

SME Growth in a Recession: Glimmers in the Dark

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Abstract

Objectives:

The objective of this article is to investigate the management strategies, and internal and external organisation works that helped a small business to grow in a recession.

Prior Work:

Recessionary periods are tough times for small businesses to survive and grow, yet some do. The growth in the SMEs is discussed associating with different factors such as internal and external barriers, entry and exit barriers, business and the owner-manager characteristics, networking and marketing, consolidating and managing resources, advices the owner-managers buy-in, strategies the owner-managers implement, and the intentions and lifestyle of the owner-manager. Prior studies have a significant contribution in exploring aggregate SME growth phenomena but there is a gap in empirical real-life research.

Approach:

This study used a pluralist methodology with action research as the main approach, combining the participant action research (Lewin, 1946) and the problem-centred action research (Stringer, 2007). Qualitative data were sought on areas such as business process, management strategy formation and implementation, and the owner-manager's perspectives. These data were collected from a series of informal interviews with the owner-manager and employees, as well as through observation. Similarly, quantitative data such as business records, financial information, and policy and procedure documents were gathered from primary and secondary sources.

Results:

The case study firm had implemented several different management strategies to grow the business during the last recession. These included formal and informal learning, restructuring the organisation and consolidating resources, simplification of business processes and customer focus, and networking and marketing. Precise quantification of these strategies on the degree of effect challenging. However, formal and informal learning, and restructuring the organisation had a higher impact on the business performance.

Implications:

The study investigates the effective strategies associated with growth in a recessionary period. The key finding is that small businesses need specific and contextual support rather than standardised 'ready-to-use' and 'one size fits all' kind of policies. This paper indicates what dimensions SME growth-supportive policies should have.

Value:

This paper will be of interest to all the people who are involved in achieving a sustainable growth of the SMEs including universities, government backed support agencies, investors and financial institutions.

1. Introduction

Recessionary periods are usually tough and dark for the small and medium enterprises (SMEs) to survive and grow, yet some glimmer. SME growth is a complex process and it is achieved through multiple management strategies. This paper investigates possible management strategies that made the case study firm success. In 2008, when the recession was hitting hard in the UK, stories from two sides were coming up. The mostly prevalent side of the story was the negative side which was about the shutdown of businesses, increasing unemployment, and credit issues to the businesses. Less commonly shared part of the story was about the positive side of the recession – the growth of businesses and obtaining better position in the market. These contradictory stories made us consider about the possibility of the business growth in a recession – whether there are any transferrable skills that can be taken away from such successful businesses. Before talking more about this, we note the importance of researching the small business sector by evaluating the importance of SMEs, and the 2008-09 recession and its impact on SMEs along with definitional issues relevant to this sector.

Since the 1970s, following the Bolton Committee Report, SMEs have become of national interest and recognised as the backbone of the national economy (Storey, 1994; Curran and Blackburn, 2001; ECORYS Nederland BV, 2012). The strands of literature uncover the importance of SMEs in reducing unemployment and generating economy (Birch, 1979; Storey, 1994). It is further identified that small businesses have supported the government during the recessions. Dyadic relationship has been noticed between the national government and SMEs. Therefore, it is pivotal for the government to understand how SMEs grow and sustain in a turbulent economic environment. It is also important for SMEs to understand how the government can support on their growth.

Despite the importance of SMEs in the national economy, it is difficult to be precise about the number of SMEs and their contribution. Some of the reasons are – SMEs are defined in context, some of the small firms are not formally registered, some SMEs have a short life span and close down in a short period of time, and some SMEs do not keep business records. Definitional contradictions are apparent in the literature – see Bolton (1971); European Commission (2005); Companies House (2006); BBA (2008); US International Trade Commission (2010); OFGEM (2013). In addition to this, the terms 'smaller' and 'larger' have subjective meaning, which adds an extra layer of complexity to the definitions. For example, a taxi firm with less than five vehicles falls under the definition of small business given by Bolton (1971), but may be seen large business in other definitions. Such complications and contradictions in defining SMEs increase the uncertainty as to the number of firms and their contribution. Regardless of the way in which SMEs are defined, the contribution of SMEs in the UK is vital. They account for more than 99 per cent of total businesses in the UK, providing more than 59 per cent of total private sector employment, and contribute more than 48 per cent (annual turnover £1,529 billion) of total private sector turnover (Rhodes, 2012).

During the recession 2008-09, the UK was facing a tough economic situation with problems across many sectors (BBC, 2009). A market contraction as well as difficulties in labour market conditions was apparent as a consequence of the recession (Vaitilingam, 2013). During this period, the business start-up rate decreased to 10.1 per cent from 11.5 per cent and the failure/death rate increased to 11.9 per cent from 9.6 per cent, resulting in the largest fall in the number of businesses in operation since 1993 (ONS, 2013). The cumulative decline in the workforce, with approximately 6 per cent unemployment, rose to approximately 8 per cent during this period (ONS, 2012). 58 per cent of SMEs were badly affected (Howes, 2008), while 40 per cent experienced a fall in employment, and 43 per cent had a fall in turnover (Cowling and Liu, 2011). The economic adversity hits harder for the small businesses compared to larger firms. Small firms, which are particularly vulnerable and the least prepared to cope with turbulent economic conditions, are more prone to economic adversity (OECD, 2009). The negative impact of the recession not only affected the UK business sector but also triggered the bankruptcy of countries such as Greece and Iceland. It also badly affected the economy of other countries including the USA, Japan, China, Australia and New Zealand (Garg et al., 2011; Kitching et al., 2012). Notably, the IMF (2009) recognises the 2008-09 crisis as the deepest and longest since the 1930s.

In contrast, Rae (2011) finds an improvement among small businesses and their performance during the recession. Gulati et al. (2010) also found that nine per cent of the businesses were doing better in the recessionary period. Furthermore, perception study of SMEs during the recessionary period also indicate that such periods are not only volatile but they are also beneficial (Price et al., 2013).

The case study firm is an example of a positive side of the recession which is a combined and collaborated form of a taxi business and a service garage. In addition to the recession, some other unexpected complications were impending for the case study firm such as taxi licence deregulation and the termination of a contract by the local council. Even so, the case study firm performed better in terms of annual turnover, assets values, number of employees and their development, as well as the number of customers. Therefore,

the objective of this empirical research is to investigate the management strategies, and internal and external organisation works that helped to grow the business. The research also explores how these organisation works can be replicated in similar situations.

This paper consists of five sections. The first section presents the importance of the SMEs in the national context and their growth plausibility in a recession. The second section, the literature review, looks in particular at the complexities and challenges that lie on researching the SMEs and their growth. The third section outlines how a pluralist methodology and the participant action research are selected and used in this research. The results and analysis of the research are discussed in section four. The fourth section is subdivided into three subsections – understanding the case study firm, interpretation of strategies, and recommendations made for future growth. The final part concludes the requirement of multiple management strategies and contextual policies to grow a business in a recession.

2. Literature Review

Since the publication of Bolton Report in 1971, interest in researching SMEs has increased. It is also realised that SMEs play a vital role in the national economy. However, getting precise evidence of the contribution, defining SMEs, and studying small business sector are still challenging. In the context of this research, other complications also exist such as SME growth, growth measurement, and growth affecting strategies and factors. These complications mystify the government and supporting bodies when drafting SMEs-support policies. In this section, we have explored the literature associated with SMEs and their performance, strategies and affecting factors.

2.1 Defining SMEs

SMEs, as they are known today, have a discursive history. In some periods, SMEs were known as the 'shopkeepers' and in other time, they were known as 'small businesses'. SMEs, since the late 1960s, have become popular in the national political and socio-economic agenda in the UK – see Dannreuther and Perren (2013). The standards used to define and describe SMEs are contextual to the place and time. Therefore, there is a little agreement on the definitions. Even so, the Bolton report is a milestone in the history of small businesses in the UK; Bolton (1971) realised that defining small businesses using a single quantifiable indicator could not capture all the small businesses. As a result, they considered the 'economic definition' to characterise small businesses, and used the 'statistical definition' for their purpose. Using the statistical definition, they divided small businesses into several categories and used different indicators such as annual turnover, number of employees, number of vehicles, and management ownership to define them.

In the UK, the Department of Trade and Industry defines businesses using three standards – annual turnover, balance sheet amount, and number of employees (Companies House, 2006). According to the Companies Act 2006, small businesses are ones that have an annual turnover of not more than £6.5 million, a balance sheet total of not more than £3.26 million and not more than 50 employees. A medium-sized firm has an annual turnover of not more than £25.9 million, a balance sheet total of not more than £12.9 million and not more than 250 employees. Similar measures are used in the European Union and in the US – see European Commission (2003) and US International Trade Commission (2010).

Additionally, characters – i.e. qualitative measures – are used to describe and typify SMEs rather than defining them. Some examples of business characters are management style, ownership and financial structure to separate small firms from larger ones – see Ostlund and Hollander (1956), Penrose (2009), Bradburd and Ross (1989), Wynarczyk et al. (1993), Beaver (2002), Coad (2009), Davidsson et al. (2009), Storey (2010) and Burns (2011). Regardless of how SMEs are defined, the case study firm falls within the category of small and medium sized enterprise, as it has an annual turnover less than £6.5 million, balance sheet amount less than £3.26 million, and employs less than 250 livelihoods.

2.2 Measuring SME Growth

Both objective and subjective approaches are used to measure and analyse business performance. Objective measures make it easy to quantify the growth, but selecting and relying on the indicators are challenging, involving choices such as whether to select absolute or relative growth, sales or turnover growth, steady overall or acquisition and merger growth (Delmar and Davidsson, 1998; Weinzimmer et al., 1998; Cooney and Malinen, 2004). In contrast, subjective measures are based on opinions, such as 'sustainability' and 'success'. Therefore, it is difficult to obtain an agreement.

The dilemma of business growth straddles growth indicators, measuring units and perception of what and how it should be measured. In the literature, business growth has been entangled with terms such as financial performance (Gibb, 1993), sustainability (Johannison, 1993; Burns, 2001; Stokes and Wilson, 2006), success (Bartlett, 1994b; Carter and Jones-Evans, 2006), employees development (Drucker, 1985; Orser et al., 1996; Nohria et al., 2003), market expansion, market-share, number of customers, and return on capital investment (Kalleberg and Leicht, 1991; Hoy et al., 1992; Bartlett, 1994a). The literature also makes it quite clear that growth has a perceptual meaning. For instance, the owner of a business may see growth in terms of profit, but to a manager the growth may mean exceeding the targets that obviously utilise different indicators to measure growth.

Measuring the growth of a business using a single unit/aspect does not provide an overall picture. Therefore, multiple aspects – such as employment, annual turnover, profit, and market-share – need to be analysed (Mateev and Anastasov, 2010; Blackburn et al., 2013). Additionally, Mao (2009) recommends a developmental perspective to measure the growth by considering the quantity and quality of the business in the overall.

2.3 SME Growth Strategy

SMEs implement multiple strategies to grow their business. Some common strategies are labelled as advice-driven, Janus-faced, resource-based view, strategic view, strategic business planning, investment-driven, product diversification, marketing and market extension, HR management, learning within the organisation, cost leadership and innovation. The effectiveness of the business strategy depends upon the context of the business. As a result, a little agreement is found on the effectiveness of strategies – see Smallbone et al. (1999); Gulati et al. (2010); Rae (2011); Kitching et al. (2012); McFarland and McConnell (2013) and Price et al. (2013).

Robson and Bennett (2000) find a common practice of obtaining external advice since the mid 1980s. Specifically, growth-driven businesses which pass through different stages of growth require advices to move to the next stage. This is supported up by Chaston et al. (1999) and Trau (1996) who find a positive impact of 'intervention-driven external advice' strategy. However, Quinn (2001) warns that advice alone does not help to grow a business. The advice needs to be contextualised in the business environment. Furthermore, North et al. (1997) and Robson and Bennett (2000) argue that government-backed business advisors provide standard and generic 'ready to use' kind of advices which have a little impact on business performance. This indicates that expert and contextualised advice has a positive effect on the business performance. However, due to financial constraints, small businesses do not pay for expert business advice (Orser et al., 1996). As a result, the owner-manager often tries to get cheaper or free advice from non-expert sources like family and friends which are very common in the small business sector (Department of Employment, 1991).

Gulati et al. (2010) suggest a combination of strategies to grow the business. They recommend four strategies that SME can employ during the recession – prevention-focused, promotion-focused, pragmatic and progressive. They warn that becoming too aggressive or too defensive will not help to grow a business in the economically difficult situations. The recommended combination comprises of operative effectiveness and market development along with asset investment strategies. In the times of financial contraction, a strategy of cutting budgets in one area (where the business is not performing well) and investing in other areas (where the business is performing better) is not easy, but this Janus-faced strategy helps to grow a business.

Penrose (1959) recommends 'resource-based' strategy to grow a business – investing in fixed assets like machinery and making the business process more efficient or investing on people's skills to boost their performance. In either case or a combination of both, the business can obtain the benefits of growth. Especially in the service industries, like the case study firm, soft skills help to grow a business and hard skills help to provide specialised services. Usually, small businesses do not invest in employees' soft and hard skills. Those lacking skills become a barrier of growth in the business when employees are required to deal with customers and new technologies.

Greiner (1972) recommends five strategies aligning the growth stages. These strategies need to match the business dimensions such as age and size, the stages of evolution and revolution, and the growth rate. Similarly, Churchill and Lewis (1983), Gibb and Scott (1985) and Scott and Bruce (1987) also use a strategic view but the business-stages identified vary from those of Greiner. Surprisingly, there are more than 100 business growth models and a number of them use the growth-stage models to analyse business growth (Levie and Lichtenstein, 2010). Therefore, selecting the appropriate strategy for the specific business growth model is tricky.

In addition, there are numerous management strategies that are linked to the growth of a business. For example, Porter (1985) recommends a number of them, including cost leadership, product differentiation, operation efficiency, innovation and improvement on marketing. Smallbone et al. (1997) also find three strategies associated with the growth of manufacturing SMEs – managing markets and products, production process and improvement, and labour productivity strategies. Lewis (1984) recommends 13 recessionary strategies to sustain and grow small business which includes monitoring collections, budget expenses and compliance, changing sales prices, and stop selling to slow payers.

From the literature, it is concluded that the generic strategies have less positive impact on the growth of a business. Hence, the selection of multiple management strategies contextual to the business is the only option to achieve growth. Along the strategies, there are different overlapping factors that help to achieve a growth in the business.

2.4 Business Growth Factors

There are controversies about the particular factors that explicitly make a business success. Some researchers discuss growth factors as being internal and external, and some associate with the character of the owner-manager, the firm, and business process. Some of the widely discussed factors associated with the

owner-manager are the ability and intention of growth, life style, age, sex, skills, qualification, family background and experience. Similarly, factors related to the business are age, size, location, products/services, entry and exit barriers, internal and external barriers, sales and market structure, and availability of resources. The business process includes investing in people, technological innovation, business operation, organisation bureaucracy, financial management, sales and distribution channels, human resource management process, and social and legal aspects – see Barber et al. (1989); Terpstra and Olson (1993); Hay and Kamshad (1994); Storey (1994); Cliff (1998); Smallbone et al. (1999); Singh et al. (2001); Hamilton (2012).

Writers who see the growth, as associated with the owner-manager, discuss their characters. For example, Delmar (1996) finds a positive association between growth and the characters/behaviours of the owner-manager. Majumdar (2008) finds that entrepreneurial vision is more important than other factors. In addition, Curran and Storey (1994) provide evidence that growth is associated with the intention and objectives of the business establishment.

The growth of small business is found connected to the age and size of the firm. Age and size have a positive relation with absolute growth but a negative relation with relative growth – see Evans (1987); Weinzimmer et al. (1998); Calvo (2006). Contrary to this, Hamilton (2012) finds an association of business growth with the size of the firm, but he doesn't find any association of business growth with age of the business. Similarly, McPherson (1996); Smallbone et al. (1999); Teruel-Carrizosa (2010) find the growth of a business associated with the size and the location.

Business processes are also discussed as growth-determining factor. For example, Kitching et al. (2012) argue that business growth is achieved by adopting the strategy of product or market diversification and aligning it with the organisation works. Zhao et al. (2010) and Brink (2011) find that growth is achieved through the development of networks. Further to this, the process of innovation, research and development, and financial management are also linked to the business performance (Mateev and Anastasov, 2010; Omri and Ayadi-Frikha, 2014).

In conclusion, it is revealed that different strategies and factors play a vital role in business performance. However, a little research has been done on the strategies that make a business survive, succeed and grow in a recession (Gulati et al., 2010). Additionally, most of these studies adopt a quantitative approach and deal with multiple businesses. The available research doesn't provide a comprehensive understanding of SME growth in the UK and their strategic management processes in a recession. There is a little agreement on the determining factors and strategies and their degree of impact. The factors range from business to individual, tactical to operational, and location to the environment. Similarly, strategies also range from cost leadership to investment-driven and advice-driven to resource-based. As argued by Storey (2010), growth is achieved from three dimensions – the entrepreneur, the firm, and the strategy. Lack of any of these aspects does not help to grow a business. Therefore, it is obvious that the growth of a business is dependent on multiple variables (Bamiatzi and Kirchmaier, 2014). Without a contextual strategy, advice, support or entrepreneurial action, the business does not grow. The above review shows that achieving growth and measuring performance are not straightforward, as it is contextual to the business. By taking a successful business, this paper finds that the relationship between the strategies/factors and business growth is contextual.

3. Methodology

This empirical research is based on the pluralist methodology (Mingers, 2001) with action research being the main approach supplemented by the case study (Yin, 2014). The combination of qualitative and quantitative methods is expected to provide the best possible results in researching such a complex case study (Gueulette et al., 2000; Johnson and Onwuegbuzie, 2004; Leitch et al., 2010; Creswell, 2014). There are different models of action researches and they are used for specific purposes. In this research, a combined form of the participant action research (Lewin, 1946) and the problem centred action research (Stringer, 2007) has been utilised. This approach involves the research participant during the data collection, analysis and strategy formation process (Chein et al., 1948; Adelman, 1993). The approach is also very common to cater change process and resolve issues in an organisation. Hence, by utilising the participant action research, the project investigates the internal and external organisation works, analyses plausible growth strategy and recommends the strategy for future performance.

To avoid the drawbacks of action research such as researcher partiality and idiosyncratic decisions, a continuous process of observation–reflection–action (Kemmis and McTaggart, 2000) was employed throughout the research. Also, to avoid the pitfalls of researching SMEs, two people from the case study firm were involved who helped to organise meeting with the owner-manager and provided secondary information.

Researching SMEs and developing an understanding of a small business is a complex phenomenon and it is challenging to gather information and make sense of the data (Curran and Blackburn, 2001). The data were collected for 10 years since 2004, when the new owner-manager took the business over. Hence, to complete this research, the project has been divided into three phases. The first phase focuses on understanding the business and its components. The second phase is about exploring, analysing and interpreting the data and the final phase is about generalising and developing the strategy to grow the business in a recession.

To develop an understanding of the case study firm, the business, business processes and the owner-manager were investigated along with internal and external organisation works. Within the business aspect, location, size, age, number of employees and services were evaluated. Similarly, the business process included strategy formation and implementation process, business management process, and human resource management and development process. Within the owner-manager aspect, age, sex, motivating factors, advice buying-in, lifestyle, leadership, intention and interest were assessed.

Because of the involvement of multiple management strategies – such as formal and informal learning, restructuring the business, consolidation of resources, efficiency of business operations, and establishing personal/organizational networks and marketing – studying the case study firm is complex. To understand the complexity of the business, multiple methods were employed to gather and analyse the information. The methods included observation, formal and informal interviews, and interpretation of business records. The baseline data helped to measure the performance of the firm and analyse the factors associated with the business dynamics. The qualitative data were gathered in the form of thick description from tacit information such as observation, interaction, noticeboard notes, and interviews. Similarly, quantitative data were drawn from financial reports (e.g. annual turnover, balance sheet, and profit and loss accounts), number of customers, and people in the business (e.g. owner-manager, advisors, employees and suppliers).

A series of informal interviews were conducted with the owner-manager and employees to gather information about business intention such as mission statements, the business objectives, the business process, and the strategy formation and implementation processes. Internal and external organisation works were explored by conducting informal and unstructured interviews with the owner-manager, neighbouring business owners, and employees. Data from trade organisations were also gathered by attending meetings, and exploring publicly available data. Likewise, data for taxi regulations were collected from the local council through correspondence and telephone interviews.

To analyse the impact of other organisations, data about similar service providers, within the catchment area, were collected. Such data were drawn from the Yellow Pages, Thomson Local, Companies House, the local council and the owner-manager. The data collected from different sources were merged which also involved trimming, as there were discrepancies in the trade names, registered names and business addresses. Data regarding the start-up and closure of businesses were obtained from Companies House. Similarly, market-share data were collected from the local council, case study firm and Companies House, and verified by counting the number of taxis on the road.

Owner-manager characters data were gathered by shadowing the owner-manager. During the shadowing period, steps and actions taken by the owner-manager were observed and recorded in the diary. Participating meetings and observing the behaviours towards the customers and the employees, behavioural data were gathered. The actions taken by the owner-manager were also discussed to relate to the context of how the

decisions were made. For example, after completing a meeting with under-performers, future plans and actions were discussed. Addition to shadowing, the characters and behavioural data were collected from neighbouring business owners.

These data helped to proceed to the second stage of this research. At this stage, both qualitative and quantitative data were analysed, interpreted and explained relating to the business performance. The performance is analysed in terms of both relative and absolute growth. The business performance was drawn from quantitative data. Similarly, qualitative and tacit data helped to relate the growth and organisation works. Qualitative data, in this research, are thick descriptions of tacit information such as owner-manager behaviour, interaction within the organisation, formal and informal learning, decision-making process, strategy formation and implementation processes, network development processes, human resource management processes, observation notes, interview transcripts, and pictures.

As a final phase of the research, a report on the future growth strategies is provided to the owner-manager of the case study firm. The report contains possible business expansion strategies and a step-by-step implementation process. Strategies and implementation processes are discussed with the owner-manager before leaving the case study firm as suggested by Lewin (1946), Chein et al. (1948) and Susman and Evered (1978).

4. Results and Discussion

The performance of the case study firm provides evidence of SME growth in a recession and shows that the growth was achieved from multiple management strategies. To develop an understanding of the business, we have looked at the case study firm, the business processes, and the owner-manager. The analysis of these aspects helped to investigate the business performance and associated strategies. Based on the result, future growth strategies are recommended at the end of this section.

4.1 Understanding the Case Study Firm

It is obvious that researching and understanding SMEs are challenging. Curran and Blackburn (2001) argue that researching the small business sector presents coherent issues. Storey (2010) finds complexity in terms of the availability and reliability of records. However, researching the case study firm is challenging because of the complexities of learning and the resources consolidation process. Due to the difficulty of understanding the case study firm as a whole, different components of the business were investigated such as the learning process, business performance, organisation works, market share and employee efficiency, and the owner-manager.

The Case Study Firm

In 2004, the owner-manager of the case study firm (Chris) acquired a taxi firm which was incorporated in 1986. Again, in 2005, Chris acquired another taxi firm and consolidated physical and human resources with the existing one. They bought 25 new taxis in 2007 and they now own 50 taxis. In 2006, Chris established a garage to cater the requirement of maintenance and servicing of their vehicles. Later, Chris opened the garage service to the public in 2011. The garage was established with two servicing ramps and now it has four ramps. The case study firm is a combined form of two interdependent businesses – a taxi firm and a servicing garage. The taxi firm provides quality transport services at a cheaper price compared to other taxi firms in the area. Similarly, the garage provides a range of services such as MoT, servicing, repairs, batteries, welding, and engine diagnostics. The garage is working towards providing a gear repairing service in the near future.

It is understood that the business intention plays a vital role in the growth of the business. There are two ways to derive the growth intention – business objectives, and the intention of the owner-manager. If we look at the objectives of the case study firm, we don't find any clarity as to whether they have any growth intention.

... we have vowed always to strive to offer the best taxi service... This includes offering a large fleet of well-maintained vehicles with good drivers at a price lower than our competitors.

Rather, the objectives state something about providing a quality service at a competitive price. The intention of saying 'competitors' here does not mean that this is in comparison with other transport services, but compared with other taxi firms, like-for-like, in the area.

When we examine the activities of the owner-manager, we can conclude that Chris has growth intentions. For example, he bought two taxi firms, established and extended the garage, and he is considering to start-up a new garage in a neighbouring town. Establishing more firms or acquiring other firms, adding services, and extending the business are some characteristics of a growth intention. In addition to these activities, Chris expressed his growth intention during the interview. He is interested in growing the business in either organic or non-organic ways, such as via expansion of the outlets or merger/acquisition

Business Performance

It is acknowledged that the case study firm has a growth intention. Therefore, it is a matter of interest to determine whether the performance was achieved and how it was obtained. For this purpose, we used financial and non-financial measures. The financial measures, as we employed, are annual turnover and associated indicators like gross profit and asset values. Similarly, as a non-financial measures, we have used number of customers, and number of employees. *Figure 1* presents the absolute performance of the case study firm.

By analysing asset values and turnover, we cannot see steady growth each year; rather growth is attained in the long run. The turnover of the business in 2004-05 was £107k, increasing to £147k in 2005-06. By 2006-07, the turnover reached £194k and jumped to £992k in 2007-08. The increase in turnover of more than 400 per cent (approximately £800k) was achieved from 25 additional taxis bought in 2007. Despite unexpected complications – the local authority faced budget cuts and terminated a contract with the case study firm, taxi licence was deregulated, the local authority placed an age limit on the taxis, and 25 taxis bought in 2007 also became a financial burden – the annual turnover continued to grow and reached £1.09 (gained 10 per cent) million in 2008-09. Since then, the case study firm has been gaining steady growth in turnover.

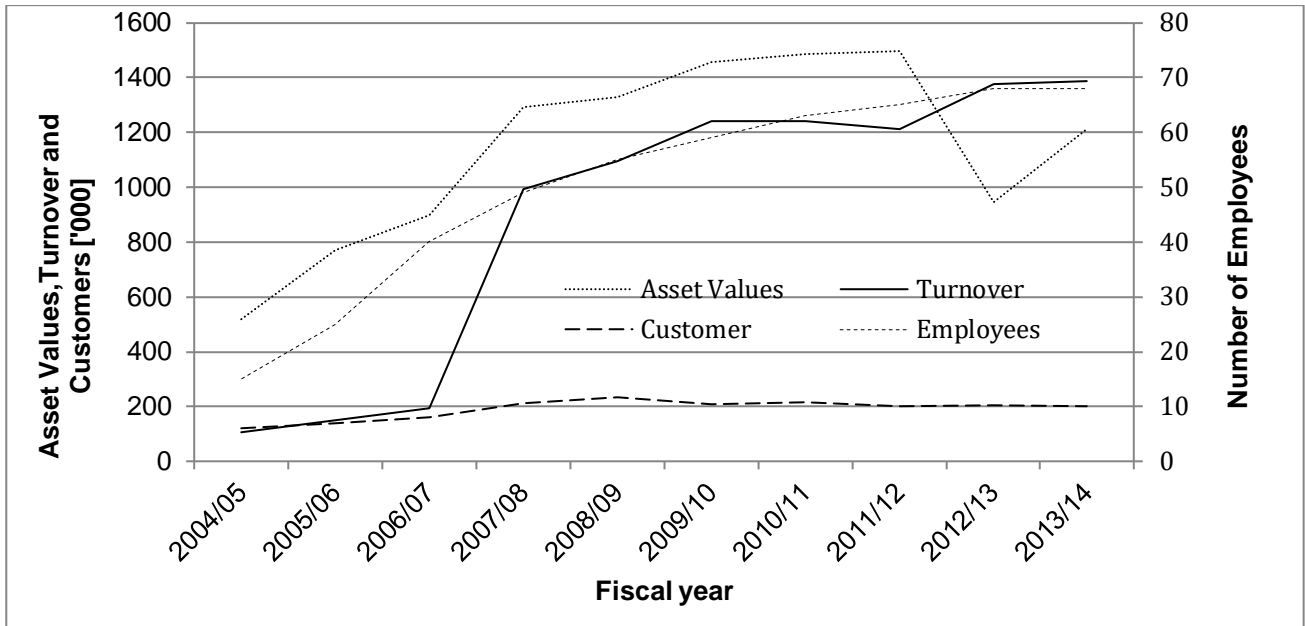


Figure 1: Growth measures

Similarly, the growth in the number of employees was also increased. In 2004-05, the case study firm employed 15 people including full-time employees and self-employed drivers which reached 25 livelihoods in 2005-06 by increasing 66 per cent. In 2006-07, the number increased by 60 per cent and reached 40, followed by 49 in 2007-08. It is interesting that nine additional employees managed to run 25 additional vehicles. At this time, the owner-manager trimmed some office staffs and recruited drivers. After 2007-08, the growth in the number of employees was settled and a steady growth was achieved.

The growth is also found in the number of customers. In the year 2004-05, total customers numbered 121k which reached 139k in 2005-06. This growth continued and reached 160k in 2006-07. In 2007-08, customers were increased by 32k and reached 212k. This increase is associated with the number of additional vehicles. Even during the recession (2007-08 to 2008-09), the number of customers increased by 11 per cent and reached 234k. It is revealed that the growth was gained from efficient employees as there were no other confounding factors associated with this growth. Then a steady growth has been achieved, except in 2011-12 and 2013-14 when there was a drop in customers by 3k and 2k respectively.

It is evident that the case study firm has been achieving growth even in the recession. To see the growth in the context of the national economy, the following two figures are presented – *Figure 2* shows the annual turnover of the case study firm and *Figure 3* presents the UK GDP. Even though the case study firm was achieving growth since 2004, remarkable growth has been achieved since the fiscal year 2006-07 and the highest increase was achieved in between 2006-07 and 2007-08. In contrast to this, the national GDP started falling since mid 2007 and continued falling until early 2009. From these figures, it is obvious that the case study firm was performing better in the recessionary period while the national economy was contracting.

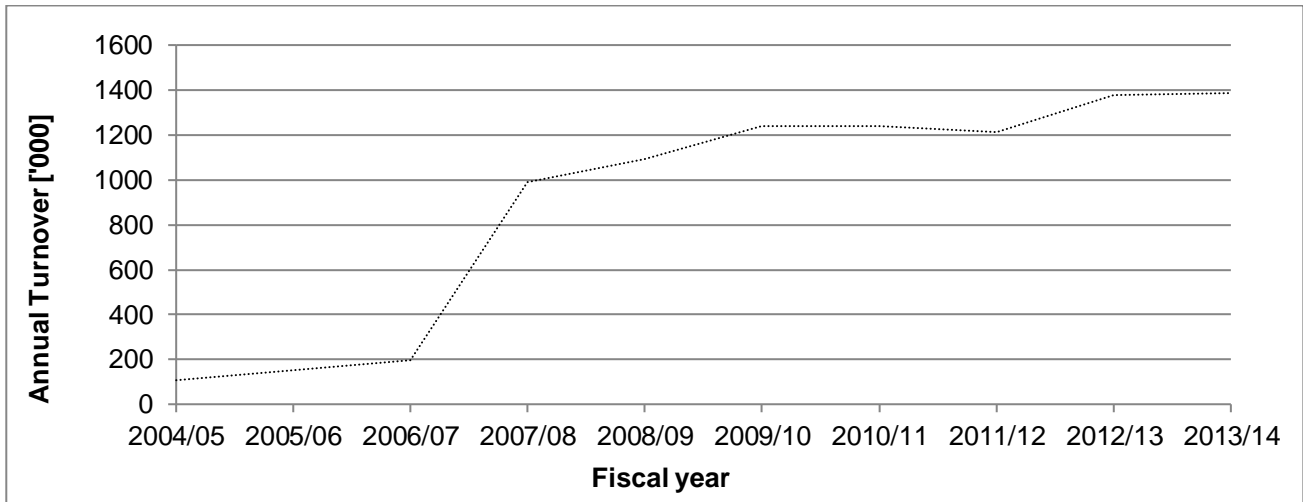


Figure 2: Turnover of the case study firm

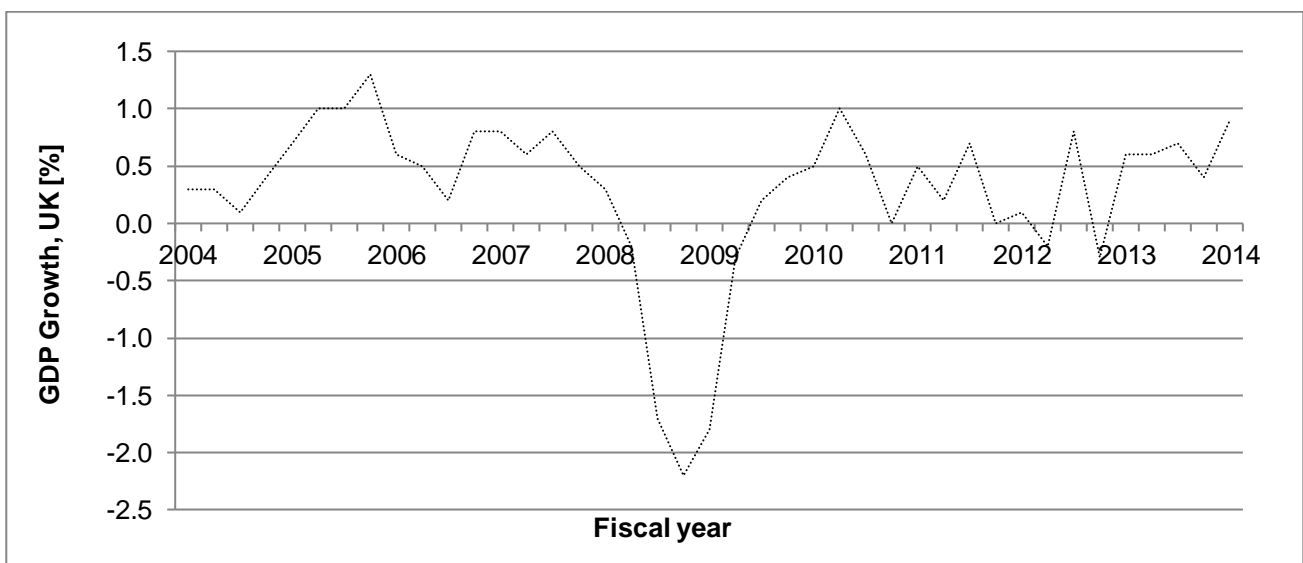


Figure 3: National GDP (ONS, 2015)

Organisation Works and the Customer-Drain Effect

Even in adverse situations like recession, the deregulation of taxi licences and the termination of a major contract by the local authority, the case study continued to grow. This raised a concern of customer-drain effect. From the available information, it is confirmed that there was no customer-drain effect on the case study firm, as there was neither any evidence of business shutdown nor any proof of businesses moving away during the recession. Moreover, the data for the bus route were also explored, from which, it is confirmed that there were neither any changes on the number of public transports nor any changes on the routes.

Hence, it is confirmed that the organisation works made the business grow. During and prior to the recession, the case study firm has made some changes in the organisation internally and externally. Internally, the case study firm simplified the business process; employees were trained for their specific tasks; human and physical resources were consolidated; investment was made in physical assets; and new services/products were added. Externally, the case study firm established networks with trade organisations and business-partners, started supporting local clubs, schools and hospitals, and started buying-in expert advice.

Market-Share and Efficiency

As mentioned earlier, organisational inputs have a positive impact on the business and the employees. To compare the relative performance of employees and market share information, total number of taxis, employees and market share data were analysed. There were 118 taxis including 57 licensed Hackney Carriages and 61 licensed Private Hire Vehicles in the local area (KBC, 2015). However, out of 20 taxi firms (Companies House, 2014), only 10 taxi firms provide their services at the time. Figure 4 presents the major taxi providers and their performance in the area.

From the following Figure 4, we can see the highest contribution on number of vehicles which accounts 38 per cent of total vehicles compared to 15 per cent of Competitor-A, 6 per cent of Competitor-B and 41 per cent of the rest of others. Similarly, the case study firm has the highest contribution to the number of drivers (44 per cent) followed by Competitor-A (16 per cent), Competitor-B (8 per cent) and the rest of others (33 per cent). The case study firm is the busiest taxi service provider in the area, as 38 per cent vehicles and 44 per cent of drivers occupy more than 61 per cent of total market share. This analysis tells that the case study firm is the most efficient business among the competitors in the area.

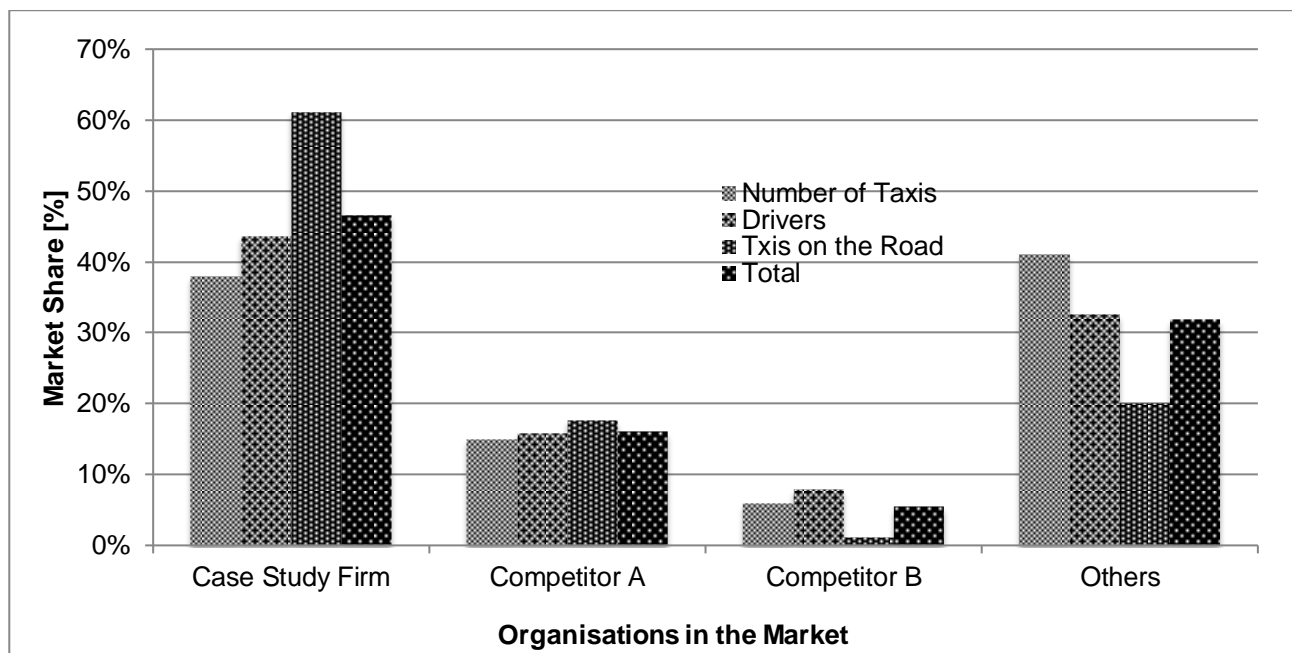


Figure 4: Market share by the case study firm

The Owner-Manager

Even though the owner-manager has a hands-on approach and has friendly relations with his employees, he follows procedures to manage them. For example, he involves an HR advisor to sort out the underperformers in the business. It is important to note that he has contradictory characteristics – he makes a list of things to do on the one hand, and on the other hand, misses appointments. He only involves senior employees in the decision making process. His skills and knowledge are rooted to the academic institutions and experience where he was involved. He developed business insight while he was studying and working for organisations. Recently, he is getting involved in other organisations – he is a rugby manager in a local school, chairs a finance committee in another school, and serves as a governing body member at a university. By working together with non-profit making organisations, he is managing diverse organisations. Apart from this, he is creating the business networks. Chris is a protean and good at forward thinking and planning; he is a management accountant, has technical skills and knowledge of his business and is good at managing people. These skills make him stand out from the crowd.

4.2 Interpretation of the Growth

People in the case study firm are engaged in internal and external organisation works. Even though the organisation works have a positive impact on the business performance, out of context, the whole situation may be noisy and complex to understand. For example, the owner-manager organises meetings with senior employees, conducts performance evaluations, meets business-partners and trade organisations, and works for non-profit making organisations. Similarly, employees deliver their services, participate on trainings, go out for marketing, and establish networks. In addition, a new IT system is being installed, building work is taking place, and new equipment is being set up. If we look at the context closely, we can see two strategies are making the business grow - 'learning in the organisation' and 'restructuring the organisation'. Within these strategies, there are other factors that also help to grow the business.

Learning in the Organisation

The owner-manager implements two learning strategies in the organisation – formal and informal. The formal learning process includes trainings, and the informal learning process includes staff meetings, performance evaluation and feedback. This learning process comprises three levels – the owner-manager, senior and junior employees. Learning in the owner-manager level takes place through transformation of skill and knowledge. The owner-manager picks up the successful models and he simplifies them before implementing it. For

example, Chris learned about the business excellence model while he was doing his MBA. Later, he implemented the model in the bank, and now he is using this in his business. If we look at these organisations where Chris implemented the business excellence model, they are not comparable in the sense of what services they provide and how they operate the business. It is interesting what Chris selected from the model and how he has implemented in the business. Chris picked up people aspect from the model and implemented by simplifying and contextualising it to the business.

... the main thing I learnt from City Bank was – you need to treat your customers how you like to be treated. The business excellence model helped me to generate a modified version of customer care. In this model, there are two sides enablers and results. Approximately, what I am trying to use in my businesses is this shape - 'focusing on people'. Chris

The owner-manager uses the word 'people' to refer employees as enablers and the customers as results. The business is focused on employees and customers – where the employees provide standard and quality services to fulfil the customers' demand. In addition, learning in the senior and junior employees level is made through the transformation of skills and knowledge to their subordinates and to the wider community. Another way of learning at this level takes place through action learning. It is very interesting to find that the action learning is practiced even in the small businesses like the case study firm.

Through the meetings and feedback system, the skills and knowledge are transferred informally. The communication process in the case study firm has different layers with a chain of command that is not very common in other small businesses. Chris organises the meeting with senior employees once a week, and conducts performance evaluation of the business and employees. If there are any concerns, he involves experts in the field like HR advisor or business partners. Furthermore, there are other formal ways of sharing knowledge and developing skills that take place through online, supervised trainings, and in-house or off-site trainings. Employees in the case study firm feel they are getting opportunities to learn and accept the firm as a learning organisation. Following three interviews are the examples of what the employees think about the firm.

Example 1

When I came to work here, Chris asked me to have MoT licence. This is something I never had, but wanted to have. To have the MoT licence you need to have a Level-3 qualification, which I did not have. Within six months – I did Level-3, I got MoT licence and I gained Level-3 Diagnostic. Then going forward, I also have done a hybrid course. Mr J

Example 2

I did NVQ in Level-2 and customer service course 5 years ago. I participated in First Aid training couple of years ago. Mr W

Example 3

I have done First Aid and customer service training. They are very useful. I am listed for the Excel and AAT courses. I think these trainings will help me to understand the accounting system and the business, and it will allow me paying the drivers. Ms N

It is clear that the case study firm is a learning organisation and it is providing learning opportunities to the employees. It is also obvious that the employees are developing their skills. If we look at the business performance and employee development pattern, it becomes obvious that the business has a positive impact on employee learning and development. Mr J explicitly expresses this idea after attending a weeklong training.

In the time frame I am in, we doubled our turnover. We also had to extend the workshop because we need more capacity that purely down to the volume of work coming in. It was not down to the people, needing more space. We have only two more technicians than when we started. We were four and now six of us, but if we look at the number of customers – we used to have 1k a year to nearly 4k now. We are more efficient – if people are not efficient, we try every possible way to improve their performance.

From the above transcript, it becomes obvious that the employee efficiency was increased as a result of learning in the organisation. It is generally understood that the turnover is dependent on the volume of customers, sales price, and number of transactions rather than on the employee efficiency. However, growth is associated with employee efficiency which was gained through learning in the organisation.

Restructuring the Organisation

Restructuring the organization, a change management which was implemented in the case study firm, involved three stage-restructuring processes. In the first stage, the owner-manager gathered information and introduced different systems such as auditing, performance management, and setting up the boundary and roles and responsibilities of the employees. In the second stage, the owner-manager implemented plans such as trimming the employees, making the business process efficient, and developing people. The owner-

manager evaluated the restructuring process by analysing the feedback from stakeholders as in the third stage.

When Chris acquired two taxi firms, he consolidated the human and physical resources. Employees were trimmed and their efficiency was boosted. 'Reciprocal training' was launched to help employees understand the value and role of other employees. Consequently, some of the staffs started doing marketing activities and driving taxis when they were less busy with their assigned work. This process helped to gain more profit, but the turnover? It is, again, obtained from the organisation works as discussed earlier.

As a restructuring process, the case study firm introduced small changes such as cashing up, banking, driver contract, and the CRB check. The employees were sent for the training so they could be more efficient on their work. By investing on the business process and standardising the work, the case study firm provided better services with fewer employees. To implement such changes in the organisation, the owner-manager used external expert-advice like HR advisor. The conversation with Ms N gives a detail account of the changes that took place in the organisation.

He got rid of lots of staffs – basically, the managers weren't doing what they were supposed to do. He introduced and implemented so many procedures such as cashing up, driver procedure, driver sheet, banking and meetings. It is a lot organised now.

However, for the owner-manager, restructuring the organisation, is an on-going process and it is a part of further planning. These operational changes have given an impression of change in the organisation; even so, such changes are only small and bumpy. As a consequence of these changes, staffs became more focused and result oriented. Chris insists that he has put three things during the restructuring process –

I am applying three things: hard work, perspectives and very good planning. If you want to become successful, you need to put in hard work and your perspectives must be very clear. Planning for me is about looking at what's going to happen in the market two-three-four years ahead and give time to adapt slowly. I am using experiences from outside of our business.

From the discussion and observation, it is clear that Chris implements three things in the business – clear objectives to achieve from the business, putting efforts to attain the goals, and have plans / alternative plans. Even though these terms have contextual meaning and he did not give any example, these factors helped him to restructure the organisation and gain additional turnover.

As a part of restructuring the organisation, the owner-manager made the business grow. He drew boundaries of employees and their work, bought advice from HR professional to develop, engage and retain the employees. He also obtained advices from accountants, banks and insurance providers that helped to reduce the expenses, increase the turnover, plan the business, and manage the finance. It is very interesting that the owner-manager never implemented any advice as he bought it. He reviewed, contextualised and simplified the advices before implementing in his business.

4.3 Future Growth Strategies

The strategies, formal and informal learning and restructuring the organisation, have a higher degree of positive impact on the business performance. These factors and strategies have overlapping impact on growth. Therefore, finding a clear boundary of the affecting factors or strategies is challenging. Even the factors that are effective in a context may not work in other contexts. Therefore, the selection of management strategies and factors to grow the business needs to be contextualised.

If we look at the growth pattern, the business is still achieving absolute growth. To grow further, the case study firm needs to implement both organic and non-organic growth strategies. To achieve organic growth, the firm needs to provide specialist services that increase the catchment area or diversify the services and get new customers for new services. If the firm chooses non-organic growth, it may extend business by opening new branches at new sites or interdependent businesses.

Regarding the selection of strategies, it depends upon the types of growth the case study firm wants to achieve. From the empirical research, it is revealed that the growth is achieved through multiple management strategies such as learning and restructuring the organisation, and factors like marketing, simplification of business process, networking, consolidation of resources, and human resource management. However, management strategies and growth factors need to be contextualised to the business environment.

5. Conclusion

This paper argues that achieving growth by SMEs during a recession is a complex process which includes a number of different strategies and factors that are not always captured by the existing policies. The owner-manager has implemented a number of different management strategies to make the business grow in a recession. The evidence suggests that the growth is not only directly dependent on any one of these single strategies or factors, but it is achieved through multiple management strategies and associated factors. The fields of these strategies overlap and the strategies are interwoven with each other. Even though, the main two strategies which helped to grow the business are learning in the organisation and restructuring the organisation, the performance was not only achieved from these strategies, but also achieved from the knock-on effect of one to the other.

The case study firm is a learning organisation and it has implemented both formal and informal learning activities during the recession. The main way of learning in the organisation was attained through the transformation of skills and knowledge from one context to the other. Similarly, employees were developed through formal trainings, informal meetings, online learning, and performance evaluation and feedback. Instead of getting generic and standard advices, the case study firm invested for expert and contextual advices which obviously helped to obtain the growth. Another interlinked strategy is restructuring the organisation which was taking place continuously. The physical resources were upgraded and human resources were trimmed and developed where necessary. Later, when the garage was established, both the physical and human resources were shared across the organisations. By developing the employees, work efficiency was achieved and that resulted in greater effectiveness of the business process. These different actions and strategies played a vital role in achieving a growth of the business. Beyond these, the case study firm also established networks with business-partners and trade organisations, and received advice/information from like-minded people. Establishing network and networking processes improved marketing procedure, facilitated collaboration with business organisations, and helped to extend the catchment area.

From this empirical research, it is concluded that multiple strategies and factors help to glimmer the business in a recession. The effect of strategies varies the degree of performance, that is, the impact of the strategies differs from firm to firm and time to time. Being a single case study and complexity of the business, the strategies that made the case study firm grow may not be generalised. However, it is confirmed that growth can be achieved in a recession from multiple management strategies. Hence, the government can help SMEs to grow the businesses by developing and implementing growth-friendly policies relevant to the sector, if not tailored to the individual businesses.

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