-in-hand	To what extent was the underlying driver for a project related to currently accessible resources?	E01: β For me it was essential to already have entrepreneurial spirit in the family. \wedge E03: β The critical measure here is... which resources are at hand. \wedge E08A: β We have a technology base, which we use for future development, and we use it on both sides (different industries). \wedge	Sarasvathy and Dew 2005, Read et al. 2009, Pawêta 2016
Affordable-loss	To what extent were risks and currently free cash considered in the decision process?	E01: β Even if it would not run well, these three devices I can sell for sure. \wedge E02: β We would never have invested in this because we could not afford it. \wedge E09: β Financing wasn't easy, I gave what I had. But I knew what I bought. \wedge	Sarasvathy and Dew 2005, Read et al. 2009, Ketolainen et al. 2015, Pawêta 2016
Crazy-quilt	Relying on partners, commitments, and communication to reduce uncertainty.	E06: β We then came to this bank...my father knew this leading banker, who said, 'no problem, we will do it.' \wedge E08B: β He came together with this medical student...A medical doctor and a software engineer, this fits. This was the founding of E08. \wedge E10: β We had our social environment in this region...why are we needed here? We wanted to stay here. \wedge	Sarasvathy and Dew 2005, Read et al. 2009, Pawêta 2016
Lemonade	When something appeared to be different than expected, it was used to explore new opportunities.	E09: β Than he said, 'I should become managing director.' That was a surprise. And then I was able to buy the company. \wedge E10: β But then, doors have opened...I had the opportunity to start an academic career. \wedge E10: β Right, we had to fire them, all three. My partner and I then sat alone in the office—again. \wedge	Sarasvathy and Dew 2005, Read et al. 2009, Pawêta 2016
Pilot-in-the-plane	Human agency is seen as the prime driver of creating business opportunities.	E03: β I knew in an early moment, we have to follow these products. Even we did not know the consequences. \wedge E04: β It's partly possible to shape it (the future). We do not wait until we have 95% security. We go out and try. \wedge E05: β If you want to steer, you need to invest your time. You need to go ahead and sell actively. \wedge	Sarasvathy and Dew 2005, Read et al. 2009, Pawêta 2016

Table 5 Matching patterns of the absence-of-strategy theme

Pattern	Definition	Examples	Literature
Putting-out-fires	To what extent was the decision forced by an unexpected event?	<p>▫Managers did not have the opportunity to develop their visions or to think in the long term[^] (Aram and Cowen 1990, p. 65).</p> <p>▫Managers' report that their time is scarce and difficult to allocate planning in the face of continual day-to-day operating problems.[^] (Robinson and Pearce 1984, p. 129).</p>	Aram and Cowen 1990, Robinson and Pearce 1984, Beaver 2002, Winter 2003
Blinded-by-the-light	To what extent were risks and possible returns not adequately considered?	<p>E01: ▫We then had problems with these devices... I, as the representative of Switzerland did not have legal coverage, I had to cover it myself.[^]</p> <p>E07: ▫We did have the case that the customer took our consulting (for free), liked the ideas, and ordered (the event) from a cheaper competitor.[^]</p> <p>E10: ▫It wasn't about the money, we did not earn money...had not any legal form, the company did not exist[^] (still after two years in business and organizing big events).</p>	Robinson and Pearce 1984, Beaver 2002, Finkelstein 2005
Walking-alone	Relationships with stakeholders are not specified.	<p>E07: ▫No, I do not look at economic forecasts or what competitors do.[^]</p> <p>E07: ▫As contracts did not exist, nobody knew how to sell his stake and leave the team.[^]</p> <p>E07: ▫What the others are thinking? That's a fundamental question...we should have discussed it earlier.[^]</p>	Aram and Cowen 1990, Beaver 2002, Finkelstein 2005, Bryant 2007
Dead-end	When something unexpected happens with a negative effect on the outcome and the company in general.	<p>E07: ▫We had this hotline project, but it was a failure; we had no other option than to cancel this project.[^]</p> <p>E01: ▫Those discussions were difficult; afterwards it became clear that I cannot work with them anymore.[^]</p>	Klingebiel and De Meyer 2013, Van den Steen 2016
No-control	The future is seen as determined by luck and as such, every attempt to take control of it will fail.	<p>E07: ▫What we have learned from this situation? Nothing occurs to me.[^]</p> <p>E10: ▫To shape the future intentionally, this is impossible.[^]</p> <p>E10: ▫If you had asked me in 2002...if we could feed our families, we would have said: no, that's our hobby...the market will never be big enough, there is no demand.[^]</p> <p>E10: ▫Yes, this is it. Being at the right time at the right place. It's luck and chance.[^]</p>	Svensrud and Asvoll 2012, Klingebiel and De Meyer 2013

Table 6 Framework delineating the absence of strategy, effectuation, and causation

		Categories				
		Basis for Taking Action	View of Risk and Resources	Attitude Toward Outsiders	Attitude Toward Unexpected Events	View of the Future
Themes	Causation	<i>Goal-driven</i> Goals, even when constrained by limited means, determine sub-goals and actions	<i>Expected-return</i> Pursue new opportunities based on the expected value	<i>Competitive-analysis</i> Protecting business opportunities against potential rivals	<i>Avoiding-surprises</i> Minimizing the impact of unexpected events by prediction, planning, and focus	<i>Predictive-trends</i> Predictive logic casts the future as a continuation of the past
	Effectuation	<i>Bird-in-hand</i> Imagine new opportunities by starting from the available means	<i>Affordable-loss</i> Pursue opportunities by investing less than stakeholders can afford to lose	<i>Crazy-quilt</i> Sharing business opportunities with committed partners	<i>Lemonade</i> Imaginative rethinking transforms the unexpected into new opportunities	<i>Pilot-in-the-plane</i> The future is cocreated by willful agents
	Absence of Strategy	<i>Putting-out-fires</i> Ad hoc problem solving	<i>Blinded-by-the-light</i> Overconfidence by suppressing of risks and requirements	<i>Walking-alone</i> No analysis and no definition of stakeholder relations	<i>Dead-end</i> Surprising events cannot get leveraged	<i>No-control</i> The future is not controllable

to dismiss the project without being able to increase his means. E01: “Those discussions (with the supplier) were difficult; afterwards it became clear that I can’t work with them anymore.” This is backed by the experience of E07, who, after a project failed, was unable to see any gain in his means afterwards. E07: “What we have learned from this situation? Nothing occurs to me.”

The dead-end rationale occurs when the entrepreneur fails to learn from an unexpected event (Van den Steen 2016). The decision-maker has a choice: either make changes to the implementation plan, invest in event-specific resources and capabilities, or cancel the project and realize sunk investments (Van den Steen 2016; Klingebiel and De Meyer 2013). Therefore, if a decision-maker is forced to cancel a project, he or she fails to implement the plan. However, also failing to learn from the mistake results in an inconsistency in decision-making behavior. Causation intends to achieve predetermined goals in spite of unexpected events,

whereas effectuation tries to take advantage of them. When neither of these happens, we call it dead end.

No-control rationale In the response of interviewee E10 in regard to his view of the future, he disagreed with the notion of inevitable trends (causation) and also did not support the pilot-in-the-plane principle (effectuation). Furthermore, he stated convincingly that it would be easy to justify his success in hindsight, but in his experience, it was simply luck and hard work. While he started his business along the lines of causation and strategic planning, he mostly neglected the importance of forecasting trends or trying to push ideas into the market. “This—to shape the future consciously—I claim this is not possible. Namely, I say, also companies like Google, Facebook, and many more did fail on this.” Furthermore, in his experience, for big success, one needs to be at the right time at the right place. It is luck and chance, I could always justify it by demographics or other issues.”

Similarly, E08A states that while it is possible to design the future by working with people, the aspect of getting control is not necessarily true. E08A: β The question is, who is doing it? It's about what motivation and energy one has....If you have such a strong, unforeseen force (in the market), it happens that you can't be strong enough (and fail anyway). \wedge

Svensrud and Asvoll (2012) see entrepreneurial value in controlling the future, leading either to causal opportunity discovery or effectual opportunity creation. Klingebiel and De Meyer (2013) suggest that the type of decision-making process depends on the managers' awareness of future events. In case of emergent, implementation-relevant events with a high certainty, managers apply a problem-solving, crisis-management-like process. β Both new certainty and new uncertainty require decision-makers to rethink implementation plans more substantially than in other decision situations. However, new certainty often requires direct plan adaptations, whereas new uncertainty allows for exploration of potential ways of adapting plans \wedge (Klingebiel and De Meyer 2013, p. 149). In regard to uncertainty, the perception that future events occur randomly can prevent proper preparation. Therefore, managers might compromise on resource utilization, extensive buffers, or economies of scale, which in turn affect long-term performance. With an attitude of having no control, strategy implementation is likely to be ineffective (Klingebiel and De Meyer 2013).

4.1.2 Theoretically derived addendum: *the putting-out-fires rationale*

Effectuation and causation principles have traditionally been mapped according to five categories (see Table 6): basis for taking action, view of risk and resources, attitude toward outsiders, attitude toward unexpected events, and view of the future. However, our data revealed only four rationales for strategy absence. We were able to map these to four of the traditional categories used in the effectuation literature. For the fifth rationale, therefore, we looked outside our data into prior literature. According to Aram and Cowen (1990) we call this fifth, theoretically derived rationale *putting out fires*.

This rationale describes a situation where management gets totally absorbed by current events and crises. β Managers did not have the opportunity to develop their visions or to think in the long term \wedge (Aram and Cowen 1990, p. 65). Winter (2003) sees a pattern of firefighting, or ad hoc problem-solving, which is different from the

concept of dynamic capabilities. While ad hoc problem-solving only provides short-term solutions, dynamic capabilities typically involve long-term commitments to specialized resources (Winter 2003). Robinson and Pearce (1984) as well as Beaver (2002) describe the same situation as day-to-day operating issues where decision-making is absorbing the time necessary for long-term planning. Instead of having a worthwhile goal or a competitive resource taken as basis of action, in the putting-out-fires rationale, the manager starts actions on the appearance of a problem.

Overall, the analysis of our empirical results combined with the above rationale derived from prior work produced the framework found in Table 6. We provide the patterns for all five the absence-of-strategy rationales in Table 5.

4.2 When are absence of strategy, effectuation, and causation most likely to occur?

In order to reveal additional insights, the second coding-cycle interviews were analyzed on an aggregated level. Codes were reviewed inductively regarding their consistency with categories and criteria as shown in Table 6. Overall, 359 codes were found in 34 categories, which represent distinct strategic business contexts within which absence, effectuation, and causation may occur in SMEs. Only four of these categories occurred in at least four of the ventures in the study. In other words, coding revealed four distinct strategic business contexts within which we could examine the use of absence, effectual, and causal strategies (see Table 7).

The patterns in Fig. 1 reveal the distribution of the three strategic approaches used by SMEs across four different contexts: founding, takeover, artifact creation, and existing artifacts. As expected, causation was more dominant in the context of existing artifacts. Effectuation was dominant in all four contexts, including the one involving existing artifacts. The absence of strategy was evident in three contexts but not in the context of company takeover.

5 Discussion

5.1 Summary

This study developed an absence-of-strategy theme and mapped it against effectuation and strategic planning

Table 7 Differing strategic contexts for absence, effectuation, and causation

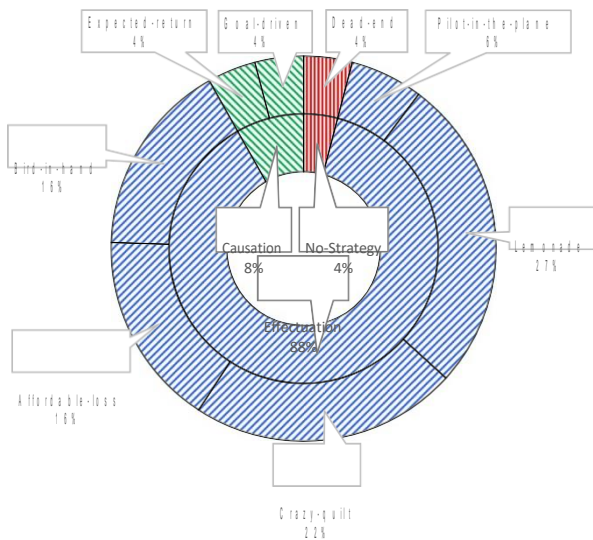
Company	Context description	Context type	Strategy absence Totals (percentages)	Effectuation	Causation
C01	Founding strategy	1	2 (8%)	19 (76%)	4 (16%)
C01	Brand-distributor strategy	4	0 (0%)	5 (38%)	8 (62%)
C02	Major-facility investment	–	0 (0%)	2 (100%)	0 (0%)
C02	Trading platform	–	0 (0%)	2 (100%)	0 (0%)
C02	Ecofriendly production	3	0 (0%)	13 (100%)	0 (0%)
C02	Product-development decision	3	0 (0%)	14 (100%)	0 (0%)
C03	Takeover	2	0 (0%)	3 (27%)	8 (73%)
C03	Expansion	–	0 (0%)	2 (67%)	1 (33%)
C03	Mature products	4	0 (0%)	2 (10%)	18 (90%)
C03	New market segment	3	0 (0%)	5 (50%)	5 (50%)
C04	Founding strategy	1	0 (0%)	6 (100%)	0 (0%)
C04	Horticulture main service	–	0 (0%)	2 (67%)	1 (33%)
C04	Facility consulting	4	0 (0%)	14 (82%)	3 (18%)
C04	Own-product development	3	0 (0%)	4 (80%)	1 (20%)
C05	Start engineering	–	0 (0%)	4 (100%)	0 (0%)
C05	Renaming and corporate start-up	–	0 (0%)	2 (17%)	10 (83%)
C05	Engineering services	4	0 (0%)	12 (100%)	0 (0%)
C05	Transport systems	4	0 (0%)	2 (25%)	6 (75%)
C06	Takeover of trading company	2	0 (0%)	8 (100%)	0 (0%)
C06	Mature services and trading	4	0 (0%)	7 (88%)	1 (13%)
C06	New trading segment	3	0 (0%)	4 (100%)	0 (0%)
C07	Takeover	2	0 (0%)	12 (100%)	0 (0%)
C07	Mature service	4	5 (28%)	10 (56%)	3 (17%)
C07	New hotline project	3	3 (27%)	6 (55%)	2 (18%)
C08	Founding	1	0 (0%)	8 (100%)	0 (0%)
C08	IT product	4	0 (0%)	7 (64%)	4 (36%)
C08	IT consulting	4	0 (0%)	5 (56%)	4 (44%)
C08	Corporate start-up	–	0 (0%)	19 (95%)	1 (5%)
C09	Takeover	2	0 (0%)	8 (89%)	1 (11%)
C09	Relocation	–	0 (0%)	5 (83%)	1 (17%)
C09	Mature service	4	0 (0%)	16 (94%)	1 (6%)
C10	First activities	3	3 (17%)	14 (78%)	1 (6%)
C10	Founding and growth	1	0 (0%)	8 (100%)	0 (0%)
C10	Service improvement	4	3 (25%)	9 (75%)	0 (0%)

1 founding, 2 takeover, 3 artifact creation, 4 existing artifact

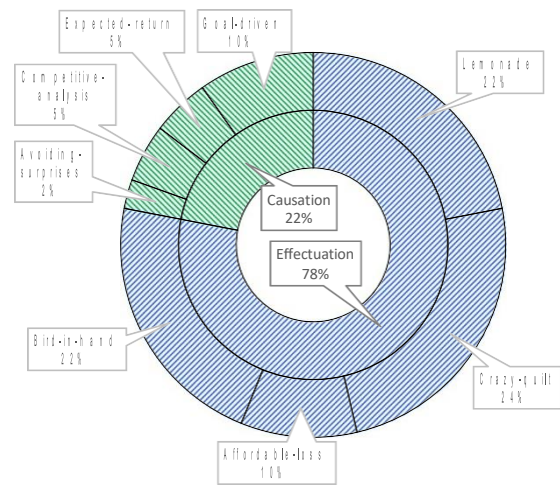
(causation). On the basis of five categories (basis for taking action, view of risk and resources, attitude toward outsiders, attitude toward unexpected events, and view of the future), the absence of strategy is not simply an inconsistency in decision-making but shows more nuanced characteristics that help distinguish it from

causation and effectuation principles. This highlights that effectuation is not banything goes[^] but rather a deliberate approach that differs from strategy absence. Our results paint a more rational picture of SME leaders than what might have existed in prior literature. As evidenced in our data, the fact that they do not use

Patterns in the context of company founding patterns in the context of company takeover

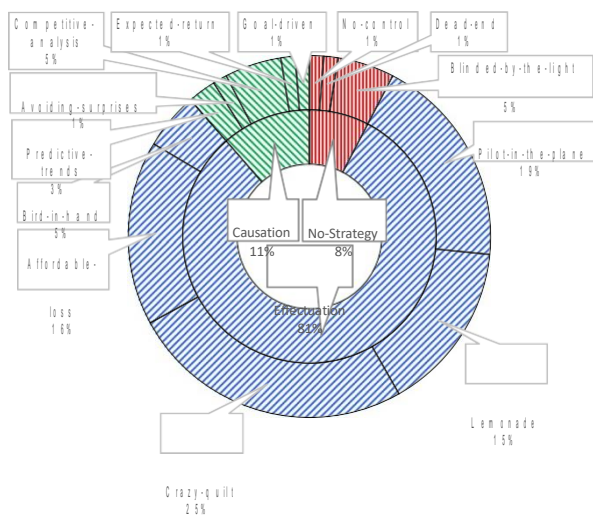


This context includes 49 codes from C01, C04, C05, C08, and C10

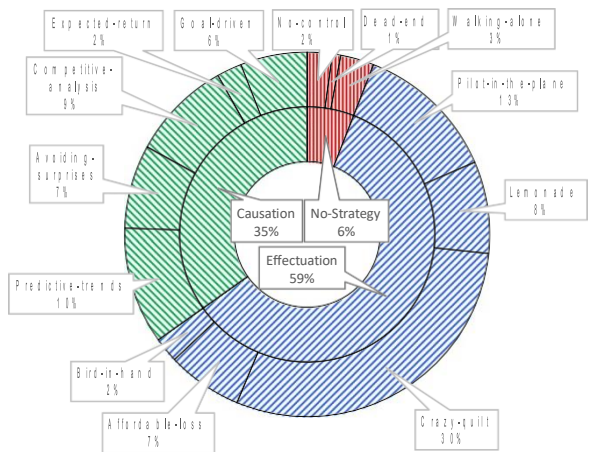


This context includes 41 codes from C03, C06, C07, and C09

Patterns in the context of artifact creation Patterns in the context of existing artifacts



This context includes 79 codes from C02, C03, C04, C06, and C07



This context includes 135 codes from C01, C02, C03, C04, C05, C06, C07, C08, C09, and C10

Fig. 1 Strategic approaches in different contexts

planning largely does not indicate uncoordinated absent

strategy, but rather an alternative heuristic of effectua-

Strategic decision-making in SMEs; effectuation, causation, and the absence of strategy making approach. In all but one decision context (company takeover), the absence of strategy played some role.

(Spanos et al. 2004; Andrews et al. 2009; Leitner and Guldenberg 2009).

This paper attempted to answer the question of how SMEs are using effectual, causal, and the absence-of-strategy models in different strategic business contexts. Results show that 9 out of 10 sample companies use the effectuation model for most of their decisions. Only one company (C03) follows a mainly causal decision-

making approach. In all but one decision context (company takeover), the absence of strategy played some role.

Choice of the decision model is also determined by the strategic business context and not by firm size. C03, a small firm, primarily employed causal heuristic, while C02, a medium-sized company, followed an effectual approach. Cook and Yamamoto (2011) conclude that even large firms can take advantage of effectuation principles and

describe Google as a current example of a large corporation using bird-in-hand, affordable-loss, and lemonade principles.

As the founding process of a company is typically associated with high uncertainties, a takeover typically does not include the same level of uncertainty. While artifacts need to be developed first during the founding process, they usually exist in the process of a company takeover. As such, an even higher emphasis on causal decision-making would have been expected in the context of company takeover.

Another significant result appears when comparing the contexts of existing artifacts and artifact creation. The comparison reveals that effectual decision-making is used in both contexts and is almost the only approach in the context of artifact creation. This is in line with York and Venkataraman (2010) and Dew and Sarasvathy (2007), who assume that uncertainty in environmental opportunities is the key driver for innovation and that there is a shift in the decision approach toward effectuation if the decision involves the creation of new artifacts. More causal principles get used once the decision is about existing artifacts like products, services, markets, or technologies. However, effectual principles also dominate this decision context. As such, the entrepreneur is able to adapt the decision model to the context of the strategic decision. Considering the examples of C01, C03, C05, C08, and C10, managers and entrepreneurs demonstrated an ability to adapt their decision model based on experiences and learning throughout the process. Accordingly, it is suggested that experienced decision-makers are more facile in switching the decision model according to the decision context.

Overall, it was found that effectual principles not only differ from the absence-of-strategy rationales but also dominate in every identified business context. This seems to raise the important concern that the various alternatives to planning offered in strategic management scholarship may simply be confounding effectuation with absence.

5.2 Practical implications

For practitioners, it is important to point out that effectuation is not simply the opposite of causation or banything goes.[^] Instead, effectuation is a deliberate approach that follows principles as pointed out in Table 6. Moreover, strategy absence is not simply

an inconsistency in the stream of decisions or a nonfunctioning strategy. As Table 6 shows, strategy absence also follows certain rationales. That is, with the principles and rationales outlines above, entrepreneurs and managers can determine if they are stuck in a bstrategy-absence zone[^] and then make conscious attempts to head further effectually or causally. Therefore, effectuation and causation principles as well as the absence-of-strategy rationales should help to increase awareness about the decision process, and as such should enable entrepreneurs and SME owners to communicate, debate, and justify their decisions.

5.3 Limitations and future research

There are several limitations that apply to the research methodology. To begin with, semi-structured, open-ended interviews might not be sufficient to show the consistency of patterns in strategic decision-making (Yin 2014; Miles et al. 2014). Moreover, limitations occur as the sample's structure did not completely fulfill the criterion of a maximum variety sample (Creswell 2013). While the sampling strategy aimed to show a maximum of variation while meeting the selection criteria, the resulting sample included two entrepreneurs (E06 and E09) from the same industry. This, and the fact that it was not possible to include female interview partners, weakens the maximum-variation approach (Creswell 2013).

We also did not investigate firm performance in our study. Interviewees stated that they were successful in their own terms. Although company existence can be seen as a success measure in itself, it clearly masks performance variations, potentially caused by different decision approaches. Yet, in light of prior studies, we can at least suppose that in most situations, strategy absence will decrease a company's success (Spanos et al. 2004; Andrews et al. 2009; Leitner and Guldenberg 2009). At the same time, some researchers believe that absence can be helpful under certain market conditions or depending on the industry (Inkpen and Choudhury 1995; Anwar and Hasnu 2016). To unpack this contradiction, we first need to make sure that these studies are not confounding effectuation with the absence of strategy.

Research on strategy absence should open up new opportunities to strengthen the findings on strategic decision theory. To test the concept of strategy

absence, researchers need to investigate strategy in a manner that allows testing for the existence of present and absent strategies. This open type of research should involve a search for patterns in strategy processes that may or may not reveal consistent interconnectedness (Rodwell and Shadur 2007). Adding the absence-of-strategy theme to the discussion on effectuation versus causation bears interesting implications. As already proposed by Andrews et al. (2009) and Leitner and Guldenberg (2009), further research should not only analyze factors which influence the company's decision-making approach but also factors which impact companies to lose their strategy.

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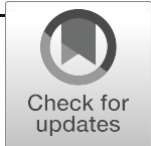
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4.2.2. Second Example

Small Bus Econ

<https://doi.org/10.1007/s11187-019-00211-3>

Personal networks and growth aspirations: a case study of second-generation, Muslim, female entrepreneurs



Jay Mitra  & Asma Basit

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Abstract We explore critically the personal networks of second-generation, British-born Muslim female entrepreneurs. Our qualitative study uses preference theory and egocentric network analysis to understand how developing and navigating personal networks affect growth aspirations. Nineteen in-depth interviews are carried out to explore the nature of network ties using sociograms. We find that the personal networks of second-generation female entrepreneurs of Pakistani origin are a product of gender, culture and religion, where choices in kinship, friendship and business or professional ties in those networks, are underpinned by the complex mix of gender, culture and religion. Kinship and ethnicity are kept at bay while religion and mistrust inform their choices for gendered business growth activities. The findings of the study provide new insights into personal perspectives on aspirations for growth induced by network ties of female entrepreneurs. This should contribute to a critical and a more nuanced understanding of female and minority entrepreneurship. We conclude with particular implications for entrepreneurship theory and practice.

Keywords Muslim · Growth · Gender · Religion · Personal networks' preference

JEL classification M10 · M14 · Z19 · 035 · L26

1 Introduction

Established second-generation female entrepreneurs of Pakistani origin in the UK represent a unique, heterogeneous constituency for research. As British female entrepreneurs, they enjoy the privileges of being settled citizens of the country, yet they are labelled as 'ethnic Muslim female entrepreneurs'. As ethnic female entrepreneurs, they are regarded as 'voluntary entrepreneurs' in terms of the choices they make as women and as members of their communities with better access to opportunities, information and resources than their immigrant counterparts (McPherson 2010; Sahin et al. 2007; Peters 2002). While their Islamic identity distinguishes them from members of other minority communities, the presence of the new Muslim ethnic groups—Bangladeshi, Turkish and Arabic entrepreneurs—encourages new alignments with other Muslim female entrepreneurs. Ethnic, religious and gender heterogeneity is often exhibited by way of the generational differences in entrepreneurial intentions (Sullivan et al. 2009) within various ethnic groups, their motivations (Levent et al. 2003; Rušinovi 2006), choice of business sector (Gersick 1997) and in their growth aspirations (McGregor and Tweed 2002; Kourilsky and Walstad

J. Mitra (*)

Essex Business School, University of Essex, Wivenhoe Park,
Wivenhoe, Colchester, Essex CO43SQ, UK
e-mail: jmitra@essex.ac.uk

A. Basit

Management Sciences Department, Bahria University, Islamabad
Campus, Islamabad, Pakistan
e-mail: missarauf@gmail.com

1998). These combinations can affect positively or adversely the growth of their ventures.

The extant literature on British-born Asian, entrepreneurs and in particular those of Pakistani origin, tends to be dominated by critical scrutiny of men and their circumstances. Pakistani women are either hidden from view or are seen to face significant cultural barriers that prevent them from working, even in their own family businesses (Collins and Fakoussa 2015). Such a view holds that women of Pakistani origin appear to have little or no say or influence over the running of a business. Their role as nurturers within the family, and their function as domestic guardians of their children, in awe of the work of their parents for their community, has ostensible priority. At best, their entrepreneurial roles are generally unacknowledged despite some of them playing a pivotal role in the business (Collins and Fakoussa 2015; Jones et al. 2012; Dhaliwal 1998, 2000; Metcalf et al. 1997).

Why do the female entrepreneurs of this community have less visibility? Why does success in non-business activities fail to translate in terms of business enterprise? Where can we find successful female entrepreneurs, and what prompts them to start and grow their enterprises? Given that London hosts the largest concentration of Muslims in the United Kingdom (UK) with a growth rate of 35% (ONS 2011; Muslim Council of Great Britain, 2013, 2015) and British-born Muslim women appear to value work and careers, why do we know so little about their enterprising roles? If in London alone, there are over 13,400 Muslim-owned businesses (and an estimated 33.6% of small to medium sized enterprises) creating more than 70,000 jobs, where are the female owner-managers and how do they grow their ventures? These questions and the apparent contradictions in our received wisdom of Muslim female roles in enterprise led us to enquire about these entrepreneurs and their motivations or aspirations for the growth of their businesses.

The literature on growth and gender suggests that business performance influences the self-perception of women entrepreneurs and their abilities to realize business growth (Anna et al. 2000) (Table 1). Success is often dependent on personal and social networks, including the emotional and financial support provided by the family (Welter et al. 2006; Aldrich and Cliff 2003; Wheelock 1998). As businesses grow, women develop similar networks to that of men (Klyver et al. 2012; Klyver 2007). Others note that that the results are

inconclusive (De Bruin et al. 2006, 2007). Negotiating these networks is often a function of trust that is embedded in the structures of social networks in the form of strong or weak ties (Granovetter 1973).

Previous research has highlighted the importance of personal choice of a focal actor ('ego') in social network composition or structure, based on their connections with other entrepreneurs and social contacts ('alters'), specialized knowledge (Arenius and Kovalainen 2006; Davidsson and Honing 2003; Aldrich and Zimmer 1986) and trust, all as part of a contextual enactment process (Klyver and Schott 2003). Our interest is in these choice-oriented processes that drive female entrepreneurs to consider growth aspirations rather than any measurement of growth-related outcomes such as increased turnover or profits and employment.

In using a qualitative approach, we adopt preference theory (Hakim 2002, 2003, 2006) and apply egocentric analysis (Hanneman and Riddle 2011; Marsden and Friedkin 1993), for a critical appreciation of the growth aspirations of our female entrepreneurs with particular reference to personal networks, ethnicity and religion. Both preference theory and egocentric network analysis take the 'ego's' (female entrepreneur's) perspective to analyse growth aspirations. We believe this is the first critical examination of a unique cohort of female entrepreneurs whose growth narratives augment our understanding of female entrepreneurship in specific contexts shaped especially by gender and religion.

In order to examine the impact of personal networks on growth aspirations, we consider unique ontological positions and theories. This should allow us to take entrepreneurship research into new directions (Hughes et al. 2012; Gartner 2001). In researching a specific female community of interest, we argue with Bird and Brush (2002) that drawing attention to gender perspectives on entrepreneurial processes highlights a different viewpoint that might add to our knowledge of how women perceive and operationalize entrepreneurship. We, therefore, believe that our research will add substantially to the fields of gender, ethnic minority entrepreneurship and growing small firms by explaining the subjective manifestations of the growth aspirations and their relationship with the personal networks of second-generation minority, female entrepreneurs. It adds to a more nuanced understanding of choice, influenced by aspects of gender, ethnicity and religion, as the instrument for opportunity development and growth of small firms. While our study does not aim to enhance our

Table 1 Summary of literature—social networks of female and ethnic minority female entrepreneurs

network actor	Composition of network	Use of network
Female entrepreneur	<ul style="list-style-type: none"> · Informal networks with strong ties (Ibarra and Andrews 1993; Knouse and Webb 2001; Carter et al. 2001) · Gendered networks (Aldrich 1989; Carter 2000; Aldrich et al. 1996) 	<ul style="list-style-type: none"> · New venture creation (Aldrich and Zimmer 1986; Blois 1990) · Emotional support, confidence building, advice and information (Birley 1985; Johannisson et al. 1994; McGregor and Tweed 2002) · Resources (Rosa and Hamilton 1994)
Ethnic minority female entrepreneur	<ul style="list-style-type: none"> · Strong ties with multi-ethnic and ethnic networks (Birley and Ghaie 1992; Wong and Ng 1998; Shin and Han 1990; Boyd and Ellison 2007; Dallalfar 1994; Dana 1993; Razin and Langlois 1996; Wong 1997; Werbner 1999; Iyer and Shapiro 1999; Lee 1999; Saxenian 1999) · Quasi-formal network (Greene and Butler 1996; Greene 1997) 	<ul style="list-style-type: none"> · Network part of success (Light et al. 1994; Basu 1998; Wong and Ng 1998; Iyer and Shapiro 1999; Greene 1997) · Start-ups and discovery of new markets (Deakins et al. 1997; Saxenian 1999) · Central role in business operations (Ram 1994; Ram et al. 2000) · Source of capital, co-ethnic labour and clients (Walton-Roberts and Hiebert 1997; Basu 1998; Chu 1996; Marger and Hoffman 1992; Iyer and Shapiro 1999)

understanding of the implications of migration for entrepreneurship, it does consider some of the spillover effects of migration on the gender, ethnicity and religion of female entrepreneurs.

The following section provides an overview of the relevant literature on female entrepreneurs and their use of network and growth aspirations with particular reference to second-generation female Muslim entrepreneurs. The review offers the basis of a conceptual framework, the explanation of which is followed by detailed sections on methods and data collection, the specific findings and a discussion of the nuanced, original insights. The paper concludes with some observations on implications for future research, as well as some of the limitations of the study.

2 An overview of the relevant literature

2.1 Second-generation entrepreneurs

By second-generation entrepreneurs, we mean those people who have taken over enterprises of their ‘fathers’ (Fraboni and Saltstone 1990), or new bands of migrants from a country (Rušinovi 2006), and people born of immigrant parents in the host country (Sahin et al. 2007). A more robust definition is proposed by Portes and Rumbaut (2001) who state that scholars tend to refer to the ‘first-generation’ in the USA as persons socialized in another country after migrating as adults, while the

‘second-generation’ refers to US-born offspring. We follow Portes and Rumbaut (2001) to assist us with the selection of the sample for our study and to better understand their choices in the market place in the context of England, and in particular, the city of London.

2.2 Female entrepreneurs and their second-generation minority counterparts

Female entrepreneurs are often regarded as disadvantaged entrepreneurs because their level of participation in entrepreneurship is lower than that of men (Hughes et al. 2012; Arenius and Kovalainen 2006; Verheul and Thurik 2001). Ethnic minority women are presented as ‘double-disadvantaged’ (Jeffery 2010) because of their association with the disadvantages attributed to ethnicity (minority groups) and gender. We can imagine a ‘triple, degrading bottom line’ of disadvantage for Muslim female entrepreneurs in terms of their gender, ethnicity and religion, especially where being a Muslim has negative connotations in a society fixated by political interpretations of Islam. However, second-generation minority female entrepreneurs have higher degrees of interaction with the ‘host society’ and can be considered to be an integral part of that society because of their birth, schooling, access to resources and the lowering of race-based barriers to opportunity (Kourtit et al. 2013). The complexity of their religious and social experiences as women adds to the claim about differences in

ontological approaches between females and males (Bird and Brush 2002; Basit 2017).

Pakistani females are part of the distinct cultural and religious group where their ‘femaleness’ is defined by social and cultural values which set the boundaries for female behaviour and activity (Goheer 2003; Dale et al. 2002). Business is equally affected by the rules, codes and conventions derived from religious beliefs based on the five pillars of Islam (Mahajan 2013)—‘Shahada’ (or the declaration of faith), ‘Salah’ (or formal worship), ‘Zakat’ (or philanthropic donation), ‘Sawm’ (fasting) and ‘Hajj’ (duty to visit Mecca). These values can be transferred to younger generations,¹ who carry them consciously or subliminally in their economic and social lives.

2.3 Female entrepreneurs and their use of networks

There are differences in the composition and use of networks among men and women and in the methods for accessing networks and the perception of relations in those networks (Aldrich et al. 1989; Stackman and Pinder 1999; Verheul and Thurik 2001). Relations with kin and neighbours, and often all female networks, characterized by strong network ties tend to be more important to women than to men in the early stages of business development as they are new to business (Hampton et al. 2009; Klyver and Terjesen 2007; McGowan and Hampton 2007). Collaborative and inclusive relationships based on trust, empathy and confidence (Hoang and Antoncic 2003), and on family connections and friends (McGowan and Hampton 2007; Ram and Holliday 1993), as opposed to membership of existing business associations, clubs, networks or male networks, are common (Tonge 2008; Brindley 2005; Neergaard et al. 2005). However, Klyver (2007) found that although there were vast gender differences in social network structure in the earliest phases of the entrepreneurship process, these differences dissipated in later phases.

In examining female-owned enterprises across racial lines, Inman (2000) noted that owners of small businesses relied mainly on kinship and friendship ties to help with their businesses. In an attempt to measure the

¹ The five pillars of Islamic faith have different, heuristic and practical connotations for Pakistani female entrepreneurs and their aspirations. They are referred to here as a set of values to which they subscribe and with which they bond with other Muslims. We do not attempt to evaluate their specific impact on business activities.

variations in the economic activity of Bangladeshi and Pakistani business women in Britain, Salway (2007) provides evidence that South Asian women prefer a so-called domestic role. They rely mainly on the support from men for obtaining resources from the environment, and their network consists of family members (kin) (Bastani 2007). Given their wider exposure to the society in which they have been born, we expect second-generation women to challenge or overcome some of these constraints or make best use of resources.

Rušinovi’s (2006) study of first- and second-generation Dutch entrepreneurs revealed that first-generation (immigrant) entrepreneurs rely mainly on informal networks to acquire resources as opposed to their second-generation counterparts. In order to explore the generational aspects of family businesses, McPherson (2010) noted that second-generation South Asian entrepreneurs make extensive use of formal, informal and virtual networks in their businesses while keeping their community contacts separate from their business contacts. He also found that second-generation entrepreneurs maintain their own distinct network, separating them from those of their parents. Such comparative studies clarify the differences in network structure, but do not explain the underlying factors differentiating the network dynamics in different contexts. There is, therefore, a need for a thorough and independent study of network usage by second-generation entrepreneurs especially where complex factors lie behind the use of those networks for fulfilling aspirations for growth.

2.4 Role of trust in network ties of ethnic minority female entrepreneurs

Bounded solidarity helps ethnic minority entrepreneurs to deal with the structural barriers to joining the labour market, acquire the resources from the ethnic group and rely on the ethnic group for support during unforeseen circumstances in the absence of institutional support in the host society (Fukuyama 1996). These trust-based relationships are expected to continue as businesses grow although the focal points of trust may change over time.

A study conducted by Batjargal (2007), comparing the networking activities of Chinese and Russian entrepreneurs, concluded that geographical and cultural factors are reflected in the networks of entrepreneurs in terms of density of networks, the nature of ties and interpersonal trust. Interpersonal trust plays a crucial

role in shaping the network and determining the resources from the ethnic members through strong and weak ties (Granovetter 1973). However, excessive reliance on historical factors, especially among second-generation entrepreneurs, can lead to an abuse of such trust and the resulting mistrust may draw members to seek relationships outside the dense minority networks. Both trust and mistrust acquire a higher level of poignancy in networks of choice underpinned by gender, faith and culture, but our knowledge of these issues as they apply to specific cohorts of female entrepreneurs appears to be limited.

2.5 Female entrepreneurs and growth aspirations

Cliff's (1998) findings suggest that female entrepreneurs are more likely to establish maximum business size thresholds beyond which they would prefer not to expand, while Barringer et al. (2005) argue that the growth orientation of entrepreneurs is driven by the desire to achieve independence which motivates female entrepreneurs to grow their businesses. Central to this theory is the role of intentions which indicate what choices people make and what efforts they make to invest in order to achieve what they wish to occur (Wiklund and Shepherd 2003; Ajzen 1991). Of relevance here is the small positive relationship between intentions or aspirations to grow and actual growth (Kolvereid and Bullvåg 1996; Kolvereid 1992).

Marlow (2002) argues that the slow or no growth of women-owned ventures is the result of modest growth aspirations of female entrepreneurs, recognizing the element 'choice in female entrepreneurs' decision for growing or not growing their businesses. Aspirations act as a strong predictor of outcomes (Wiklund and Shepherd 2003) but we do not know clearly the extent to which those aspirations are affected by factors such as dense networks (Kontos 2004; Hoang and Antoncic 2003), lack of required skills and resources (Teixeira et al. 2007; Evans 1989), operating in traditional sectors (Basu 1998; Clark and Drinkwater 2000) and the availability of finance (Dyer and Ross 2007; Chaganti and Greene 2002). Chaganti and Greene (2000) assume that ethnic minority groups become self-employed because of constrained economic factors. They may, therefore, be content with attaining a satisfactory level of livelihood (earnings) and prefer not to grow (Basit 2017). We know, little, however, of the second-generation effect and especially Muslim entrepreneurs and the

implications of socio-religious heterogeneity on their growth aspirations.

2.6 Conceptualizing growth as a personal choice: the preference theory of growth

Given the limitations in existing growth and gender theories in explaining the aspirations for growth among women in general and second-generation ethnic minority Muslim women of Pakistani origin in particular, we need to consider alternative approaches. Preference theory overcomes some of the drawbacks by addressing the personal choices of women based on 'women experiences' (Hakim 2002, 2003, 2006), the perceptual nature of those choices and the acknowledgement of the heterogeneity of work/life choices of women (Ahl 2006; Marlow 2002) over a certain period of time (Hakim 2006). In relation to growth, Fleck et al. (2011) suggest that women can move between home-centred (family priorities), adaptive (personal circumstances) and work-centred (the profit motive) choices.

Campbell (1992) offers a 'choice' perspective according to which second-generation entrepreneurs have the choice to join paid or self-employment based on the comparison of benefits of both, and on the personal and occupational choice of female entrepreneurs. Their presence in society as entrepreneurs offering different products and services also embraces the idea of new combinations of relationships in their networks, suggesting a form of social and organizational innovation which can support their aspirations for growth (Ensign and Robinson 2011). The multiple identities of female, Muslim entrepreneurs, could allow for a different set of choices for growth and new combinations of kinship, trust, religion and family ties in their personal networks.

2.7 The 'choice' perspective and preferences in personal networks through egocentric network analysis

The use of the concept of personal networks allows us to examine the strength or weaknesses of an individual's choices in developing kinship, friendship, business or professional ties. Selecting the female entrepreneur as the protagonist can produce interesting results with regard to the entrepreneur's perceived or actual relationships with all network members (referred to as 'alters'), from a gender perspective. The sociological literature on social networks refers to 'alters' as network members. This paper uses 'alters' to signify people to whom an

entrepreneur is connected through diverse ties in the network of Pakistani female entrepreneurs.

Jack and Anderson (2002) note that it is the perspective of an individual and his or her relationship with nodes in the network that form the basis of an ego network (personal network). However, the impact of an entrepreneur’s network from the relational perspective has been ignored (Jack 2005, 2010). Analysing the second-generation Pakistani minority female entrepreneur’s perspective on relationships can help to generate a better understanding of how she chooses ‘alters’ and the relevance of personal network formation to the success and growth of entrepreneurial ventures.

2.8 An interactive view of personal networks and growth aspirations: a conceptual framework

Figure 1 provides a conceptual model of the choice framework for networking and its relationship with the growth aspirations of British-born, female, Muslim entrepreneurs of Pakistani origin. We consider three dimensions to the development and use of personal networks. The first is that of the context which is provided by the specific ethnicity, gender and religion of the entrepreneurs. The second is that of the composition of

networks based on kinship, business ties and friendship ties which the selected entrepreneurs use to support their growth aspirations. The third dimension is the expected impact on growth aspirations. These three dimensions are then related to the theoretical constructs that we use for this study. We use this model to drive our empirical investigation of the impact of personal networks on the growth aspirations of second-generation Pakistani female entrepreneurs.

2.9 The locational context of the study

Our study was carried out in London, the home of one fifth of all Pakistanis in England. According to the 1971 census 65% of Pakistani, migrants were concentrated in Greater London, West Midlands, Manchester, Merseyside, Yorkshire and Tyne-side and in cities like Bradford, Birmingham and Glasgow in Scotland. Almost 70% of Pakistanis in London live in Outer London; although the borough with the highest percentage of Pakistanis, Newham is in Inner London. Over 8% of the population are of Pakistani origin. They are one of the most active groups in the economic sphere, with self-employment rate of 52%, making the second most economically active group in the UK (ONS 2011).

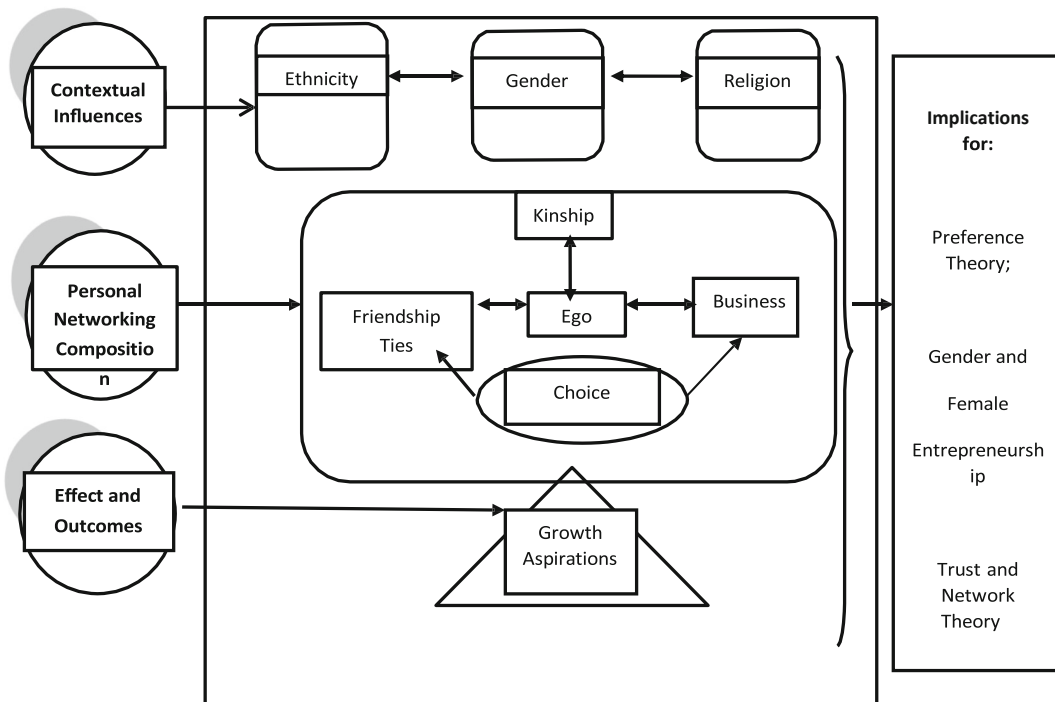


Fig. 1 A Conceptual model of the choice framework of networking for growth of Pakistani female entrepreneurs

The Data Management Group's report (DMG 2005) states that British-born Pakistanis make up 61% of the total number of Pakistanis in England (119,000 out of a total population of 503,000 according to the 2011 census (ONS 2015), the third highest group of migrant people by country of origin in London. The number of Pakistani women alone has increased by 65% in the last decade of which 86% were born in the UK. According to Parkinson et al. (2009) and the DCLG Report (2009), young British Pakistanis in UK see Britain as their home whereas their immigrant parents retain a longing to return 'home' to Pakistan. Table 2 shows the gender breakdown of the Pakistani population in London.

As a pluralistic urban city, London is different from an ethnic enclave where networking occurs within more strict boundaries. This plurality is reflected in the type of network relationships that women form as they grow their business.

2.10 Methodology and data collection

We follow an interpretivist approach (Nind and Todd 2011; Yanow and Schwartz-Shea 2011; McQueen 2002) by viewing the world through the perceptions and experiences of our participants. As part of this approach, understanding the context in which our research was conducted, and where the external reality is variable, is critical to the interpretation of data from the multiple perspectives (Thanh and Trinh 2015; Willis 2007) of gender, religion, ethnicity and the second-generational factors affecting our respondents.

We employed qualitative sampling techniques to select the respondents based on specific criteria in keeping with the requirements of the research (Ritchie and Lewis 2003). The primary, fivefold population criteria for selecting the respondents included specifications of

gender (female), ethnicity (Pakistani), generation (second-generation), geographical location (London) of the respondents and the age of the business.

In the absence of any recognized known and up-to-date database on Pakistani female businesses or entrepreneurs (with their details), various methods were used to identify and recruit the sample (second-generation Pakistani female entrepreneur):

1. Accessing respondents through organizations

Various organizations were contacted to gain access including borough councils, business agencies and community welfare organizations. The borough councils were unable to provide contact details because they do not maintain data according to the ethnicity of the business owner and mainly because the Data Protection Act did not allow them to share any data on citizens. Business Development agencies providing services to general businesses, for instance the London Development Agency (LDA), the Department of Business Enterprise and Regulatory Reforms (BERR) and The Women Enterprise Centre of Expertise (WECOE), were approached. Other agencies dealing specifically with ethnic minority business development issues, such as the Asian Development Business Network (ABDN), the Institute of Asian Business (IAB), Ethnic Minority Foundation (EMF), Ethnic Minority Business Taskforce (EMBTf) and the Council of Ethnic Minority Voluntary Sector Organization (CEMVO), were also contacted. These organizations could not refer us directly to Pakistani female entrepreneurs but they made referrals to community and welfare organizations. Some of the community and women welfare organization contacted included the Joint

Table 2 Gender breakdown of Pakistani population in London Boroughs

	Central Boroughs		Rest of inner Boroughs		Inner London		Outer London		Greater London	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Male	2300	0.9	20,500	1.9	22,800	1.7	50,700	2.4	73,600	2.1
Female	2000	0.7	18,700	1.6	20,700	1.5	48,500	2.1	69,200	1.9
Total	4300	0.8	39,300	1.8	43,600	1.6	99,200	2.3	142,800	2.0

Source: Adopted from Office of National Statistics (ONS) 2001 Census Table

Council for Welfare of Immigrants, Pakistan Welfare Association (PWA) Slough, the An-Nisa Network in

London and Slough, Pakistan Women’s Association in Harrow and the Fatima Network in Leicester. The key organizations that provided help in accessing the Pakistani female entrepreneurs included the Pakistani Women’s Association (PWA), the An-Nisa (Muslim women group) and Trescom Research (TR).

2. Locating the respondents through snowball sampling

The application of snowball sampling yielded a number of respondents and helped to build trust-based relationships with the respondents. Another significant aspect of the success of snowball sampling is the close-knit Pakistani community where word of mouth is the strongest source of making connections. We employed snowball sampling techniques which involved asking a first group of 4 respondents (and then a second) to contribute potential respondents for the research (Ritchie and Lewis 2003).

3. Accessing respondents through other sources

Other multiple sources used to locate and recruit our sample included online databases and business portals, personal visits to South Asian markets in London (such as Southall and Green Street markets) and attending social events and gatherings in the Pakistani community in London. The visits to Asian markets also yielded another 16 respondents from an initial base line contact of 6 people, while the use of Asian magazines and web sites enabled us to contact another 8. This long-term engagement in the field resulted in us being able to access to nineteen (19) respondents who were engaged in different types of industries in North, East and Central London, as shown in Table 3, and who were willing to participate in the study. Figure 2 below visualizes the number of respondents accessed through the sources discussed above in this section. The sectoral coverage is wide ranging from manufacturing (clothing and jewellery) to a host of other services.

The interactions occurred over a period of 15 months between 2011 and 2013, followed by two sets of reviews of data and findings from 2013 to 2016. The acclimatization period that resulted in

Table 3 Sectoral and geographical divide of respondents

Sectoral divide		Geographical location	
Sector	N	Location	N
Clothing	5	Harrow	5
Beauty Salons	5	Newham	4
Food	3	Central London	3
Jewellery	2	Ealing	2
Therapists	0	Ilford	3
Consultants	2	Leyton	1
Miscellaneous	2	Finchley	1
Total	19	Total	19

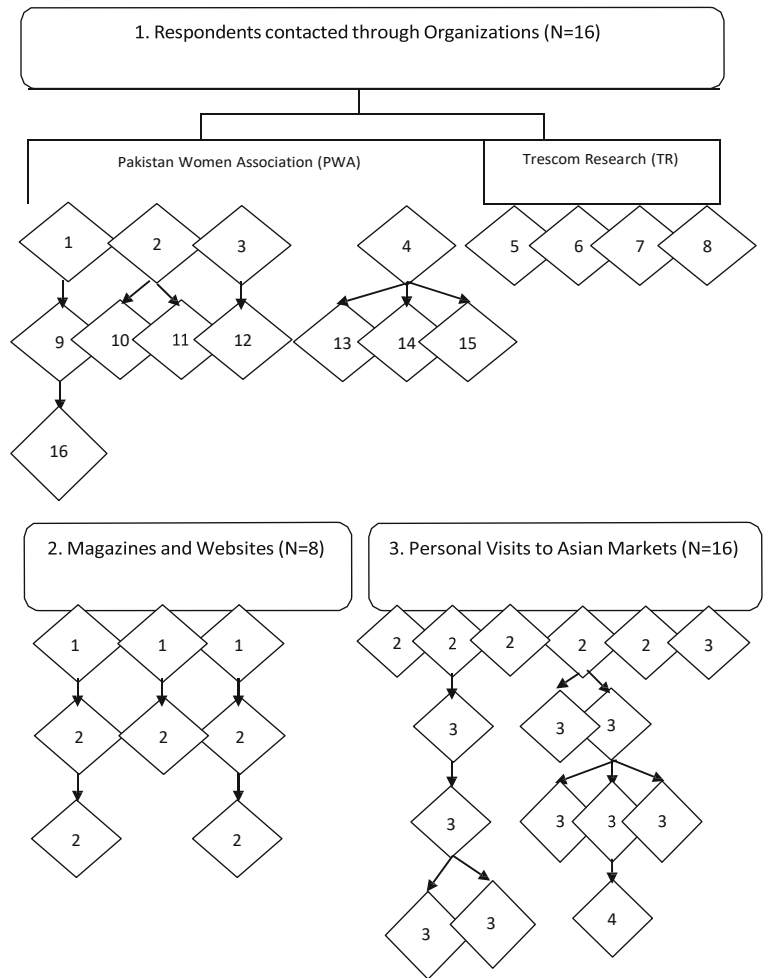
N, number of respondents

the identification of the potential respondents was followed by actual interviews with the Pakistani female entrepreneurs at their business sites. Interviews were pre-scheduled with all the 19 respondents. Informed consent was obtained from the research respondents and permission was taken for digital recording of the interview which involved asking open ended questions, thus allowing for the openness of responses from the interviewee on the subject of inquiry). Each interview session lasted for 40–90 min where respondents narrated their life stories centred round their business experiences.

We used a qualitative case study approach to analyse the interview data coupled with interpretations of ties and relationships based on egocentric data. The data was organized as follows:

1. All the 19 interviews were transcribed using *NVivo software*, and essential data was recorded in the case book (see Table 4). The detailed casebook provided essential details for preparing the sociograms;
2. The egocentric data, namely the details of alters, nature of relationships (direction of arrows) and the links between the ego and the ‘alters’, were extracted from the interview data. The section below on relational data explains the egocentric network analysis;
3. The data from all the sources (respondents’ quotes from interview files, findings from egocentric analysis and information from casebook) was triangulated to present our findings.

Fig. 2 The snowballing of respondents



The marital status and educational backgrounds of the selected respondents provide insights into the types of second-generation respondents and the potential impact of learning and skills development on their aspirations for growth. Graduates comprised nearly half the number (47%) of respondents. A total of 32% were educated to National Vocational Qualification Level 3 and the remaining 21% were professionally qualified (including MBA degrees). Most of the Pakistani female entrepreneurs are in the age group of 30–40 years (a minority was in the age bracket of 40–60 years). They had been in business for approximately 5–15 years (15–30 years for the older group). The majority of the respondents started the business immediately after obtaining their first degree. Table 4 below provides a picture of the personal and educational backgrounds of the respondents.

2.11 Relational data and egocentric network analysis of data

We captured the dynamics of personal networks of Pakistani female entrepreneurs using relational data collected through in-depth interviews. Relational data focuses on the relations of the focal actor (ego) in the network to explore the ego’s perspective on the network of relationships (Hanneman and Riddle 2011; Marsden and Friedkin 1993; Wellman et al. 1988). An egocentric network consists of a central node or focal actor (‘ego’) and all nodes (‘alters’) connected to it (Wasserman and Faust 1994). In addition to the links between the ‘ego’ and the ‘alters’, the egocentric network also includes links between ‘alters’. The ‘ego’ or the individual in the network is the unit of analysis; hence, data is collected from them using name generator, name interpreters,

Table 4 Case book of 19 second-generation entrepreneurs

No	Respondent	Marital status	Education	Business	Reasons for self-employment	Growth-orientated practices
1	Humera	Unmarried	Graduate	Garments	Career orientation, job market blocked	New product, new sources of raw materials
2	Zeenat	Married	Graduate	Salon	Earning head, passion	Discovering new market, innovative products and services
3	Kiran	Married	A' Levels	Salon	Invest time and resources, work life balance	New product (service), new market, new supplier for inherited business
4	Naima	Unmarried	Professional Pilot	Boutique	Invest time and resources, work life balance	innovative products and services
5	Shehnaz	Married	GCSE	Restaurant	To help husband in business, work like balance	Product diversification, supply chain extension
6	Naheed	Married	GCSE	Salon	Invest of time and resources	Discovering new markets, product line extension over time
7	Laila	Married	GCSE	Makeup Artist	Job market blocked, career orientation, passion	Introducing new products in the market, discovery of unexplored market niches
8	Farhana Javed	Married	LLB	Boutique	Inherited the business, career orientation, passion	Product and market diversification of family business
9	Naila Akbar	Unmarried	Graduate	Consultant	Career orientation, job market blocked	Exploring new market niches
10	Nazima	Divorced	Graduate	Food	Source of income, work life balance	New product introduced in unexplored markets
11	Atiqa	Divorced	Graduate	Salon	Source of income, job market blocked	New product, new market, new source of raw materials
12	Zubaida	Divorced	Graduate	Greetings cards	Source of income, career orientation, job market blocked	innovative products and services
13	Sobia	Divorced	MBA	Consultant	Career orientation, job market issues, work life balance	Discovering new markets, product line extension over time
14	Mrs. Maalik	Married	A' Levels	Hotel	Career orientation, source of income	New product (service), new market, new supplier for inherited business
15	Shazia	Married	A' Levels	Garments	Source of income and job market blockage	Product and Market diversification
16	Mrs. Khaliq	Married	LLB	TV channel	Passion, professionally trained and to invest expertise	Innovative product, new market niches
17	Samira	Married	Graduate	Jewellery	Source of income	Market extension
18	Alia	Married	Graduate	Bespoke tailor	Passion, career orientation	Product and market diversification
19	Amber	Unmarried	Graduate	Boutique	Career orientation, job market issues	New sources of raw materials

Note: In order to preserve the anonymity of the respondents, surrogate names are used throughout the paper

interviews and observations (Shakya et al. 2017; Marin and Hampton 2007; Marsden 2005; Wasserman and Faust 1994). Name generators are a set of questions that allow for appropriate enquiry from the ‘egos’ with the objective of identifying members of the personal network. Name interpreters are used to define some attributes of ‘alters’ such as age, ethnic origin, gender and education to understand the composition of the network (Burt 1984; Carrington et al. 2005). We used sociograms which have laid the foundations for network analysis to visualize and analyse the egocentric networks of Pakistani female entrepreneurs (ego) and network members (alters) and to delineate the nature of relations between them. A sociogram is ‘a picture in which people (or a social unit) are represented in two dimensional space, and where relationships among pairs of people are represented by lines linking the corresponding points’ (Wasserman and Faust 1994: 11–12).

In order to analyse the interview data, we condensed the data to (1) nodes (‘alters’) or people identified by the ‘ego’ (Pakistani female entrepreneur) who are in contact with her and (2) linkages—the relationships with alters as identified by the ego.

The directed arrows in the sociogram (Fig. 3) show the direction of exchange. For instance, the ‘ego’ is the recipient of resources and support from the family members and is contributing to them by providing them with mutual support. However, exchange-based relationship with ‘Muslim female friends’ was not specified by the

ego in the interview. Under these circumstances, the linkage in the egocentric network becomes uni-directional. Egocentric networks were drawn for all the respondents to establish the common parameters. Parameters are common properties of the egocentric networks of Pakistani female entrepreneurs. These parameters explain the composition of the networks, the specific dimensions or sources of the network composition and the type of support that is expected from the different sources. They are summarized in Table 5.

2.12 Findings and analysis

Our findings offer unique insights into the choices and preferences made by our second-generation female entrepreneurs of Pakistani origin. We analyse these findings using the conceptual categories drawn from the literature and discussed earlier, highlighting fresh insights as they emerged during our field work.

2.13 A sketch of ‘women-only-networks of Pakistani female entrepreneurs’ and the networking process

Our egocentric network analysis of shows that the network of our cohort contains ‘gendered’ ties. They keep their social circles separate from their business (formal) networks. A social circle consists of kinship and friendship ties whereas a formal network with business associates consists of all non-ethnic ties as shown in Fig. 4.

Fig. 3 Egocentric network of a respondent

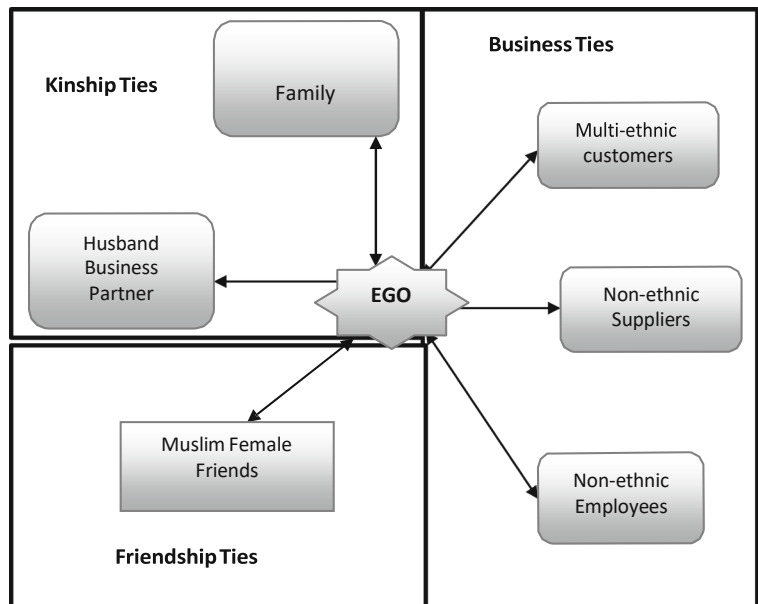


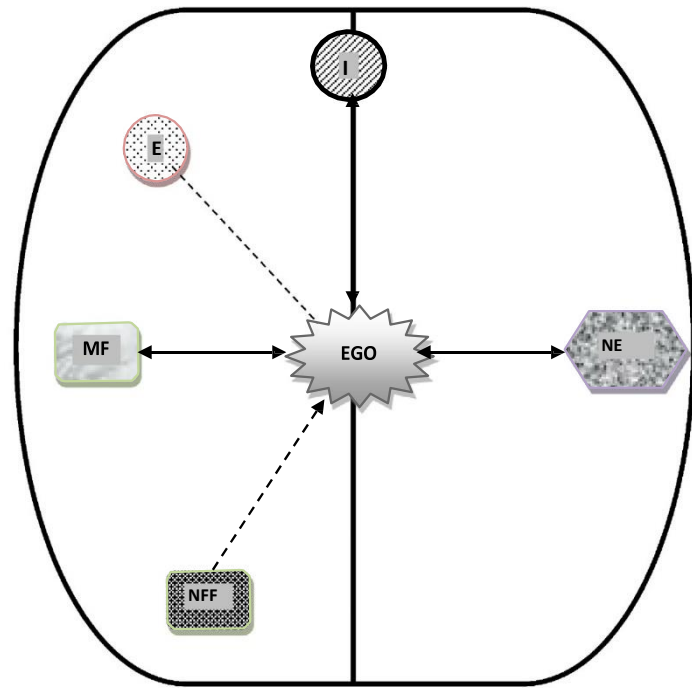
Table 5 Properties of egocentric network of Pakistani female entrepreneurs

	Egocentric network composition			Network composition basis	Type of support
	Formal	Informal	'Tie' type		
Parameters	· Ethnic · Non-ethnic	· Ethnic · Kinship	· Multiplex · Uniplex	· Ethnicity · Religion · Gender	· Active participation · Emotional support · Ideas/information

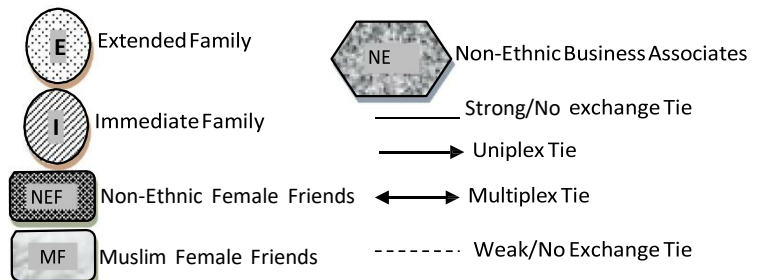
The immediate family forms the strongest tie in the network of relations. This particular tie cannot be referred to as a social tie only because of the involvement of the family members in the businesses. Therefore, it is shown to be intersecting the business and social spheres of the personal network. Ethnic ties in the second

generation's ego network are limited to 'kinship' ties only. Relationship with extended family (joint family) is weak as represented by the dotted line in the diagram. Friendship ties constitute the second part of the social circle. Such ties are characterized by female and Muslim friends from across different communities. Business ties

Fig. 4 Egocentric network of second-generation Pakistani female entrepreneur



Key – Nodes and Linkages



compose the second half of the personal network, as shown in the right-hand side of the personal network in Fig. 4. Business ties refer to business associates with whom Pakistani female entrepreneurs are connected, and these appear to be non-ethnic ties generally as a result of a complete mistrust of ethnic members. Each sphere of the personal network of ties of our respondents is analysed and discussed in detail below.

2.14 Importance of kinship ties

Kinship ties are considered to be the most important of ties for second-generation Pakistani female entrepreneurs. One of the respondents (Naila²) mentioned:

They (family members) have been very supportive and I think that is the plus point that we Asians have that we have very supportive families. Having such a family itself is a big support. (They provided) all kinds of support, I mean financial, physical and emotional.

Kinship ties provide resources, advice and emotional support. Even in Great Britain, the Pakistani family unit provides help and support for their female members to enable them to participate in social and economic activities (Dale et al. 2002). Qadeer (2006) notes that the *Kunba* (joint family) headed by the patriarch continues to be the prevalent family system. From the results, it seems that second-generation Pakistani female entrepreneurs continue to maintain the traditional family system which they inherit from their migrant parents. The instrumentality of the kinship ties, apparent from the support provided by them, could be the main reason for maintaining them. However, in demonstrating intentional action for business ends, they restrict their kinship ties to immediate, and in particular, female members of the family.

2.15 Friendship ties with Muslim women—the ‘gendered’ network

Personal networks of Pakistani female entrepreneurs show friendship ties with other Muslim women across communities. The absence of ethnic ties and a preference for Muslim ‘female-only’ ties show that ‘gender’ and ‘religion’ are important considerations for them in

maintaining ‘women-only-networks’ as illustrated by the words of Samira, one of our respondents:

We can’t talk to boys, it is not allowed for us, we can’t follow any other culture or religion you know. But I do have many friends, they are all females, almost of my age business is another story, at times I can’t avoid dealing with men.

The choice of networking with people belonging to the same ethnic or religious groups depends on how a person likes to be projected in the social set-up. Jacobson (1997) suggests that for young British Pakistanis, the attachment to religion is of greater importance than ethnicity as a source of their social identity. British Pakistanis make a distinction between identifying themselves as a ‘Pakistani’ and as a ‘Muslim’, reflecting the coincidence of ethnic and religious cleavages for Pakistanis. However, and almost paradoxically, the wider and universal appeal of religion connects British Pakistanis to diverse communities and helps them fight the negative associations of a ‘disadvantaged ethnic identity’.

2.16 Non-ethnic business ties

Our female entrepreneurs indicated a preference for a ‘women-only-environment’ for business, in their interviews. One of them, Zeenat, commented:

Ladies, as this is for ladies, the area we are inwe have not decided to cater for only Asian customers but we did decide to cater women. We do have Asian customers, Eastern, European and Black, so basically it is an open-door policy. Everyone is welcomed regardless of their background and race.

The response above, show that the choice of a business sector is based mainly on finding and selecting a ‘women only environment’. Such choices appear to display the adherence to the cultural and religious framework of the Pakistani female entrepreneur. Another one of the respondents, Kiran, explained the choice of business sector shaped by religion mainly:

Being a Pakistani and Muslim, obviously, I can’t go out much and can’t work for someone

² In order to preserve the anonymity of the respondents, surrogate names are used throughout the paper.

according to their rules. So what else could I do? I couldn't do a grocery shop or a food shop so what is the best business for the women? so that's why I got into this business and I started this privately. I am dealing with the women as being a Muslim I can't talk to men.

Together with the choice of business ties, the respondents mentioned female friends (not all Asian or Pakistani), affirming their reliance on 'gendered' ties in the network.

2.17 Personal networks of non-ethnic ties caused by mistrust

The unpleasant business experiences of respondents with fellow Pakistanis led them to reduce ethnic ties in their networks. Interview responses of our female entrepreneurs reveal a high degree of mistrust in intra-ethnic group (Pakistani) customers, suppliers and other Pakistani business associates. When probed in depth, they mentioned the stories of deception and dishonesty on the part of Pakistani suppliers. So for example, Naima mentioned that:

With Pakistanis you deal in millions, they will deceive you and will never take complaints, they are dishonest people.

They indicated that their preferred suppliers and customers were non-ethnic (British and Indian Suppliers in England). Low trust level among Pakistani female entrepreneurs can be attributed to the ethnic heterogeneity in the shape of multiple sub-ethnicities, deep-rooted social class and caste system, income disparities and the fallout from great rural-urban divide in the country of origin. Such disparities helped Pakistanis to keep their distinct identities through their sub-ethnicities, such as Punjabi, Sindhi, Balochi and Pathans. Ethnic diversity contributes to low trust levels among ethnic group members (Keefer 1997). Besides ethnic heterogeneity, the mistrust thesis can be generally observed in pluralistic and multicultural societies (Zucker 1986). In a series of repeated interactions, people learn what to expect from each other and develop patterns of mutual dependence.

2.18 Growth aspirations—a product of normatively unfolding personal networks

The uniquely composed network evolves over time, influencing the inclusion or exclusion of network ties which deeply influence the growth aspirations of the participating members. One of the women started working on projects with the Pakistani community during the start-up phase, but over 8 years of business, she is now working across different communities. Samira narrates that:

(Now I take the projects) across communities but started with Pakistani community as people wanted them but we didn't just want to work with Pakistani community as you then got only work with Pakistani community and less scope for growth as Pakistani community is only 2% of British population. (Also apart from diversification of products) these issues or products are transferrable to a bigger market.

The diversification of products across communities and the finding of new sources of raw materials with the expansion of the business results from introducing new, weak ties in the network. However, the choice of these ties is a function of their gender, religion and cultural values. They inherit religious and cultural values from their parents but use them in novel ways. One of our second-generation female entrepreneurs, Lubna, observed that:

...really, it's after my daughter was born. I don't know whether you will believe me or not I think she brought a lot of *Barakah*³ into my family. The minute she was born my career just boomed. She is 4 years old now and the career is getting better and better. Sometimes I think it is because of my family and the support and encouragement they give me all the time, the company is so successful.

Attributing the growth of the business to, for example, the specific event of a daughter's birth is explained through the religious notion of *Barakah* (Islamic definition of productivity). The same concept was explained by two other respondents who

³ '*Barakah*' is an extension of religious commandment which guarantees food to every living being on earth.

explained that the choice of business over employment was at essentially a matter of *Barakah* with there being ten times more chance of success with the former. Although this concept may sound superstitious, it re-emphasizes the abiding significance of religious values as depicted in their ‘women-only-network’.

We find that in relation to their aspirations for growth, second-generation Pakistani female entrepreneurs can be categorized into (1) succession entrepreneurs, namely those who take over family business and grow further with their entrepreneurial abilities and (2) new venture creators who grow innovative new business. One of them, Huma, said:

My mother started this business, it was a very small shop, but when I took over I extended the shop and developed the business more. I opened another branch which is on Plashet road, and also planning to open further branches in other cities.

Another one of our entrepreneurs, Ayeza, expressed very clear views:

I started this business, this was my passion. Though my family is in business they are all in different fields. Fashion designing is my expertise. I have a degree in fashion designing and I am intending to polish my skills for the development of business.

The two quotes by Huma and Ayeza above reveal the distinction between these two categories:

While the ‘succession’ entrepreneur is motivated by expansion and or diversification of the business, the ‘new venture creator’ is led by the desire to distinguish herself as an independent entrepreneur.

For our female entrepreneurs, growth is a matter of intentional, personal choice based on specific behaviour. According to Granovetter (1973), the inclusion of weak ties should lead to the expansion and growth of their businesses. However, decisions regarding the inclusion or exclusion of ties are based on contextual factors such as mistrust of community members. For our cohort, focusing on and extending lateral ties with other female members of the faith takes priority over opportunistic behaviour.

2.19 Concluding observations and implications for theory and practice

2.19.1 Women-only networks

Second-generation Muslim female entrepreneurs of Pakistani origin prefer to do business in a ‘Muslim, women-only-environment’. Their choice of a ‘women-only-environment’ seems to be the product of religious and cultural boundaries even if such a choice is coupled with the type of business they operate, and even where it limits the potential for growth. This finding tends to depart from the literature which suggests that women develop similar networks to that of men especially in later phases of business (Klyver 2007). We find that in the choices that they make in their personal networks, a unique mix of factors—religion, mistrust, bounded kinship, ethnicity and, of course, gender—distinguish these women’s objectives and actions. Their marital status does not appear to make any difference, in that all the women articulated the significance of mistrust as strongly as their reason for preferring to working with other Muslim women. The same conclusion can be drawn in relation to the age of the business and the levels of education of the respondents. There appears to be less interest in the growth of the individual business and more in the development of network of female Muslim entrepreneurs.

2.19.2 The role of religion

Our findings suggest that religion, namely the universality of Islam, appeals to British-born Pakistani female entrepreneurs as a way out from the constraints of ethnic traditions in business. The concept of global Muslim *umma*⁴ provides them with a sense of kinship that is different from that of common ancestry, and with feelings of belongingness to a larger Muslim community. The use of ethnic or religious identity is related to the permeability of ethnic boundaries and pervasiveness of religious boundaries (Barth 1969) and a form of identification and differentiation (Evens and Handelman 2006) in a pluralistic context. The tendency of preferring an Islamic identity can be influenced by the negative experiences related to being a Pakistani that lead to

⁴ Arabic word, which literally means ‘community’

construction of new identities which are also subject to change (Barth 1969).

The reliance on religious norms provides for a more stable, broad and universally recognized set of principles for doing business as compared to an adherence to Pakistani socio-cultural norms. This might reflect the high fluidity within the multi-ethnic environment of London (Muslim Council of Great Britain 2015; Jacobson 1997). The shift does not result in a rejection of Pakistani socio-cultural norms as they are largely compatible with religious norms. The subjective, instrumental use of religious identity as a first choice by British-born Pakistani female entrepreneurs is re-emphasized by their flexible use of ethnic identity in pursuit of common interests. It can be stated that they select ethnically diverse, but religiously homogenous, networks of relationships to grow their business.

2.20 Mistrust as a relational asset: a situated view of growth aspirations

Inter-group trust among ethnic minority entrepreneurs and its value as a form of social capital is a general assumption made in ethnic entrepreneurship literature. People tend to have trust in those who belong to their tribe, ethnic group and/or religion. Beugelsdijk and Maseland (2011) define trust as ‘property of individuals or characteristic of interpersonal relationships’. In network theory, the concept of inter-group trust is translated into a configuration of a highly dense network with a majority of ethnic members. However, Pakistani female entrepreneurs narrated stories of fraud and deception by their fellow Pakistanis at the start of their businesses, which led to an avoidance of further transactions. Where they did have strong ethnic connections, they expressed their preference to keep their business network separate from their social circle. The absence of ethnic ties from the business sphere is an unusual trend considering the significant role of ethnic ties in their social circle. This finding provides the second line of departure from the theory, suggesting that an understanding of networks in practice is dependent on the social construction of choice and that mistrust in networking is an essential property of the individual ‘egos’ in specific circumstances. We find, therefore, that mistrust becomes a form of a relational asset in the formation of new networks.

The findings are corroborated by the existing literature which suggests that ethnic heterogeneity in a group is known to result in low levels of trust among group

members (Keefer 1997) and that ethnic fractionalization and societal division along class, religion, income and/or ethnicity produce low levels of trust among ethnic group members (Glaeser et al. 2000; Fershtman and Gneezy 2001; Zak and Knack 2001; Zerfu et al. 2009). However, this explanation is rather simplistic because ethnic fractionalization could also occur in a multi-ethnic society resulting in the mistrust of members of non-ethnic communities. The evidence that Pakistani female entrepreneurs trust non-ethnic members as business associates can be explained theoretically in terms of process-based trust (Zucker 1986)—a type of trust that emerges as a consequence of past experiences. Process-based trust offers plausible explanations of both trust and mistrust. Mistrust pushes the Pakistani female entrepreneurs toward making use of weak ties with non-ethnic business associates (yielding favourable results).

The transition and expansion of networks are generally considered to be signs of the entrepreneur’s aspirations for growth (Galbraith et al. 2006; Kontos 2004; Hoang and Antoncic 2003; Chaganti and Greene 2002). An extension of the supplier base from ethnic to non-ethnic businesses demonstrates that our female entrepreneurs identify and use varied sources of raw material which result in the diversification and extension of their personal network. This translates into exposure to non-ethnic communities in London. Although the practice of expansion and diversification of personal networks may reflect the theoretical explanations of growth aspirations, the actual motive here is very different. It is mistrust that triggers such a process in Pakistani female entrepreneurs. Mistrust is a catalyst for planned behaviour, which fuels the intention and the personal choice to grow along specific lines, first with non-ethnic ‘alters’ who are Muslim women and second by restricting kinship and community ties primarily for social purposes only.

2.21 Personal networks and the choice for growth: the perceptual dimension

Conceptualizing the study from a choice framework has a dual effect. First it provides an alternative perspective to the study of female entrepreneurs by highlighting their choices and preferences of a specific cohort of women whose networking choices for growth are influenced by religion and the social experience of mistrust in relation to whom they wish

to work with to fulfil their aspirations for growth. Second, the choice framework is consistent with the idea of social construction in network theory.

Remaining isolated within normatively formed personal networks influences the perception of growth. The guaranteed availability of resources and the normative tendencies to sustain a limited personal network makes the entrepreneur risk averse. Family members and friends might help in business transactions while business associates may become friends. Using multiplex ties guarantees readily available basic resources and support structures, critical for the growth of a venture, but their density and persistence also hampers diversity (Scott 2005). This curtails the introduction of weak ties and access to information which is critical for opportunity recognition and a sustained aspiration for further growth. The findings show that while they value their relationships (with a certain degree of emotional affiliation) in personal networks, second-generation Pakistani female entrepreneurs prefer a fair amount of instrumentality in the choice of relationships. For instance, the meaning attached to 'friendship' manifests as a more superficial tie that does not necessarily require frequent contact. The tendency or compulsion to seek non-ethnic business associates introduces weak ties in the personal network that is often assumed to be associated with the growth aspirations of the entrepreneurs.

The core of the arguments and concepts such as gender roles, experiences, formation and maintenance of network, meaning attached to relationships and choices of ethnic minority female entrepreneurs are all argued to be socially constructed. Growth aspirations appear to be found in the choices made in using specific networks first, and before any consideration of normative outcomes.

2.22 Research and policy implications

Our multi-dimensional level of analysis adds to the canon of literature based on network and preference theories. Our findings indicate that the dynamics of growth can be more complex in that the personal choices that women make through their personal networks can be mediated by religion and culture, in addition to gender-based considerations. This mediation can either expand or restrict the growth of the business.

We argue for the development of new theoretical lenses with which to better understand the critical

nuances that distinguish different ethnic minority communities and their aspirations for growth. This is because their growth aspirations are the outcome of their unique, subjectively manifested perceptions which can only be understood by taking a situated view of the entrepreneur.

Our research broadens our understanding of women as key agents of entrepreneurship in society by focusing attention on differentiated choices they make to use personal networks for growth. Our findings should help researchers aiming for original insights into this agency role of women, and policy makers seeking effective solutions to problems of gender gaps or minority enterprise deficit in growth opportunities. Additionally, both researchers and policy makers should be better equipped to explore ethnic minority entrepreneurship beyond 'disadvantaged' and 'marginalized' groups. From the policy perspective, the projection of 'migrant women' as independent 'beings' in migration statistics, and of second-generation female entrepreneurs as being socially embedded in the economy, would help to shift policy making from tackling issues of low-skilled, dependent, ethnic minority women only to devising policies that utilize efficiently a valuable, independent resource contributing to society and the economy.

Our paper has extended the scope of relational assets from trust to mistrust with particular reference to female entrepreneurs. We contend that this extension augments previously held and widely applied notions of trust as a relational asset, both in network theory and in ethnic minority literature. Consequently, our understanding of the use of networks and network dynamics could have direct implications for networking by practitioners in specific contexts. If the objective is to obtain a better understanding of how a growing community of entrepreneurs with high aspirations work, then policy makers require the knowledge of factors influencing network and growth of ventures to be able to provide facilitative policies for different communities of interest. This also suggests that, for research purposes, it might be useful to avoid any form of generalization embracing all ethnic minority businesses and their male and female representatives. It would be prudent to address specific social factors and context and gender-specific roles in different start-up or growth situations and then evaluate them against overarching policies for business creation and development.

2.23 Limitations and future research

The study attempted to sketch the personal network over a limited period of time and the findings show that the networks of British-born Pakistani female entrepreneurs experienced transitions that impacted their growth aspirations. It would be interesting to explore this dimension in depth through longitudinal studies. However, our in-depth interviews help to gather the life history narratives to gauge the temporal dimension of personal networks influencing the growth aspirations of the respondents.

Referrals and snowball sampling tend to generate respondents from the same business sector and/or similar social class. The effects of such a constraint were mitigated by adopting multiple sources for identifying respondents. Community welfare, and social and religious organizations, along with business portals and borough councils, were also used to locate the respondents. The researchers also attended social events in the Pakistani community, which gave a quasi-ethnographic touch to study.

We are cautious about any attempt to generalize our findings and observations. Neither do we claim that our findings can be used to infer behavioural patterns in other minority communities and especially among female entrepreneurs. This study was concerned with exploring the network dynamics of British-born Pakistani female entrepreneurs in depth because the aim of the research was to explore the intra-group dynamics of this particular cohort of entrepreneurs. This time bound but focused approach differs from traditional approaches that consider ethnic minority entrepreneurs as a cohesive group and generalize the result ignoring the inter-group and intra-group differences. Although the respondents of our study are not representative of all ethnic minority entrepreneurs, the findings generated using this particular sample shed light on the particular community of people from that category of entrepreneurs. What we offer is a substantive in-depth picture of a varied group of women from one minority community operating outside a minority enclave in a metropolitan and highly cosmopolitan environment. This in-depth picture provides rich insights into how they make choices where gender and religion play such significant roles in their aspirations for growth. What our research does not explain is whether the choices lead to efficacious outcomes. We did not measure such outcomes since our interest was in the process by which our women plan for growth.

Future research could explore these issues from a quantitative perspective exploring varied groups and using larger samples to determine variations within different cohorts of second-generation Pakistani female entrepreneurs. In-depth studies could also examine specific dimensions of faith, kinship and other factors affecting the personal network dynamics of similar groups of entrepreneurs. Studies could also extend their scope by comparing and contrasting Pakistani female entrepreneurs with other minority female entrepreneurs to test the generalization of theory or the development of new theories which better reflect the complex nature and impact of personal choices in business growth. Finally, new studies could try to correlate actual measures of growth with the choices that female entrepreneurs make in their personal networks.

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4.3. Interview Questionnaires

Research Questions

RQ 1: *To what extent can M&A lead to higher rates of growth and profitability by SMEs*

- a) For what reasons you have considered M&A's?
- b) Why have you pursued a strategy of growth through M&A rather than organic growth?
- c) Has M&A help achieve synergies for growth, entry to new markets, new technology or acquire new skills? Explain how.

RQ 2: *How can M&A's sustain businesses and enhance employment?*

- a) In what way has the merger or acquisition contributed to your growth and profitability?
- b) What has been the impact of the acquisition(s) or mergers on employment in your business?
- c) What are the requirements for a successful strategy of M&A for small businesses?

RQ 3: *Could M&A's of entrepreneur-owned businesses drive productivity of the combined business?*

- a) What are you views on the value of merging or acquiring entrepreneurial start-ups?

