Taught and enacted strategic approaches in young enterprises

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Abstract The relevance of the planning approach for innovative and for young entrepreneurial firms had been subject to debate. It has been argued that planning dampens the realisation of entrepreneurial vision. This study examines the enacted strategy approaches of entrepreneurs who had studied on a Graduate Enterprise programme that aimed to help them to start a business. The approaches they used to strategy formation were compared to the planning approach that had been emphasised to them seven to 12 years earlier. Data were gathered through non-directive interviews, and were analysed using survey and case study methods. The formation of strategy by these entrepreneurs relied more on emergent than planning approaches, but some elements of the planning approach were strongly associated with growth. Some key resources were essential for the firms and their strategy formation processes. These were key personal relationships, with whom and through whom the entrepreneurs found ways of enacting their visions – the essence of their strategy process. Implications for curriculum and course development are given.

Introduction
The development and growth of entrepreneurship education within universities in the USA and Europe are relatively new. Hills (1988) comments that the academic world only recently has recognised entrepreneurship as a subject of research and teaching and that university entrepreneurship education is in the embryonic stage.

The Graduate Enterprise Programme was launched in the University of Stirling, UK, in 1982. It was an innovative and radical approach to educating, training and support for the development of entrepreneurship among students and graduates in the UK (Fletcher, 1999). It aimed to provide effective entrepreneurship education through a phased approach of targeted promotion of awareness campaigns and training within universities, followed by tailored business start-up training for selected graduates, and followed by ongoing support during the start-up process. The programme was not bound by traditional academic modes of delivery: throughout each phase, entrepreneurial

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skills were developed using learning styles and environments advocated by Gibb (1987). Within a process of learning by doing, lecturers took on the role of facilitators. Learning approaches included interactive classroom exchanges, peer group action learning, problem solving, grasping opportunities and holistic approaches, with inputs by speakers, professional and entrepreneurs.

The focus and framework behind this activity were the preparation of a business plan through the widely adopted “planning” process (Ansoff, 1965; Andrews, 1980). Other paradigms were adopted within this process, including the widely accepted competitive strategy paradigm by Porter (1985), whose combative view of a firm’s environment and performance sympathises with the planning process’s militaristic roots. The normative strategy and planning framework and language have become the most widely accepted framework for business strategy discussion and thinking (Burrell and Morgan, 1979). Perhaps because it yields a “gloss of competence” through its methods, the planning approach has prevailed in entrepreneurship programmes (Cohen, 1988).

However, this planning process has been questioned not only in not representing actual strategic decision making (Mintzberg, 1994; Pettigrew, 1985), but also in not presenting a framework for good decision making. In innovative contexts especially, “emergent” processes of strategy formation have been advocated (Loasby, 1967; Quinn, 1985). This study explores the paradigms of strategic management thinking that the successful of the Graduate Enterprise entrepreneurs found to be most appropriate for them within the context of their own strategic thinking in the seven to 12 years following their start-up. It explored the relevance of the planning approach to strategy formation, in comparison with alternative approaches, in particular with the emergent approach that has been widely suggested to be of greater relevance to young entrepreneurial firms.

**Strategy processes: planned and emergent**

The planned approach to strategy involves assumptions of a strict process approach to strategy formation, with strategic decision making taking place in a number of steps. Ansoff (1965) denoted four principal steps as perceptions of decision need or opportunity, formulation of alternative courses of action, evaluation of the alternatives for their respective contributions, and choice of one or more alternatives for implementation. A quarter of a century later, Johnson summarised these steps as “problem awareness, problem diagnosis, the development of solutions, and the selection of a solution” (1987, p. 31). The advantages of this approach are that it breaks decision making into manageable sections for study, which normative strategy theory determines “should” be considered in strategic decision making.

Since March and Simon’s (1958) early critique of the rational approach (based on the observation of bounded rationality in organisations), research has challenged whether strategies originate from decisions at all (Mintzberg and Waters, 1985), and whether such decisions necessarily generate the best strategic outcomes (Lindbolm, 1959; Quinn, 1980). Strategy formation can be
viewed as the “satisficing” action of individuals (March and Simon, 1958), each with their own beliefs and desires, who find themselves operating in a context of interpersonal relationships. Scholars in strategic management research have sought ways of identifying processes of strategy formation which avoid reliance on the idea of rational choice. One that has evolved is the static concept of “strategic choice” being replaced by the more dynamic notion of “strategic change” (Pettigrew, 1990). An alternative perspective on strategy formation, loosely collectivised under the “emergent approach”, has, therefore, been based on substantive research evidence (Mintzberg and Waters, 1985; Pettigrew, 1992). These see strategies as “emerging from” the firm over time, rather than being “planned for” the firm at particular decision points. The two approaches are contrasted in Table I.

**Entrepreneurship education**

Entrepreneurship education has spread rapidly since the 1970s (Vesper and McMillan, 1988). Entrepreneurship education tends to be linked to

<table>
<thead>
<tr>
<th>Aspect of strategy process</th>
<th>Planning process</th>
<th>Emergent process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business plans. Strategic thinking and action is undertaken …</td>
<td>With the use of a framework of a written business plan</td>
<td>Without a written business plan</td>
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<tr>
<td>2. Choices or decisions? Strategy formation is characterised by …</td>
<td>Choices or decisions between alternatives at marked decision points</td>
<td>Visions and actions emerging without marked decision points</td>
</tr>
<tr>
<td>3. Process of analysis. Decisions and actions …</td>
<td>Are clearly preceded by analysis in a staged manner</td>
<td>Evolve as a result of continual interplay between thinking, analysis and decision</td>
</tr>
<tr>
<td>4. Formality of discourse. Strategy discussions are within …</td>
<td>Scheduled, formal planning meetings or events</td>
<td>Ad hoc, unplanned and unstructured occurrences</td>
</tr>
<tr>
<td>5. Organizational boundaries. Those involved in strategic discussions …</td>
<td>Reflect the boundaries of the organization as a whole, and between formulators and implementers</td>
<td>Can be from anywhere within the organization or without it</td>
</tr>
<tr>
<td>6. Use of objectives. Setting of objectives is …</td>
<td>A formal, central and referred to part of the strategic process</td>
<td>Is not implemented or referred to</td>
</tr>
<tr>
<td>7. Outcome review. The review of outcomes is …</td>
<td>Against decisions and objectives, and is periodic, possibly scheduled</td>
<td>Is against visions, is unstructured, subjective and continual</td>
</tr>
<tr>
<td>8. Outside advisers, in general, are used for …</td>
<td>One-off analytical projects to assist discrete decisions</td>
<td>A “sounding board” to help the ongoing evolution of thinking, strategy and action</td>
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**Table I.** Planning versus emergent processes of strategy formation
business start-up; the creation of a new economic entity centred on a novel product or service (Curran and Stanworth, 1989). The evolution of typical important course features has been global: they normally include the development of a business plan, with entrepreneurs included as speakers and role models (Hills, 1988; Gartner and Vesper, 1994). While the role of education is potentially very important in fostering entrepreneurial attributes, many of the values and structures in university education are the antithesis of entrepreneurship education (Gibb, 1987). A range of problems has been associated with the normal pattern of entrepreneurship education.

First, business education has historically emphasised the corporate entity and has ignored the small business (Gibb et al., 1984; Garavan and O’Cinneide, 1994). The functional framework of management education may be appropriate for corporate management education, but not for entrepreneurship education (McMullen and Long, 1987). Gartner et al. (1992) denote an “equivocal reality” inherent in business entry which makes entrepreneurship education fundamentally different from management education.

Second, entrepreneurship education and training continue to emphasise the transfer of knowledge and information (Garavan and O’Cinneide, 1994), in line with traditional university academic methods, but inconsistent with how entrepreneurs learn (Gibb, 1993). Garavan and O’Cinneide (1994) argue that the development of competence, gained through small group learning methods, such as project teams, peer exchange, individual counselling and workshops, is a more relevant focus for entrepreneurship education.

Third, a potential conflict resides between traditional academic and entrepreneurship education: the former is based on disseminating knowledge and truth, which might “kill the dreams of students” (Hills, 1988, p. 113). The driving motivation of entrepreneurs is partially based on a blind faith, with entrepreneurial vision created out of possibilities not certainties (Wickham, 1998). The importance of tolerance of risk, ambiguity and uncertainty is widely recognised in entrepreneurial behaviour research (Timmons, 1994), but there is an inconsistency between this and the certainties proffered within traditional academic programmes.

Fourth, there have been criticisms of the content and nature of business start-up training programmes. Curran and Stanworth (1989) found them to be short (some last only a few days) in comparison with other educational programmes concerned with helping people embark on a major career. Most courses in the USA are aimed only at increasing student awareness and providing basic information on business start-up (Vesper, 1982). Participants find them too general, and there is little true entrepreneurial education (Garavan and O’Cinneide, 1994; Vesper, 1982).

It has, therefore, been argued that the design of entrepreneurship programmes should concentrate on the process rather than the content, with “how to” aspects being more important than “know what” (Gibb, 1996). Mugler (1988) highlights the importance of a holistic approach to the business, to
encompass the different stages of business life. Within such frameworks, the role of business planning in comparison with other possible approaches to strategy formation is a debatable issue.

*The Graduate Enterprise Programme*

The Graduate Enterprise Programme involved 20 days of direct contact instruction, over a period of about ten weeks (Smith and Middleton, 1995). Entrepreneurial skills were developed using entrepreneurial styles and an environment advocated by Gibb (1987). Between days of instruction, the participants had structured tasks to complete, centred on the research for and preparation of a business plan which would ultimately be presented to a panel of experts and councillors. The aims of the taught element were to enable the graduate to manage the start-up process; to assist in the preparation of a first-class business plan using teaching, group-work and personal initiative; to develop management, operational and entrepreneurial skills and attributes necessary to run a successful business; and to provide access to enterprise support and business contacts. A full discussion of the programme can be found in Rosa and Fletcher (1997), and the subject titles are displayed in the Appendix.

The programme can be considered to have encompassed four aspects. A range of topic issues was examined, mainly focusing on the practical knowledge needed to run a business. Equal attention was given to the development of both personal skills and practical skills important to managing a new business. Not only were sources of assistance, which might be used by the potential entrepreneurs in pursuing business issues, suggested, but active help was given in accessing them. A range of processes was “taught” to foster the development of plans and actions. There was heavy emphasis on the traditional planning model, with the rational analytical planning process at its heart. There was also an implicit paradigm of the competitive positioning approach to strategy formation.

**Aims of the study**

There were four main aims of the study. First, it aimed to identify those approaches to strategy formation that the graduate entrepreneurs had been “taught” and had retained after between seven and 12 years of experience, and those which they had learned from their experiences as entrepreneurs.

Second, the study attempted to explore any relationships between the business contexts of the entrepreneurial firms, in particular the innovativeness or maturity of their industrial setting, and the strategic management approaches used. Third, it attempted to see the extent to which the approaches now used by the firms which had achieved growth differed from those which had not. Finally, the study hoped to identify in detail the aspects of strategic management which had been learned by the entrepreneurs: in other words, the lessons of their experience.
Methodology
The phenomena being sought in this study were processes and paradigms: phenomena which are inherently unobservable and which carry subjective meaning. As such, they required in-depth qualitative interview processes to access, but in a way that renders some objectivity and consistency within the data which are recorded. This was facilitated by unique access to 26 entrepreneurs, who, as fresh graduates, had received extensive training in establishing and developing a business. The content of that training (see the Appendix), the growth performances and the industrial contexts of the firms were known in detail, and in-depth interviews of all the traceable graduate entrepreneurs was possible.

The interview approach to gathering data concerning the strategy formation processes of the entrepreneurs followed has been outlined elsewhere (Harris, 1998). Since the use of directed questions derived from strategy theory would preclude access to underlying beliefs and perceptions (Calori et al., 1994), the interviewer used in-depth conversations based around non-directive questions to access the interviewees’ underlying considerations and beliefs. No prompts, therefore, were used to pursue issues not raised by the interviewee, and no clue was given as to the areas of interest of the interviewer (Strauss and Corbin, 1991). (The interviewer never used the words “strategy”, “strategic”, and other management jargon.) Any perceived pressure to rationalise responses into a particular paradigm was reduced by adopting “the future of the business” as an overt focus for the discussion, and by an explicit declaration that reasons for perceptions or processes would not be explored (Ericsson and Simon, 1985).

To enable comparison, a strict interview regimen was followed in which the interviewee addressed the same questions in the same order, diverting from this regimen only to obtain clarification or explanation of an issue raised by the interviewee. Of the 26 entrepreneurs to whom access was possible, five were not running viable coherent businesses under their own control, so this interview approach did not generate consistently comparable data, leaving 21 amenable to analysis. The analysis of the data was in two stages.

Stage 1: Survey of approaches
The first stage involved the analysis of the actual strategic management processes and paradigms of all 21 entrepreneurs, in order to identify which they had retained from what they were taught, and which they had adopted as lessons of experience. The criteria that can discriminate between two alternative processes of strategy formation (planning and emergent), shown in Table I, were used to categorise the transcripts of tapes and interview notes, using verbal protocol analysis (Ericsson and Simon, 1985).

Each entrepreneur’s process was then categorised to be dominantly planning, integrated planning and emergent, or dominantly emergent. For example, an entrepreneur with more than double the number of codes allocated to emergent process discriminating criteria than planning process discriminating criteria was categorised as dominantly emergent. This is illustrated in Figure 1. An entrepreneur with a pattern proportionately towards the planning process
discriminating criteria was categorised to be dominantly planning. If the pattern was more even, the entrepreneurs were categorised as being integrated planning and emergent.

**Stage 2: In-depth case research**
The second stage of the research addressed how and why the entrepreneurs had adopted the approaches they had, and in what way, in order to make sense of their thoughts and actions. A research approach that would explore the complexity within the data, and not reduce them to crude categories would enable these linkages and the underlying resources that the entrepreneurs had in mind to be better understood. This requires a qualitative approach (Silverman, 1993). In-depth case study research was therefore considered to be the best way to provide “a means of generalising about processes managers get involved in” (Watson, 1994, p. 7) and to refine conceptual linkages indicated by the quantitative analysis (Yin, 1984). Four of the firms were chosen to be representative of the sample. Their business performance was comparable, but two were operating within highly mature manufacturing sectors, and two within highly innovative and changing service sectors.

**Findings: strategy processes of the graduate entrepreneurs**
Table II shows all the categorisations allocated to the 21 entrepreneurs according to the framework described in Table I. The elements of the strategy processes employed are now examined in turn.

**Business plans**
Most of the entrepreneurs did not use business plans and, in those that did, there was no evidence of higher growth. As anticipated, the emergent approach appeared to be more relevant in innovative industry contexts.

**Choices and decisions**
There was an even split between those who planned around decisions and those who did not. The greatest density of entrepreneurs who planned around decisions was in the firms not achieving growth, in a mature industry segment.

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**Figure 1.** Allocation to different strategy process groups
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Codes:
0: Neither evident;
1: Planned only;
2: Planned and emergent;
3: Emergent only
Analytical processes
The process that the entrepreneurs had been taught, that structured analysis should precede decision, had been abandoned in favour of an emergent approach. A deeply analytical approach was associated with no-growth, especially in innovation sectors. In mature sectors, growth entrepreneurs tended to interplay analytical and emergent approaches.

Formality of strategic discourse
Most of the entrepreneurs had adopted greater informality in decision making. Formality was not prejudicial to growth. Furthermore, no-growth firms, in mature or innovation sectors, had tended completely to abandon any formality in strategy meetings and discussions.

Organizational boundaries
Only one entrepreneur, with a no-growth firm, respected organisational boundaries in those with whom strategy was discussed. Close family and friends, suppliers, customers and even competitors were all involved as much as the firm’s staff in the strategy discourse of the higher growth firms.

Use of objective setting
Most firms continued to use objective setting, particularly in the mature sectors. No-growth entrepreneurs in mature sectors had tended to abandon objective setting.

Review of performance
Most of the entrepreneurs reviewed their planning performance against their objectives and their visions. No-growth firms, in both mature and innovation sectors, tended to review their performance only against their visions and not against planning objectives.

Use of outside advisers
The greatest use of outside advisers was as a sounding board for ideas. Many of the entrepreneurs in the mature industries also used outsiders for one-off analytical projects. More significantly, only one entrepreneur in a mature sector did not use outsiders as a sounding board, and only used them for projects: this business achieved only low growth.

Findings: strategy processes in the case businesses
An in-depth qualitative analysis of the processes and paradigms of four of the growth entrepreneurs is now presented, and is summarised in Table III. Two of the firms (19 and 26) were in innovation sectors, and two (16 and 25) were in mature sectors. 19 and 25 are female, and 26 and 16 are male.

Case 19
19 had had extensive graduate and postgraduate training in horticulture, which was reflected in her business supplying and maintaining office plants for large
<table>
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<tr>
<th>Case</th>
<th>25</th>
<th>16</th>
<th>26</th>
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<td>Type of business</td>
<td>Office refurbishment contracts</td>
<td>Office furniture</td>
<td>Educational services</td>
<td>Office services</td>
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<tr>
<td>Distinctive approach within a mature industry</td>
<td>New approach to a mature and crowded industry</td>
<td>Innovative business offering in a new segment</td>
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<td>Main issues within strategy formation</td>
<td>Improving the business processes</td>
<td>Design of products and company image</td>
<td>Developing new related products</td>
<td>Matching business to personal needs</td>
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<td>Developing new related services for new customers</td>
<td>Developing relationships outside to find new markets</td>
<td>Finding new related markets</td>
<td>Getting right staff</td>
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<td>Controlling costs and squeezing suppliers</td>
<td>Financial control and projections</td>
<td>Improving the service</td>
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<td>Sources of information and consultation</td>
<td>Business partner</td>
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<td>Life partner</td>
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<td>Customers known for a long time</td>
<td>Principal manager</td>
<td>Individuals known well</td>
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<td>Staff</td>
<td>Agents/customers known well</td>
<td>(many friends) in the education sector</td>
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<td>Suppliers known for a long time</td>
<td>Outside designers known well</td>
<td>Actual customers</td>
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<td>Bank manager and LEC individuals now known well on specific issues</td>
<td>re design</td>
<td>Business friends</td>
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<td>Processes of strategy formation</td>
<td>Wide and frequent ad hoc discussion of strategic issues to get different perspectives</td>
<td>Wide and frequent ad hoc discussion of strategic issues</td>
<td>Plans and planning abandoned</td>
<td>Informal and ad hoc discussions</td>
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<td>Written one- and 5-year plans, actively discussed and used</td>
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<td>Close regular financial control</td>
<td>Wide and frequent ad hoc discussion of strategic issues</td>
<td>One-year detailed financial planning</td>
<td></td>
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<tr>
<td>Formal weekly, quarterly and annual strategy planning meetings</td>
<td>Clear communicated vision</td>
<td>“Try it, watch and see”</td>
<td>(Weekly examination of cash flow)</td>
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<td>Clear communicated vision</td>
<td>Annual formal strategy review</td>
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companies. The business concept was innovative, taking advantage of a trend towards the outsourcing of such functions. There was a strong vision for the business, largely involving lifestyle. The business had seen steady growth and, at the time of the research, employed four people, with substantial positive cash flow to enable reinvestment. For 19, the business has been highly successful, because it has delivered the lifestyle she had hoped for.

The most important issue that 19 considered when thinking about the future of her business was a need to match the business needs and her own level of involvement in it with her personal life needs, in particular her desire to have a family. Associated with this were two other dominant concerns, and subjects of her strategic deliberations. One was a need to attract the “right” staff. 19 had come to realise that she was personally unable to select the right staff. Staffing had been a major concern from the beginning, and remained so, but the problem was pressing for personal as well as business reasons. The other was the financial projections, with a continuing concern that the business will continue to provide the lifestyle vision complicated by the possibility of a family.

19 discussed these issues with many people, especially her parents, other relatives, and friends, trusting the integrity of (if not always the value of) the feedback she gets. She discussed things more selectively with her own employees and believed in the use of specialist training in specific technical areas where she was facing difficulties. She did not listen to any other advisers. Her processes of strategy formation had three aspects. First, she had frequent informal discussion with the outside sources mentioned above. Second, she used financial plans and projections that were watched actively, examined weekly, and discussed monthly at monthly planning meetings when all aspects of the firm were considered. Third, the most important, strategic issues were formally considered annually at a review meeting with other members of her board, who were all close relatives.

Case 25
25, a designer, originally planned a consulting partnership specialising in the design of offices and other working environments. After two years, her business partner left. Realising that she needed deeper knowledge and experience in the industry, she returned to working for a large business for seven years. There, she formed a strong working relationship with two colleagues and with them formed a new contract design and fitting business. The business grew rapidly and, at the time of the research, employed 65 people with an annual turnover of over £1m. It had expanded into the supply of office fittings for other contractors.

25’s main strategic concerns about the future were the search for new ideas of how to do things better, ideas about diversification into related business areas, and financial concerns. This was specifically associated with the control of costs and the improvement of the balance between customer wants and the amount that can be extracted from suppliers.
She addressed these issues by consulting others, particularly her business partner, but also extensively with customers, staff and suppliers. She also continued to discuss the main strategic issues with the business’s bankers, and the Local Enterprise Company, who had supported and been helpful to the business from the start. Scheduled and *ad hoc* formal meetings were used to progress these strategic matters, as well as informal discussions with a wide range of people, and detailed financial assessments and plans involving detailed analysis, financial assessments, and computer-based forecasting. The scheduled formal meetings comprised weekly internal strategy meetings involving most of the managers (which sought to get many points of view behind the different issues), quarterly strategy meetings and annual board meetings. Specific issues were addressed in *ad hoc* discussions, mainly with people who had been working with them for a long time, such as suppliers or customers. No specialist consultants or advisers were used.

*Case 16*

16 had worked for many years in marketing in the furniture industry, during which time he had developed a vision for a business designing and manufacturing design-led office furniture. In the eight years since he undertook a Master’s degree in design, he had developed the design and manufacture of high quality, low volume office chairs and tables to customers’ specifications using the latest computer techniques. This also enabled costs to be kept as low as possible. This formula resulted in high growth: the business employed 18 staff, and sales approaching £1m, with substantial exports.

16 declared four main factors in his considerations about his future strategy. First, the design and marketing interface was critical: there was no marketing function in the firm. He saw the design element as making this unnecessary; everything within the firm was subjected to the same design theme. Second, sales expansion has come about through the growth of relationships with outside people and agencies, and it was these relationships which were the second major consideration: how to extend them to expand sales. Third, his financial targets and plans were crucial, both to ensure that he was fulfilling his vision, and to be able to retire with adequate income in the near future. He examined his medium- and long-term goals each day. Fourth, improvements to the organisation of his manufacturing (in which he has little personal expertise) was a major strategic concern, so that he could achieve lower costs in a highly competitive and crowded industry.

The biggest strategic issues were discussed with his principal manager and with his wife. A large number of other people were involved in the strategy formation process, including agents, customers, others in the industry that he knew well, and designers whom he often met at design meetings nationally. After a lot of persuading he engaged a marketing consultant on a project; however, this person was an existing acquaintance he had known at school. He also discussed the business in great detail with his long-standing accountant, “a wise owl”.
All these discussions were an important part of his strategy formation process, but there was an important and highly formal element as well. His clear vision, which had driven the business, was reflected in five-year financial goals. His medium- and long-term goals were written on one page, which was consulted daily “to check that I am not distracted”. One-year detailed action plans were examined from time to time. These formal plans were known by everyone within the business, and were discussed in formal planning meetings.

Case 26
26 had had a varied career before taking a Master’s degree in ecology, in which he had developed a strong interest. His business vision reflected this interest and expertise, and that of his wife, a qualified and experienced geography teacher. Their business supplied ecology education, through a residential centre, to schools, colleges, and universities. Early growth was slow, and they started to offer less focused “breaks”, without the strong education element, to the tourist trade. Stronger growth was being achieved since refocusing on their original vision: to educate, and thereby to change general perceptions towards the need for sustainable ecologically-sound rural development.

Strategic thinking focused around four main issues. The first concerned the development of new products and offerings. The second involved the search for new education and training niches within the overall vision. The third issue was finding new potential customers, but within the original vision; for example, the training of teachers themselves, and groups from other countries. 26 was always thinking about how to improve the offering for customers, “doing it better”, which would help to ensure repeat custom. Finally, there was a perennial issue, in finding the right staff. Experience had indicated that his staff needed to share the overall vision for the business.

The main strategy discussions tended to involve his wife, but not always. A fundamental review of the business’s strategy (with a management consultant) had revealed that important issues were not being discussed between the two: rectifying this was an important prerequisite for the refocusing of the business. Interestingly, the marketing consultant simply acted as a facilitator between 26 and his wife, and did not actually offer any advice except for the couple to have more meetings! 26 and his wife discussed strategic issues widely with people outside the firm, especially with individuals known well to 26. These included close friends in the educational bodies and specialist establishments who then gave ideas and feedback. They consciously and actively took advantage of good opportunities to discuss ideas with customers. 26 also discussed strategy within a circle of acquaintances within the business world. He did not place much faith in outside consultants or advisers. He had abandoned planning, believing that there is no way of telling whether an idea will work or not by analysing it in a systematic way. Developments were well and widely discussed, tried out, and watched closely.
Discussion

Figure 2 gives an overview of the movements in processes used and paradigms of strategic thinking employed by all the entrepreneurs as a result of their experiences. Overall, nearly all the entrepreneurs, and especially those that achieved growth, had integrated or adopted emergent approaches in their formation of strategies. Most absorbed integrated elements of the emergent process with retained useful aspects of the planning approach. Even those designated as “dominantly emergent” retained some useful elements of the planning approach. The especially important aspects of the planning approach were:

- having some formal aspects or routines to discussion and decision making in strategy;
- setting objectives for the firm to reflect what is hoped to be achieved; and
- periodically reviewing performance against those objectives for control purposes.

The case study analysis reinforced these findings. The case businesses all actively used detailed computer-based financial planning and control systems both in short-term control and in helping their longer-term thinking. Cost control and financial planning were important to all the businesses, and the training they had received continued to be of value.

The training programme paid much attention to issues associated with the employment of staff, and this remained a major issue of not just operational, but strategic concern to the business leaders. Business planning, including marketing and operational planning, was heavily emphasised on the training programme, alongside the use of analytical procedures to diagnose the industry. Two of the businesses, 16 and 25, in the mature and heavily competitive industries, used business planning, and also adopted rational analytical approaches to major strategic decisions. The two businesses in the novel and innovative sectors, 19 and 26, did not; indeed, 26 declared that such analysis was not of much value. The firm, in this instance, mirrored the finding

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**Figure 2.**
The types of strategy processes used by the 21 entrepreneurs
of Mintzberg and McHugh (1985) who indicated that innovative firms needed “skunkworks”, “try it and see” centres, to generate innovative approaches to organisational development, that planning, by its very nature, could never do.

Significant other lessons of experience, however, became apparent.

The development of important relationships
The course also placed emphasis on the development of networks of contacts. It emphasised bank managers, solicitors, consultants, and business advisers. However, only in a couple of instances where strong relationships had developed were these functions ever mentioned. All the case businesses talked and listened extensively and openly as an important part of their strategy-formation process with customers and potential customers. Two also mentioned their suppliers as important sources of information and feedback.

All the businesses, however, sought counsel, feedback and ideas from others, and this was seen as forming an important part in their strategy-formation processes. The formality of these discussions differed, and without a particular pattern, though *ad hoc* unplanned discussions as well as formal planned meetings were important. So while these *ad hoc* and emergent approaches to strategy formation (not taught on the programme) were of great importance to all the case businesses, only some elements of the planning and rational analytical approaches (taught on the programme) were retained, and these mainly by those in a highly mature sector.

The entrepreneurs talked extensively about the range of people that they involved in discussing strategy. These people, however, were all well-known and had been for many years. They were all well trusted, and while these relationships could be perceived as a “network”, it was the depth of the relationships which was as important as or more important than the number. It was having open, trusted relationships that was critical for the entrepreneurs in their strategy-formation process. The depth of trust required is also illustrated by the nature of the relationships with these people. Relatives, old school friends, and partners all featured as important discussants of strategy, as well as others in their industry who had developed into *personal* friends over a period of time. This trust appears to have been of greater importance, however, than apparent relevance in the industry concerned, or to specific functions of the firm.

Important relationships were by far the most important resource that the four organisations possessed. Typically, relationships are an intangible and a tacit resource (Grant, 1991; Hall, 1992). The relationships developed by the four case entrepreneurs were actively developed and in some cases were of a very personal nature. The degree of influence that the relationships had over the strategic development of the organisations varied, as could the degree of formality or informality of the advice offered. As such, these “relationships” were seen to be of great importance as a resource *linked directly* to the strategy-formation process, and useful because of their role within it.

Perhaps most important with the important relationships was the length of time some had lasted. Some key relationships were the life partners of the
entrepreneurs. 16's wife also brought “people” skills to the business and had a very good understanding of people issues that 16 admitted he lacked. 26's wife had the role of looking after the customers and developing and delivering educational and teaching packages. In referring to her parents, 19 declared “they have just been invaluable totally, they are the main sources of advice and still are”. Their relationship was therefore vitally important.

Other relationships also had an important bearing in relation to idea testing and operational issues. 25 had recently appointed a contracts manager who provided her with advice on contractual matters that she was unsure of. 16 had a close working relationship with an independent furniture maker who could have been described as a competitor.

Clients were seen as being an important contact for the firms used by all the case firms as a sounding board for new ideas. With firm 25, informal information gathering was a key method of gaining feedback, rather than using formal questionnaires. This was carried out on-site towards the end of the clients’ time with the firm and provided information on the design, location and range of outdoor courses. For firm 16, the most important aspect of its relationship with clients was the actual business delivered: whether it returned telephone calls or delivered products on time. 26 held structured and ad hoc meetings with certain clients to involve them in her business's own strategy-formation process.

Unique knowledge and skills
Unique knowledge and skills were also fundamental to each of these successful businesses, and were an important key success factor, or resource. 16’s knowledge and skills areas were in the design and marketing of office furniture, a very mature industry. All staff members, as well as the owner, were well qualified, trained and experienced designers. “We don’t approach [strategy] just in terms of product design, but also in terms of using design as a complete tool-kit for looking at things like corporate identity as well as product design.” 16’s use of CAD/CAM software gave it uniqueness in relation to similar firms – clients received a standard product that could be customised at the design stage with immediate effect, rather than from a brochure. 16’s marketing tool, a beautifully designed and built presentation box presented to clients, was “unique” to the firm.

For 25, also in the mature office furniture industry, the uniqueness was in the way that they combined the skills within the management team, their staff, and with a network of suppliers and subcontractors. Critical within this was a range of office routines and rituals that brought people together in the design, manufacturing, equipping and customer relationship aspects in a way that 25 saw as being unique within the business. In the innovative sectors, the key knowledge and skills were easier to identify. 19's background and training in the horticultural sector had greater depth than others in the industry. 26's knowledge in ecology and his wife's knowledge of education yielded a unique competence through their combination.
Conclusions
This study highlighted the importance for the entrepreneurs to retain some elements of the planning approach that they were taught, and of learning from experience elements of the emergent approach to strategy formation. The emergent approach was used more overall. Key retained elements of the planning approach were the use of objectives for planning and for control, and maintenance of formality in some strategy discussions. As might have been expected from previous work (for example, Mintzberg and Waters, 1985), many of the business planning approaches they had been taught are more suited to more mature business contexts.

Most teaching programmes are based on formal business planning. Although the teaching of formal planning techniques is important for all firms, the development of emergent strategy techniques is particularly relevant to firms in novel and innovative industries, so the importance of emergent techniques in strategy development should not be neglected. In growth programmes for existing businesses or MBA programmes for entrepreneurs, instruction in formal strategic techniques should be supplemented with consideration of emergent strategies.

Entrepreneurship programmes tend to take a market-based approach to strategy development, which may be appropriate for most firms; however, with firms exploiting new technologies and new markets a resource-based view may be more relevant. The analysis in this study indicated, however, that for most of the firms the shift from a planned to an emergent process was inextricably linked with the resources of each firm. The competitive model of strategy, the “taught” component, in most cases held little value for these emergent firms. While the more mature context firms also used some more elements of competitive analysis than the innovative context firms, they all adopted elements corresponding to the formation of strategies around key intangible resources. Two key unique intangible resources were identified, their internal and external relationships, and key knowledge and skills. In other words, in line with the suggestion of Jenkins and Johnson (1997), the resource-based view of the firm seemed to be of greater relevance to them than the competitive strategy view. This should perhaps be reflected in the teaching of entrepreneurship.

It is within the entrepreneurs’ relationships and personal contacts that a link between the emergent strategy process and the employment of the resource-based view appears to lie. These were personal relationships, with friends, clients, suppliers, competitors, employees, colleagues, life partners, and family. They provided a sounding-board for ideas and concerns, and open and frank discussion of strategy. This was not just a network: these were close trusted personal relationships. They had been known for a very long time. The trust was much more important than any claim to competence. So the role of teachers and external advisers in programmes may be limited, as over time the development of the entrepreneurs’ key advisers may depend more on trust and shared vision than professional competence.
Through discussions with them, the entrepreneurs developed a “vision” that linked their life and their business, their uniqueness and their future. These trust-based relationships were deeply important to the strategy process, representing fundamental, unique resources for the firms. They were critical resources for the strategy evolution process and to the firm, by fostering the development of a vision for the business which respected both commercial logic and the personal life aspirations of the entrepreneurs themselves. At the start-up stage in particular, teaching programmes tend to emphasise the preparation (and assessment) of formal business plans which are based on achievable objectives and outcomes. This may be at odds with the motivation of the entrepreneur who places more importance on their vision and long-term goals. It is important for programme leaders to avoid alienating entrepreneurs by discounting their vision in the process of undertaking a formal planning process.

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**Appendix. Principal components of the main graduate enterprise programme**

**Topic issues**
- Idea formation: content of the business plan for bankers; getting money
- Marketing: product price, promotion and place; sales approaches and campaigns
- Promotions: business image; public relations
- Distribution, delivery, and stock control; subcontracting issues
- Employing people: selection, interviewing and legal issues
- Tax: insurance; property issues and law

**Skills developed**
- Personal resources: appreciating own knowledge, skills and abilities; being able to pursue important contacts and develop networks
- Managing own time
- Written and verbal communication; business plan presenting; selling skills; assertiveness; negotiation
- Financial management: bookkeeping, financial control; office administration; computing

**Sources suggested**
- Develop a wide network of contacts
- Customers and potential customers (emphasised); suppliers
- Secondary sources; market research data
- Bank managers, solicitors; PR consultants
- Local enterprise companies, Prince’s Youth Business Trust, and other advisers

**Processes taught**
- Business planning; action planning
- Marketing plan; promotions planning; sales projections and forecasting; marketing strategy design
- Operations and production capacity planning
- Financial analysis: forecasting, cashflow forecasts and plans; computer-based financial planning; spreadsheets; computer pricing modelling
- Talking and listening within networks
- Talking and listening to customers/potential customers; a customer perspective
- Competitor and market research and analysis; primary and secondary sources; competitive advantage