

Strategy of a Small Enterprise: Literature Review

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要 旨

本論文は中小企業類型論と方法論に焦点をあて、中小企業文献のレビューを提示したものである。中小企業のタイプのとくに際立つ特徴のみならず、中小企業の量的かつ質的な基準が簡潔に要約される。量的質的なパラダイムについての討論を含めた適切な研究方法を概観した後に、中小企業戦略のコンセプトが多次元のプロセスとして分析される。そしてその 5 つの鍵となる特徴が強調される。最後に、「動態的比較質的アプローチ」が革新的であるとして、今後の研究の概念的・方法論的な枠組みが提唱される。

Keywords: small enterprise, research methodology, qualitative/constructivist approach, strategy characteristics

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I. Introduction

One of the efficient engines of every market economy is small and medium-sized enterprises (SME). Very few need to be convinced by this statement sounding rather like cliché. Statistics shows that SME in developed countries play a vital part in the economies. Their mission in developing and transitional economies is sometimes considered as a launching pad for future national growth. In Europe, 99 per cent of all businesses fall into SME category employing roughly 53 per cent of total work force. They account for half of Europe's total turnover¹. According to Small Business Administration (SBA) data, in USA, SME represent 99.7 per cent of all employers, employ 53 per cent of the private work force, and provide 47 per cent of all sales in the country. SME in Japan also account for 99 per cent of all the companies and employ 77 per cent of the nation's labor force (Karatsu, 2001). Over recent years, in transitional economies an extraordinary large number of new firms have been created in the private sector and an essential part of them belong to SME category.

Research in small business area, particularly in entrepreneurship context, have been developing over the past two decades. A range of academic journals, which are focusing specifically on small firms' research agenda, can be evidence of such an interest. Relevant studies have been increasing accordingly to the growing importance of the small enterprises in national economies. One can get an impression that these studies cover every aspect of their activity. However, continuing debate on almost every discussing aspect corroborates that there remains room for further development.

Moreover, there still remains a need for practical research on management and marketing issues in small enterprises, as available ones are difficult to call numerous. Those presented in short supply, especially in relation with strategy, are no doubt of great worth but still insufficient. Traditionally, research concerning strategy was based on world-famous, successful corporations. Cravens et al (1994) point out that conceptual focus and empirical examination of strategy has centered on the problems and experiences of very large, high profile, Fortune 500-type firms.

Another problem, which recently is hardly emphasized, is a research methodology applied to entrepreneurship and small business in previous research. Quantitative/deductive designs prevalent in many of them were subjected to criticism. Hill and McGowan (1999) sarcastically comment, "What is happening to an extent is mere square pegging from traditional disciplines into the rounder holes of small firm/entrepreneurship research." They also note that such self-perpetuation of

positivistic/quantitative methodologies is driven by government funding agencies, which seemingly are only placatory when blinded by statistics, tables, and colorful graphs.

Thus investigating strategy as it relates to the small firm it is inherent at first to look back at results provided by the previous research with much regard to suggestive comments and critique. Then, a conceptual framework of current research will be drawn up and a corresponding methodology, with an emphasis on methodology debate, will be declared.

II. The small enterprise typology debate

An essential starting point to bring up a subject of this paper is to properly define a terminology to operate within. A term “small firm/small enterprise” above all is used to organize statistical data and based upon quantitative indicators. There is a number of such indicators, such as, profit, invested capital, balance-sheet total, earnings, total capital, equity, market position, production and sales volumes, number of employees and turnover (Loecher, 2000). They differ from country to country and are sometimes used in combination as well as individually. Among others, the criteria “number of employees” and “turnover” represent the most commonly used ones. With no objective to describe in detail all existing indicators, the criteria employed for the corporate size classification in Japan, the United States, Russia, and the European Union will be briefly summarized. In these countries, small firms regardless of how they are defined compose the backbone of enterprises in economies.

In Japan SME are generally defined by the Small and Medium Enterprise Basic Law and refer to enterprises with capital of no more than ¥300 million or a regular workforce of no more than 300, and sole proprietorships with no more than 300 employees. However, SME in the wholesale sector are enterprises with capital of no more than ¥100 million or a workforce of no more than 100, SME in the retail sector are enterprises with capital of no more than ¥50 million or a workforce of no more than 50, and SME in the service sector are enterprises with capital of no more than ¥50 million or a workforce of no more than 100. In addition, small enterprises are defined as enterprises with no more than 20 employees. In the commercial and service sectors, however, they are defined as enterprises with fewer than six employees (White Paper, 2001).

In the USA, the exact legal size specifications are very detailed and vary depending on industry. The most commonly applied maximum standards that can be generalized from the voluminous, specified

table used by Small Business Administration are as follows²:

- 500 employees for most manufacturing and mining industries
- 100 employees for all wholesale trade industries
- annual revenues up to \$5 million for most retail and service industries
- annual revenues up to \$17 million for most general & heavy construction industries
- annual revenues up to \$7 million for all special trade contractors
- annual revenues up to \$0.5 million for most agricultural industries

In Russia, where transition to a market economy has begun from scratch, the range of small enterprise entities is determined by the Federal Law enacted in 1995 and includes:

- sole proprietorships (without juridical form)
- farm enterprises
- small enterprises (legal entities) that meet the following criteria:
 - The share of state property of the Russian Federation and its constituents, municipal property, property of non-governmental and religious organisations, charities and other foundations in the charter capital should not exceed 25 per cent; the capital share belonging to one or several legal entities that are not small enterprise subjects should not go beyond 25 per cent either;
 - The average employment should not exceed 100 employees in industrial production, construction and transportation; 60 employees in agriculture and science; 30 employees in retailing and consumer services; 50 employees in other businesses³.

Table 1 shows the class limits usually exploitable in the literature and official data in the EU.

Table 1 Branch-related class breakdown according to number of employees and turnover in the EU

Branch of business	Number of employees	Annual turnover
<i>Industrial</i>		
Small	1-49	<1.0 mill. euro
Medium	50-499	1.0-12.8 mill. euro
Large	>499	>12.8 mill. euro

<i>Craft/Artisan/skilled trades</i>		
Small	1-2	<50,000 euro
Medium	3-49	50,000-1 mill. euro
Large	>49	>1.0 mill. euro
<i>Retail</i>		
Small	1-2	<250,000 euro
Medium	3-49	250,000- 5 mill. euro
Large	>49	> 5 mill. euro
<i>Service and self-employed</i>		
Small	1-2	<50,000 euro
Medium	3-9	50,000-1 mill. euro
Large	>49	>1.0 mill euro

Source: Loecher, 2000⁴

Despite so broad differentiation in small enterprises official definition, at least two basic quantitative characteristics can be brought out from above. First, a number of people involved in doing business and, second, a scale of the business somehow estimated in turnover, revenues, or capital.

While statistics and governmental programs are based upon criteria mentioned above, the researchers tend to combine both quantitative and qualitative approaches. Moreover, one could notice that qualitative characteristics of small enterprises are even more stressed. While official reports are full of such expressions as “small and medium-sized enterprises” or “SME”, the researchers prefer to articulate this category as “small/entrepreneurial firm” with an emphasis on variables lying beyond narrow definitions based upon quantitative criteria. Furthermore, as Storey (1994, p.74) argues, “a small firm is not simply a scaled down version of a large firm”.

Hills (1994, p.8) propounds that:

...variables related to small enterprise include few, if any, economies of scale, severe resource constraints, a limited geographic market presence and limited market image, little brand loyalty or market share, little specialized management expertise, decision making under even more imperfect information conditions than in larger firms, a market scarcity of time per major management task, a scarcity of professional managers, and a mixture of personal,

non-maximizing financial goals.

Considerably large amount of studies acknowledge the central role of personality in the management process of small enterprises. Stokes (2000) notes that a key differentiator between small and large firms can be seen particularly in the influence of the owner-manager of the small enterprise. With reference to Schollhammer and Kuriloff, he argues in favor of personalized management style as a peculiarity of the small enterprise and defines it as personal knowledge of all employees, involvement in all aspects of management and lack of sharing of key decisions. Beaver and Ross (2000) add that small enterprises are characterized by the highly personalized preferences, prejudices and attitudes of the firm's entrepreneur, owner and/ or owner-manager.

Although the terms "small enterprise" and "entrepreneur/entrepreneurship" are often used simultaneously, neither every small firm is certainly 100%-entrepreneurial nor the entrepreneur can be found exclusively in the small enterprise. The word "entrepreneurship" is also recently associated with change and innovation of larger, more bureaucratic organizations – sometimes under the label "intrapreneurship", particularly, if those organizations are in a crisis situation (Mintzberg, 1998).

Nevertheless, there is a range of studies contributed to the typology of small enterprises, which attribute a special role to such a phenomenon as entrepreneurial small firm. Cravens et al (1994) with reference to Cooper define three types of small firms. Differing in organizational goals and missions, each organizational type is involved in different strategic situation. The first group is called "mom and pops" and includes extremely small firms possessing very little marketing expertise or resources. These firms often have no aim even to maximize profit. The second group contains rather stable, high-payoff enterprises that have already achieved some success and may have gained certain marketing expertise within a limited market. However, these firms rarely have aspiration for future growth. Deakins and Freel (1999) unite these two types into 'lifestyle' businesses and add that their major objectives are likely to be concerned with survival and maintaining sufficient income. They also admit that such businesses are the overwhelming majority among small enterprises. In opposite, the third group unites firms which are growth-oriented, i.e. entrepreneurial small enterprises. In this regard, Mintzberg (1998) affirms that such a type is likely to be found in young organizations, especially ones in new or emerging industries. Entrepreneurial small firms are often involved in a high-growth environment emphasizing significant risk for future growth. Incidentally, a discussion on so-called 'new economy', which has

been heavily debated for the last few years, also adverted to these enterprises. At the same time, Deakins and Freel (1999) note that only a minority of small enterprises may be called 'entrepreneurial firms'.

Similarly, Thurik (1996, p.138) earlier asserted several types of entrepreneur:

...the Schumpeterian entrepreneur (doing new things), the craftsman entrepreneur (doing small things effectively), the growth entrepreneur (trying to do more things) or the lifestyle entrepreneur (maintaining doing things).

Researchers in small enterprises and entrepreneurship produced a great amount of similar or contradictory definitions and classifications. However, generally there can be distinguished two basic approaches (Deakins and Freel, 1999; Churchill and Muzyka, 1994; Christensen et al, 1994; Stokes, 2000):

- (1) the "trait approach" with an emphasis on common psychological and social personality types of the owner-manager and entrepreneur;
- (2) behavioral approach concentrated on processes the owner-manager/entrepreneur perform.

However, from the early 90s, there is more consensus over what the entrepreneurs/owner-managers do than who they are. Hill and McGowan (1999) sound as if they draw a line against this discussion.

The following quotation clearly illustrates the point:

There is, however, no agreed definition or clear understanding in view of the large literature that exists of who the entrepreneur is or what it is they do. Entrepreneurship is probably best understood as a process, the constituents of which are the entrepreneurs, their persistent search for opportunities, usually grounded in the marketplace, and their efforts to marshal the resources needed to exploit those opportunities. Innovation and change, the risks people take and the roles they play to bring change about, appear to be core themes in understanding the entrepreneurial process. Central to it, however, is the individual entrepreneur who is the driving force behind the process. Without that individual's commitment, determination, vision, energy, tolerance of risk, and ambition, to mention but a few of the key personality and behavioral attributes of an entrepreneur, the process would not happen.

Any enterprise, therefore, will be entrepreneurial only because its management is consistently so. The enterprise in terms of its character and culture reflects the individual personality and behavior of its management. The degree to which that individual will remain entrepreneurial will depend on a commitment to and ability to manage the entrepreneurial process and the impact of success in doing so on the enterprise.

What can be evoked from the discussion above is that all small enterprises to some extent are entrepreneurial and, depending on degree of the entrepreneurship inherent to the particular firm, they will range from “small entrepreneurial firm” to “mom and pops”. Therefore, in small enterprises research there is a need for approaches which at least can reflect their individual characteristics and touch the ground of their diversity in behavioral context.

III. The methodology debate on small enterprise research

Along with the emergence of a significant number of the research in the small firm, there could be heard insistent critique of the methodology applicable. Quantitative and qualitative approaches have attracted both support and criticism. While quantitative research provides objective measures for the treatment of data, large samples and the statistical validation for the study, it has been criticized for only scratching the surface of people’s attitudes and feelings, where the complexity of the human soul is lost through the counting of numbers (Hill and Wright, 2001). Positivistic/quantitative approaches were based upon surveys and data processed by statistical packages SPSS alike. A series of studies, e.g. Blankson and Stokes (2002), Glancey (1998), Greenbank (2001), Hankinson, Bartlett and Ducheneaut (1997), Mazzarol et al (1999), Schindenhutte and Morris (2001), Stonehouse and Pemberton (2002), was founded on the survey method and produced notable results contributing a lot to the small enterprise research.

However, even those who relied on surveys have acknowledged some serious limitations of quantitative methods. For instance, Schindenhutte and Morris (2001) conducted survey on small firms finally imply that survey failed to capture insights regarding exactly what is going on inside a particular small enterprise.

Beaver and Ross (2000); Hill and McGowan (1999); Hill and Wright (2001), Stokes (2000) are

among those advocating for a qualitative paradigm. They criticized the quantitative approach and came to conclusion that it is often misplaced in search for representativeness. In reality even high quality questionnaire survey is unlikely to cover all the aspects of small enterprise management and marketing just because each individual small business owner/entrepreneur tends to understand terminology differently. First, because even textbook definitions differ from one to another. Second, because the majority of small business owners are unlikely to be MBA graduates to clearly distinguish what a researcher means by this or that. Stokes (2000) quotes from Gibb who noted, "Those well acquainted with the entrepreneur will know that terms are likely to be interpreted in a variety of ways". Therefore, he calls for more inductive reasoning based on grounded theory. There was no intention in their works to depreciate the value of the quantitative approach but rather to draw attention to an alternative. The advocates of the qualitative approach suggest that this alternative would be a well-timed supplement to the results yielded from conventional research.

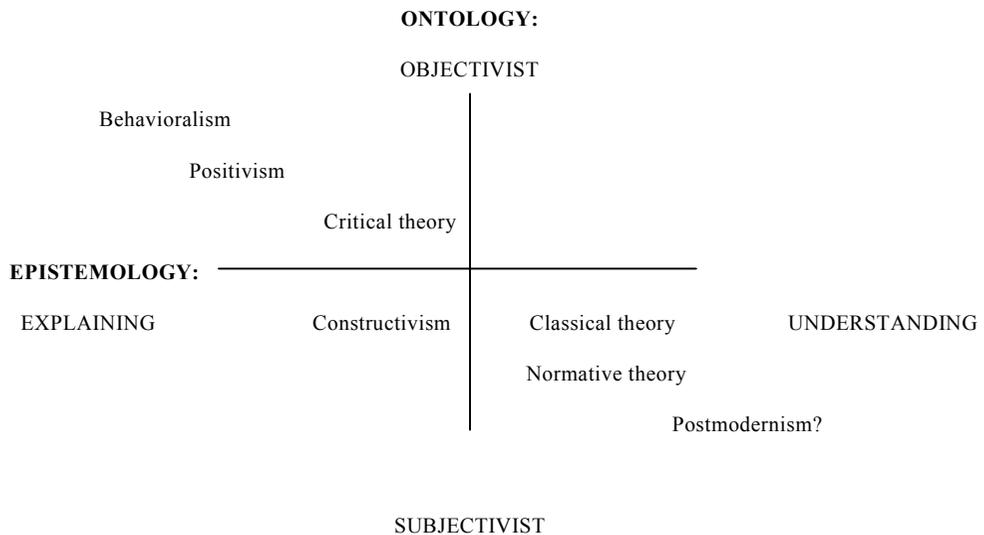
Apparently, deciding what approach should be used in a given research situation strongly depends on a research problem. Evaluation of one approach against the other itself has a little meaning if it is made regardless to a context of the research problem. In the entrepreneurial context the research problem is all about individuality, personality, and attributes of the individual involved in the process. For instance, Hill and McGowan (1999) calling for the qualitative/constructivist paradigm emphasize the necessity to capture individual and unique characteristics of small enterprises and the personalities acting within them. This forced them to advocate strongly the qualitative alternative within their recent works. The following quotation is important (*ibid.*):

We are suggesting that the only reality is that actually constructed by individuals involved in any research situation. Thus, multiple realities exist in any given situation...We offer, therefore, an approach in researching a small firm which is constructivist (in its ontological orientation). It is an approach which embraces the notion of multiple realities and accepts that each individual constructs their own reality as they interpret and perceive the world. To represent this world, therefore, means that the researcher must represent or reconstruct the world as seen by others.

Strictly speaking, discussion on quantitative and qualitative approaches in management research appeared in latest works has deep roots in philosophy. There is no necessity to discuss within this paper the essence of all scientific streams but to clearly define a position of the paradigm advocated by

significant number of recent works. Before the features of qualitative/constructivist approach will be pointed out it seems reasonable to present its positioning in relation to other methodological views. The following figure gives an indication of the appropriate position of the different methodological approaches on the two dimensions.

Figure 1 The methodological debate: a summary



Source: Jackson and Sørensen (2003, p. 264)

Although Hill and McGowan (1999) as well as Hill and Wright (2001) seem to regard the qualitative/constructivist approach as something new, it is in fact an old methodology which went back to the eighteenth-century writings of the Italian philosopher Giambattista Vico. In general, constructivism as an approach postulates the following assumptions: (i) Human relations consist essentially of thoughts and ideas and not of material conditions or forces. (ii) The core ideational element here is intersubjective beliefs. (iii) Those shared beliefs compose and express the interests and identities of people. (iv) Constructivists focus on the ways those relations are formed and expressed (Jackson and Sørensen, 2003).

Nevertheless, it is new indeed as soon as it relates to the research in management and specifically research in the small enterprise. Let me try to summarize several basic points extracted from the works of the qualitative paradigm advocates.

- The advocated approach is described variously from ‘constructivist’ to ‘qualitative’ but basically reflects the same belief. ‘Constructivist – Post-positivist – Interpretivist – Qualitative Paradigm’ is only a simplified range of definitions applied to the approach.
- In terms of ontology the ‘constructivist’ aspect reflects the assumption that humans individually and collectively construct the reality and embraces the notion of multiple reality. It is rather ‘subjectivist’ than ‘objectivist’ (see Figure 1).
- In terms of epistemology the ‘interpretivist’ aspect reflects the nature of the relationships between the researcher and the subject of the research and the way the researcher reports the results. ‘Interpretivist’ here means the researcher immerses in the small enterprise or at least minimizes a distance between them and then interprets the information gathered according to his/her own values and biases based on grounded theory. That is why it is rather ‘explaining’ than ‘understanding’ (see Figure 1). Moreover, as for the language of the research analysis and reports, it can appropriately be first person.
- The ‘qualitative’ aspect represents the emphasis on the human being as the primary research instrument. It is generally agreed that the small enterprise is an atypical phenomenon involving discontinuous, non-linear and usually unique processes.

Against the background of the works of the qualitative approach proponents, Tornikoski (1999) points out that the constructivist approach somehow represents multi paradigm prospective bridging positivist and subjectivist research traditions. Although it stays questionable particularly taking into account the discussion above and the summary of the methodological approaches proposed by Jackson and Sørensen (see Figure 1), it leads onto consideration of possible applicability of the multi paradigm in small enterprise research. In this sense, the multi paradigm implies a combination of the qualitative and quantitative approaches which probably might amplify, rather than dichotomize each other.

In fact, there might be a value in mixing the qualitative and quantitative approaches in the small enterprise research. As the quantitative approach excels at summarizing large amounts of data, it helps reach generalizations based on statistical projections. Simultaneously, the qualitative approach excels at "telling the story" from the viewpoint of people involved, providing the rich descriptive detail that sets

quantitative results into their human context which is obviously very important in case of small enterprise. Indeed the best results might come from dividing a research objective into several research questions and using the most appropriate tools available within each approach. The small enterprise research still need the quantitative approach at least at the very first stages. It seems particularly appropriate in comparative international studies where, sometimes, basic quantitative variables should be defined from the beginning to avoid misplaced interpretations of phenomena, especially in the context of the small enterprise differing from country to country in size definitions.

IV. Strategy as it relates to a small firm

A. Previous research overview

Conventional studies on strategic issues have been concentrating mostly around relatively large companies, and a prospect to research in strategy of the small enterprise sometimes was regarded as something minor as being related to a small unit. Achievements in management and marketing have been often associated with a success of world-famous corporations. As well as the attention of the academics and especially those significantly contributed to the marketing management theory development has been focused on Fortune-type firms. Apparently, the management and marketing topics related to the small firm have been ignored for a long while. However, somewhere in the 80's there appeared a series of literature where a role of small enterprises has been emphasized particularly on job creation, and in the 90's – on satisfaction of the growing diversity of customer needs. All the literature somehow related to small enterprise management and marketing could be divided into two major groups:

- educational literature aimed at small business owners/entrepreneurs or those wishing to start up own business; and
- special literature circulating among scholars emphasizing both theoretical and practical aspects of the small enterprise.

The first group is presented in a wide range from basic manuals for new start ups to competent advice and solutions in different operational areas of small business. The second group, though relatively small, includes a limited number of the research attempting to understand the nature and

mechanism of small enterprise performance also focusing on different areas of it. However few but very valuable studies on small enterprise strategy agenda have been done.

Among them, it is generally agreed that small enterprises often do not have formal, written statements of strategy or they are articulated in generalized terms. At the same time, it is also reported that small firms success has a strong positive correlation with the degree of long-term planning undertaken, which is regarded as a key particularly in the 'prescriptive' school of strategic management (Greenbank, 2001; Stonehouse and Pemberton, 2002). In contrast, Schindenhutte and Morris (2001) quote from Pleitner who notes that some small businesses are successful without explicitly practicing the kind of management usually described as strategic. Previous research show that by far not all small enterprises implement strategic management, particularly in the form it exists in their large counterparts. Schindenhutte and Morris(2001) also add that the necessity for strategic behavior depends on two factors: characteristics of the firm and the type of entrepreneur involved. Strategic management in 'mom and pops' would be difficult to imagine indeed. The majority of studies devoted to the strategy of the small firm to some extent are focused on small entrepreneurial firms particularly operating in turbulent environments. It is also generally admitted that the small firms engaged in strategic management outperform those which do not.

Additionally, similarly to the theorizing in the strategic management developed on the basis of big business, there are two main lines distinguishing what the small enterprise strategy based on. The first one is founded on the dominant paradigm of the 80's which was focused on the environment. Based on the Porter's positioning school it is also referred to as 'outside-in' approach (Stonehouse and Pemberton, 2002). Although this approach was widely debated in the 90's when resourced-based view of the firm has appeared, Mazzarol et al (1999) gave it a fresh look reviewing the environmental approach in the small enterprise context with an emphasis on the particular environmental factors. They mentioned Aldrich and Peterson among its proponents as well as we can name Schindenhutte and Morris (2001) who also seem to incline towards this group. The second stream tends to focus on enterprise insides or the resource/core competence bringing about competitive advantage. It is also commonly referred to as 'inside-out' approach. In the context of the small firm, this group of studies was focused on the features of the owner-manager/entrepreneur and key competences arising within them. Collinson and Shaw (2001), Greenbank (2001), Carson (2002) proved to be among the supporters.

What can definitely be reaped from the two approaches mentioned above is that both environmental

influence and owner-manager/entrepreneur characteristics play an important role in small enterprise management and performance. Mazzarol et al (1999) with a reference to Gartner frame the third approach that portrays the process as an interaction of the environment, the individual, the organization, and entrepreneurial behavior. The most likely, the truth is somewhere in the middle although it sounds a bit trivial. Besides, it is more likely that strategy or at least strategic behavior is to be found in small entrepreneurial enterprises or 'lifestyle' enterprises, both growth oriented and simply aimed to sustain within changing environment, than in 'mom and pops'.

B. Characteristics of small enterprise strategy

The uniqueness of the management process in the small enterprise is commonly admitted. In contrast with the large organizations where strategic management is regarded to as principally a predictive process, the small enterprises tend towards adaptation. Beaver and Ross (2000) note that strategic management in the small firm becomes an adaptive process connected with handling limited resources, usually so as to obtain the maximum immediate and short-term advantage. In this situation the firm concentrates efforts not on predicting and controlling the operating environment, but on adapting to its changes. The actual strategy of the small enterprise may or may not be deliberate, and often emerges through a series of consistent adjustments to the opportunities and threats faced by the firm over time. There are also some evidences gained from previous research that in the small enterprise these adjustments are frequently made intuitively without formal procedures, that generally reflects their management style (Beaver and Ross, 2000; Greenbank, 2001).

In a great contrast with just mentioned, Hankinson, Bartlett and Ducheneaut (1997), commenting the results of 1995-1997 small-medium enterprise survey made in 11 countries, sarcastically note:

...the strategy when faced with a changing environment economic, financial, competition, technological, etc., was: "adoption once the change has been well established". This slow response to change appeared to be well entrenched, e.g. very few managers were prepared to make fundamental changes of any kind in the firm over the next few years. A survival mentality prevailed as opposed to a positive futuristic outgoing approach.

In fact, even survival itself implies unavoidable changes otherwise the firm would perish. Perhaps,

the results gained by Hankinson, Bartlett and Ducheneaut(1997), somehow reflect the assumption of Beaver and Ross(2000), and Greenbank(2001) that the adjustments the firm goes through are based on the owner-manager/entrepreneur intuition and are so much intermingled with the everyday routine, so becoming difficult to distinguish.

Along with adaptive characteristic of the small enterprise strategy, the management process in the small enterprise is highly dependent on personal features of the owner-manager/entrepreneur. Hence, it cannot be observed in isolation from their influence. Significant body of research have been made to distinguish a number of personal characteristics of the key players possibly influencing the management process in the small firm, and as a consequence, its strategic behavior. Among large number of them, the following characteristics found in Collinson and Shaw (2001) are regarded to as four key competences helpful in strategy design and its implementation.

- experience of both the industry and the job;
- knowledge of the product and market;
- communication skills in being able to direct the organization; and
- sound judgement in being able to identify good market opportunities or key appointments in personnel,

all supported by high levels of perception and intuition.

Another well-known characteristic related to the personal issue is the closeness of the owner-manager/entrepreneur of the small enterprise to the operating personnel and operational activities, as the relationships inside the firm are frequently rather informal without clear definition of responsibilities. The organizational structures then are loose and often even not formalized, so the strategic management becomes almost invisible process. Consequently, as Beaver and Ross (2000) add, “It often has an abstract rather than explicit form, with strategic management being practiced instinctively”. In addition, they also report that many small firm owner-managers/entrepreneurs tend to make little distinction between strategy formulation and its implementation, so a concept of strategy in the small enterprise becomes something elusive.

Stokes (2000) reports another characteristic of the small firm strategy, also related to the personal character of its management process and performance. In contrast with their large counterparts, small enterprises do not tend to perform a standard “top-down” approach to the market in which the strategy process usually goes through a number of the following stages:

1. Determination of the profiles of market segments.
2. An evaluation of the attractiveness of each segment.
3. Selection of the target segment.
4. Strategy formulation in order to select a market position.

The stages mentioned above require thorough market research involving handling both secondary and primary data and specialists evaluation. Small enterprises are limited financially and, in fact, unlikely follow the rules prescribed for the larger companies. According to Stokes, they perform a “bottom-up” targeting process in which they usually begin serving the needs of a few customers and then expand the base gradually as experience and resources allowed. He explained the process in detail but in brief it would seem as follows:

1. Identification of market opportunities
2. Attraction of an initial customer base
3. Expansion through more of the same.

In case of the small enterprise, a target customer group emerges and grows, but more through a process of elimination and self-selection as well as personal encouragement from the owner-manager/entrepreneur, than through formal research. Practical evidence of it can be found in Greenbank (2001); Hankinson et al (1997) and Stokes (2000).

Although the small firm can face the opportunity to expand it does not necessarily pursue growth and profit maximization. According to the typology of the small enterprises which distinguish them from “mom and pops” to entrepreneurial small firms, their attitude to future growth differs depending on personal motivations of owner-managers/entrepreneur. It is generally admitted that not all of them are growth oriented. The reasons why small enterprises do not have intention to grow have been described in detail in Glancey (1998) and Greenbank (2001), and can be summarized as follows:

- The growth implies the impact on the owner-manager personal life and its effect on job satisfaction.
- There may arise the need for greater financial risk and responsibilities.
- The growth may cause the loosening control over the business, as it requires expand employee numbers and, consequently, delegation of key functions.
- There may be a desire to remain under the VAT threshold.
- There may be satisfactory living from current business and no pressure to seek growth.

Such reluctance is peculiar to craftsman type or lifestyle owner-managers rather than to small entrepreneurial firms which are initially growth oriented, although the vast number of research reports the prevalence of the former.

Therefore, taking into account basic characteristics of the small enterprise strategy just mentioned above, it can be generally described as:

- (1) adaptive process;
- (2) influenced by the personality of owner-manager/entrepreneur;
- (3) not distinct as strategy formulation is often associated with its implementation;
- (4) “bottom-up” featured; and
- (5) not necessarily growth-oriented.

V. Instead of conclusion

The heated debate concerning the entrepreneurship phenomenon and the small enterprise connected with it is to be continued. A large amount of the definitions and approaches produced in association with them prove it very well. Moving forward, it is necessary to set up a framework for the further research according to my own view on the achievements in the field of the small enterprise research overviewed above. In order to outline the further research, its purpose needs to be formulated at first so as to set up the framework. In fact, the main objective of the further research is to identify a concept of strategy as it relates to the small firm. Consequently, a research question appears, “What is a strategy of a small firm if there only exists any?” Furthermore, the sub-problems such as “What is it influenced by and to what degree?”, “What relevant variables characterize strategy of the small firm?”, and “How is it formulated and implemented?” appear as well.

As mentioned earlier, the small enterprise, especially in the context of entrepreneurship is recently regarded to as multidimensional phenomena. That is why the strategy concept in the small enterprise should be considered in multiple dimensions with a number of variables possibly influencing the strategic process. It is well agreed that entrepreneurial process is the interaction between four key variables – environment, individual, process and organization. Within the further research at least two of them will be taken into serious consideration, since some recent works demonstrate that environmental elements interact with individual elements and the small enterprise strategic behavior

appears as a result. Hence, the strategic process in the small enterprise should be regarded to as a dynamic process.

What principally new can be suggested in the research proposed here? In fact, the influence of the environment on the small enterprise strategy is definite, but it is still not measured to what degree. A new approach advocated here is a comparative analysis of small enterprises strategic behavior operating in different environments. Environments may differ depending on industries within the same country, as well as within the same industry depending on country. Inter-industrial approach in combination with international comparison might bring the most impressive results but at the same time technically seems too complicated. That is why, the international comparison between small enterprises in Japan and Russia operating in the same industry is suggested. One may doubt that comparison of countries so differing in the stages of economic development would lead to the erroneous results. However, different economic, political, social, and cultural environments themselves do not mean the comparison impossible. Besides, in case of small enterprises the influence of given environment should not be evaluated regardless of certain industrial conditions. For instance, the difference between growing, emerging, stable, and stagnating industries against the background of differing macroeconomic environments seems to be more important.

Consequently, the two-level approach is suggested. First, it is necessary to define an industry in which the small enterprise in Japan and Russia is to be investigated, and, second, to outline the similarity and distinction between those two environments taking into account both international and intra-industrial factors. In order to smooth possible hitches and contradictions, the most important problem at the initial stage is a choice of an appropriate industry between given alternatives. A single industry should be chosen so as to control industry-specific factors. Although categorizing industries development into typology does not mean a simple claim of the homogeneity of any given industry, four basic types can be distinguished: 1) nascent or emerging; 2) growing or transitional; 3) mature or stable; and 4) stagnating industries. For the further research purposes, the first or the third type seems to be more appropriate. For example, emerging sectors can be found in IT industries both in Japan and Russia, as well as emerging sectors of specific services in service industry.

For instance, locally oriented data processing or software firms within the first group or food processing or certain kind of services within the third one can be considered as samples. Although my intuition suggests choosing small manufacturing enterprises in the food industry, further consultation

with specialists is needed. As small enterprise or small firm then there will be considered a business fulfilling certain quantitative characteristics officially implemented in Japan and Russia with an emphasis on enterprises belonging to the category up to 100 employees and sub-categorization followed by. Besides, the entrepreneurial and lifestyle small enterprises should be given a priority over 'mom and pops'.

In addition, so as to avoid wasteful dissipation of energy by going the same way again, the results overviewed above should be taken into careful consideration. In terms of strategy of the small enterprise, its five major characteristics mentioned in Section IV will be taken as basic assumptions.

The methodology debate in Section III led to the conclusion that the best results might be reached if only one applies each of given concepts according to the certain research problem. Based on the recent research, the priority should be given to the qualitative research methods based on grounded theory as they proved to be the most appropriate to apply in the small enterprise context. Although the quantitative methods such as questionnaire survey, particularly at the initial stage can be successfully applied as well, the qualitative/constructivist paradigm is to come over. In grounded theory, patterns are allowed to emerge from data that is primarily collected to determine how literature and data compare. This opposes the hypothetic-deductive approach, in which a priory theory is superimposed on, and tested against empirical data. Among qualitative methods, depth interviews in combination with critical incident technique seem to be the most appropriate in our given situation. The data collection method proposed is a multiple-case study approach. According to the recent work of Ashill, Frederikson and Davies (2003), studies of between four and ten cases can work well. They suggest that with fewer than four cases, data can be difficult to generalize, and with more than ten cases, the volume of data can be difficult to cope with.

In this paper, in fact, the new approach to research the small enterprise strategy is advocated. The main characteristic of it can be formulated as follows:

- it is dynamic since the small enterprise strategic process is regarded to as interaction of certain variables;
- it is comparative since the comparison of two different environments, Japanese and Russian, is proposed;
- it is qualitative/constructivist since the priority is given to the qualitative research methods.

The conceptual and methodological framework that has been just presented here is, in current

condition, only the first step in the research process for which the key words ‘dynamic’, ‘comparative’, and ‘qualitative’ are suggested to apply.

Endnotes

- 1 Observatory of European SMEs (2002), “SMEs in Europe, including a first glance at EU candidate countries”, Available:
http://europa.eu.int/comm/enterprise/enterprise_policy/analysis/doc/smes_observatory_2002_report2_en.pdf
(Accessed: 2003, February 14).
- 2 Full data is available at:
<http://www.sba.gov/size/sizetable2002.html> (Accessed: 2003, February 17)
- 3 The Federal Law No. 88-FZ of 14 June 1995 'On State Support of Small Enterprises in the Russian Federation'
- 4 Originally this table was taken from Pfohl, H, Kellerwessel, P. (1990), *Abgrenzung der Klein-und Mittel-betriebe Gr Benspezifische Probleme und M glichkeiten zu ihrer L sung*, Berlin, 20.

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