Culture: a missing perspective on small- and medium-sized enterprise development?

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Abstract This paper precedes the final stages of a five-year research project the aim of which was to seek explanations as to reasons for “organizational growth” and “business success” in the small and medium size enterprise (SME) sector. The groundwork for the empirical study comprised a literature review of existing perspectives on SME growth and development. The authors originally identified two major perspectives. The first of these focused upon a group of writers whose explanation was informed by “growth model” literature. This perspective identifies clear stages of growth and development over time, each of which generates a trigger for organizational growth. The second perspective on business growth and development was through explanations focusing upon individual agency and entrepreneurship. However, during the work on the literature review, the attention of the authors became focused on research that dealt with the influence of “organizational culture” on the performance of companies within the corporate sector. Moreover, what was apparent from the literature review, was a clear gap, the lack of reference as to the effects of organizational culture on the development of SMEs. Initial analysis of the empirical data indicates several differing views as to the actual meaning of the term of “organizational culture” from amongst the research sample. In the majority of cases respondents who identified unique “cultures” in their organizations believed that those “cultures” had a positive effect on the performance of their companies. This effect was even more clearly articulated by those respondents who perceived their companies to be “growth orientated”. The focus of this paper is a consequence of the journey from the literature review through to the initial findings of the empirical work and subsequent evaluation and reflection.

The literature and SME development
A fundamental problem that writers on SME experience is that of arriving at a suitable definition of SMEs, as a consequence of the diversity of the sector, and the question as to the status of the increasing number of self-accounting and autonomous businesses owned by larger companies. The authors, for the purpose of this research, have operationalised their definition around the notion that an SME is an organization that defines itself as an SME (Choueke, 1992; Storey, 1994).

This research project had as its central aim an investigation to generate explanations as to some of the key drivers of SME growth and transformation.

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There is, in the literature, research that suggests that many small businesses, rather than having a growth imperative, are content to satisfy (Storey, 1994; Greenbank, 1999).

Perhaps some of these companies are the “trundlers” described by Storey (1994, p. 119):

For them, whatever state assistance is available, and whatever the nature of the market place into which they sell, they do not see taking on additional employees as an objective.

Two broad perspectives on explanations of growth in SMEs emerged from the early literature review. The first, an individualistic perspective, focusing on agency, through the influence of the entrepreneur (or entrepreneurial group) within the business and the second, which focuses on a process of development and growth through the “life-cycle” of the business (Choueke and Armstrong, 1996).

**Culture and the missing perspective?**


Here is how Ray Kroc described his initial reactions to the McDonald’s system:

I was fascinated by the simplicity and effectiveness of the system:

... each step in producing the limited menu was stripped down to its essence and accomplished with a minimum of effort. They sold hamburgers and cheeseburgers only. The burgers were ... all fried the same way (Ritzer, 1996, p. 37, citing Kroc, 1977).

Much of the current strategic management writing and that of the recent past has been preoccupied with a focus on corporate culture. The discussion not only centres on the question of whether corporate culture affects or indeed effects organizational effectiveness, but also on the very nature of corporate culture. Is the notion of corporate culture a tangible phenomenon, or is it, as suggested by Morgan (1997) a metaphor, through which to explain complex aspects of organizational behaviour?

Does the analysis of corporate culture depend upon a homogeneous set of variables through which to analyse those phenomena, or is corporate culture an umbrella for a whole range of cultures within the organization? These might include a culture that generates an effective response to change (Burnes, 1996), a marketing culture (Carson et al., 1995), a customer focused culture (Slater and Narver, 1995), a procedure and policy led culture, an enterprise culture (Gray, 1998), a learning culture (Choueke and Armstrong, 1998).

Another question raised by the authors is the need to distinguish between what might be termed “the formal culture” and “the informal culture”. The formal culture being that recognized and often “managed” by the owners or senior management of the organization, and the informal being a consequence of both social and job-related interaction both within teams and departments. Schein (1996, p. 9) articulates the difficulties that can be experienced in communication between groups within the same organization. He identifies
three typologies: “executives”, “engineers” and “operators”, each having a mutually exclusive paradigm on the organization and the key drivers of that organization.

The discussion on corporate culture and the question of whether culture has an effect upon organizational development occupies a good deal of space in contemporary academic management literature. However, the focus is largely concentrated on the larger corporate and organizational sectors. A recent exercise associated with this research, using a major on-line database revealed 200 journal articles related to “corporate culture” between 1995 and 1998. Detailed work on the abstracts of these articles revealed not one single reference to SME. This deficit was a major prompt to the authors in their empirical work that focused on SME owners’ managers’ and directors’ knowledge and understanding of corporate culture, and the effect of corporate culture on the development of their companies. The underlying question is, if corporate culture is a key driver of organizational development and success in the large company sector, what might be the role of corporate culture in the development and success of SMEs?

What is corporate culture?: The literature
The literature on corporate culture is diverse and, as might be expected, contains a plethora of perspectives. Some writers challenge the notion that corporate culture exists separately from the ideology and climate within the company. They also argue that culture is about the company norms of behaviour and the way that the company operates (Alvesson, 1995).

Alvesson (ibid) also challenges the term “corporate culture” itself. Whilst he recognizes some of the attributes of “corporate culture” as being present, he suggests that other attributes of organizational behaviour might be more satisfactory in providing effective definitions and explanations. He offers “organizational climate”, “corporate ideology”, “informal behaviour patterns”, “norm systems” or “shared meanings and symbols” as alternatives.

However, whether we are able to establish a working definition for corporate culture, or whether that degree of focus remains elusive we might still be left with an on-going debate as to what might be included in an analysis of culture within an organizational setting.

According to Deal and Kennedy:

Culture by definition is elusive, intangible, implicit, taken for granted, but every organization develops a set of assumptions, understandings, and implicit rules that govern day-to-day behaviour in the work place. Participants often describe these patterns as the “way we do things around here”, and thus sanction and reinforce them (Deal and Kennedy, 1983, p. 501).

Whereas Deal and Kennedy view “corporate culture” as a total organizational phenomenon, affected by groups of people throughout the organization, Thompson and Mc.Hugh view culture as a management instrument that:

... Mobilises combinations of values, language, rituals and myths, is seen as the key factor in unlocking commitment and enthusiasm of employees (Thompson and Mc.Hugh, 1995, p. 198).
In an SME context, if culture is a meaningful phenomenon, where does it begin, and how does it permeate? Is it an organic process as Deal and Kennedy (1983) seem to imply? Or is it a management instrument, created by management and managed by management as is implied in the perspective articulated by Thompson and McHugh? Or indeed, is it something else? In the family business context, Gersick et al. have sympathy with the view expressed by Thompson and McHugh (1995) They argue:

The start up stage is a time when the foundation is laid for the three core aspects of the family business: company culture, structure, strategy and management values (Gersick et al., 1997, p. 149).

Burnes (1996) argues however, that culture is not static, that individuals and groups within the organization add to the culture, in a way that could be described as organic. This view is reflected by Deal and Kennedy, (1983) who suggest that organizations become “social fictions”, creating their own paradigm during a process of organic cultural development.

**Corporate culture: the empirical study**

As a consequence of the literature review, the authors identified “corporate culture” as a possible explanation in terms of SME performance, and a research strategy was assembled in order to test the effects of culture on performance. The fieldwork for the empirical study followed three stages. The first stage comprised 27 semi-structured interviews with SME directors, owner managers and managers in the North West of England. The focus was on companies that were identified as having experienced recent growth, and those that appeared to have potential for further growth. Companies from a range of business sectors were chosen in order to provide as extensive a range of experience as was possible with the time and resources available.

The second stage comprised 143 semi-structured postal questionnaires to Scottish Enterprise “Local Heroes”, across different sectors, but in the employee bracket of 50-200 persons, and addressed directly to the chief executive. A total of 33 completed questionnaires were returned.

The third stage comprised a follow up of seven questionnaires to the Scottish “Local Heroes” and seven to participants in the initial semi-structured interviews. Seven completed questionnaires were returned from the “Local Heroes” and none from the local participants. The difference in response between the two sets of participants might itself provide an interesting culture insight! Might the “Local Heroes” have a clearer perception and understanding about their culture, perhaps due to their relative business success, or might their awareness about their culture be a key ingredient of that success?

**Rationale for the chosen empirical research method**

In an attempt to generate an appropriate combination of research methods for this study, the authors found it necessary to reflect on the nature of the research and the type of data that would be appropriate to the satisfactory and effective
completion of the research. In this case we are considering the effects of culture on the performance of SMEs. Because of the comparatively small-scale nature of the project, and the relatively small sample, it is clear that no unequivocal judgements for the wider SME population can be made. The research focus is very much about perceptions of both past and present performance. It draws on individual views as to how the business is managed, key events in the life of the organization and the effects of culture on the performance of the business.

Because of the affective nature of the project, the use of totally structured research methods seemed to be inappropriate. Following the review of the literature, a series of semi-structured, face-to-face interviews, held at the respondents’ places of work was put in place.

Layder (1995, p. 41) endorses the semi-structured interview process and writes:

In semi-structured interviews the interviewer has a list of topics that he or she wants to cover, although this list will be flexibly adhered to according to the emergent demands of the interview situation. By contrast, the semi-structured interview is geared to allowing people the freedom to respond in any way they choose. In this manner, the individual’s own interpretations and meanings are allowed to surface in the interview data.

Denzin (1970) offers the view that the greater the triangulation, the greater the confidence in the observed findings, but argues that the opposite is equally true. For Denzin, the evidence is conclusive, the researcher needs to move beyond the use of one research method in isolation. Denzin’s view supports the strategy applied in this research that different research media were used over time, and with different samples drawn from the SME population.

A further issue is that of sample size and sample scope. One of the main problems for the small-scale researcher, operating with limited resources is the tension between the selection of the sample and the validity of the findings. One key issue is the inferences that the researcher makes from the research findings in terms of the wider population. Clearly, in the case of small samples, the most that can be drawn from research data is more knowledge about the companies surveyed. Normative models, however, can result from such research but their validity in terms of the wider SME population would require much wider testing. The notion, however, of contingency, in terms of sample size is not without precedent in organization studies. Stone (1978) offers a justification for “convenience sampling”, collecting data from a range of sources in a non-random manner, because those sources are identifiable and are readily available.

The target for the semi-structured interview stage was directors, senior managers and owner managers of SMEs, these respondents, in general, being known to the authors prior to the interviews. A problem that has already been foreseen is that the views of the senior management and owners of companies do not necessarily correspond with those of the employees. If it is at all possible to gain access to employees during the company visits, that would no doubt be a great benefit in terms of verification (or otherwise) of the company data.
The research process in practice

During 1996 and 1997, 27 semi-structured interviews were conducted in North West England. The sample was drawn both from personal contacts and contacts through the Department of Management at the University of Central Lancashire. It was decided at an early stage to draw the respondents from a range of sectors rather than to focus on a narrow sectoral band, in order to have the benefit of a range of diverse contexts and experiences. The sample contained companies within the SME sector but were not drawn from either similarity of size, nor of age. The selection of the sample, arguably, fits well with Stone's notion of “convenience sampling” (Stone, 1978).

Whilst participating in the “Learning and Enterprise Conference” at Paisley, in Autumn 1997, the authors became particularly interested in the support systems provided by Scottish Enterprise and the Scottish Business Schools for SMEs. What caught our attention was the “Local Heroes” process. A rich source of data was available concerning existing companies. Drawing on our sample of face-to-face interviews, the respondents for which were largely from middle sized companies; it was decided that the focus for further research should be on businesses in the same employee numbers range. The 143 companies, with 50-200 employees, across a range of sectors, with differing sales volumes were chosen as the sample. Again, it was felt that the diversity of sectors, rather than being a diversion, would provide significantly richer data.

For purely pragmatic reasons, a postal questionnaire was chosen as the contact medium. Questions that were based on the initial findings of the interviews were developed in a style that sought opinion as well as questions in which there were lists of possible responses. In the case of the questions in which respondents were given prompts, there was still room for the respondents to provide their own unprompted contribution. The questionnaires were targeted at the name in the “Local Heroes” journal[1], which in most cases was the chief executive.

Given the potentially poor response to postal questionnaires in general, the authors were surprised and delighted to receive back 33, very detailed completed questionnaire responses.

The final phase of the empirical work comprised a brief follow up questionnaire to 14 respondents focusing on some key aspects regarding organizational culture, their understanding of the term “culture” and how culture might impact on the performance of their businesses. Seven respondents were drawn from the Scottish “Local Heroes”, these being the companies that had indicated their willingness to participate further in the research. The other seven were drawn from the respondents who had contributed to the research through the initial semi-structured interviews. Perhaps the latter respondents made an interesting statement about their corporate culture unwittingly. Out of the 14 questionnaires that were sent out, the seven “Local Heroes” responded with completed questionnaires. Nothing at all was received back from the other seven respondents. It could be argued that the “Local Heroes” positive response could be a self-fulfilling prophecy – they
responded because they had been themselves participants in what one might term a “Local Heroes brand”. Moreover, having become part of a “Local Heroes culture” and having created their own “social reality” (Berger and Luckman, 1966) their organizational behaviour, self-perception, and business performance might well be affected. The judgement of the researcher might also be affected by the “halo effect” thus created. Perhaps a further argument for triangulation?

Bennett[2] provides an interesting view on the subject of those who do not respond to questionnaires:

Since questionnaires are important to the survey researcher the effect on the results of someone not responding must be considered. Who are they? What are their characteristics? Would they share the views of those who did respond? These are important questions that have to be faced. Even when “reasonable response rates” (however defined) are achieved, these problems still exist, and in any case the resulting data may be biased (Bennett, in Smith and Dainty, 1991, p. 102).

Does this view of Bennett’s validate the foregoing discussion, or does it generate a less clear picture as to the view of the seven “non responding” companies?

**Corporate culture: some initial research findings**

Analysis of the empirical study revealed an awareness of interactions within the companies that fit effectively with some of the theoretical concepts around the notion of corporate culture that were expressed in the literature. What follows are some extracts from the transcripts that provide an insight as to the respondents’ understanding of and “use” of culture within their organizations.

**What is culture?**

I would like to add to that, culture is that which is taken for granted within the organization. By definition it’s not something that you think about, it just is. Its part of the way you do things round here in the social field or whatever and that’s why, because it’s taken for granted it’s very hard to pin down (independent SME consultant).

**How is culture formulated in your organization?**

Initially driven by the people running the business, they kind of set the standards, norms and the behaviour patterns (Independent SME consultant).

What’s really gone on here is a number of climate creations, I don’t think that you can generate the culture. I think the argument seems to be that you have strategic development, which is about involvement, participation and planning. We’ve really started setting the strategic development alongside the climate development in order to become a thoroughly innovative company (HRM/HRD manager, medium sized company).

**Culture and its impact in respondents’ organizations**

You must always be prepared to learn, especially being honest with yourself. If you are wrong never be afraid to be told, also never be afraid to learn from your mistakes, that’s the most important thing really (small company director).
All the people who work here think of the company as a team. We have a good team atmosphere where everyone is co-operative (small company director).

Cricket in the summer in the factory, board games in the winter, also singing (member of the management team, small company).

A marketing culture?

Long term relationships with our leading customers are the key to our success (director, medium sized company).

Promotion through exhibitions, and then by word of mouth. We don’t bring “dolly birds” (sic) to the exhibitions; it’s generally the people who do the work (director, medium sized company).

The whole business is marketing led, but we have also concentrated on building our organization and our internal systems (director, medium sized company).

A marketing orientation rather than a sales orientation. Adding value to the product, less work from the customers’ point of view. If we can offer multinationals additional benefits without a price premium, they are going to snap it up. We are more flexible and entrepreneurial than the competition, more responsive to the market (general manager, small company).

A learning culture?

Continuous training and development are key drivers of our growth (personnel manager, medium sized company).

Yes, there really is a learning culture (personnel manager of a medium sized company).

Action learning? Yes we do it all the time, especially in our meetings. We learn from one another on how to operate the business. Everyone’s input is given credibility (managing director, small company).

Discussion

The question as to whether corporate culture might have an effect on SME development and performance remains to be addressed. So too does the issue as to whether the notion of corporate culture is in itself a meaningful focus from which to analyse those attributes that might flow from the values, ideology, and the particular modus operandi of the business.

Dealing first with the question of the existence of corporate culture, it would appear from the research data above, that in the literature used for this study, many of the authors agree that some aspects of what we understand to be corporate culture are present in their research findings. Where they differ is in their explanations as to how these phenomena are used (or in some cases manipulated) in order to enhance company performance. Depending on the perspective adopted by the authors, the culture (or the climate) within the organization is either the creation of the founders or top management of the business, or it expands organically as the business develops.

Interestingly, the evidence from the third and final stage of the empirical research provides clear evidence that the respondents who participated did have a clear understanding of the notion of corporate culture and a recognition
of the uniqueness of that culture to that particular organization. The majority of these respondents felt that the culture within the organization emanated from the founders rather than as a result of some organic process.

The evidence derived from the semi-structured interviews, stage one of the empirical work, demonstrates that in the organizations researched, corporate culture is not recognized as a homogeneous, immediately recognizable entity, but reflects the diversity of perspectives within the literature. Most respondents were clear about the unique culture or climate within their organization. “Learning culture”, “marketing culture”, “customer focus culture”, “participation”, “responsiveness to change” were often repeated.

Indeed, the final question of the semi-structured questionnaires to the Scottish “Local Heroes” posed the following task: Describe the organization you work in, as it really is, rather than how you would wish it to be, using only five adjectives.

The following adjectives were the five most common:

1. innovative;
2. customer orientated;
3. focused;
4. responsive; and
5. profit driven.

The relationship between culture and performance amongst the sample of companies in this research is a most difficult aspect on which to make any objective judgement. This difficulty derives from the lack of real precision in the meaning of the term “development”.

However, the companies that participated in the semi-structured interviews were in the main companies that were enjoying a degree of success and in the main saw themselves in a growth phase. A majority of the respondents from these companies articulated some special “culture” related ingredient with regard to their company, which they identified as having a positive effect on their company’s position, and performance. Whether this related to customer focus, being market driven, responsiveness to change, continuous learning or merely a feeling of enjoyment and fun, the respondents felt that they were clear as to the positive effects. The “Local Heroes” were by definition special, and from their self descriptors, were able to articulate that uniqueness.

The problem for the authors was that in the main staff within the companies visited and those contacted were not available for verification of the responses of management. This therefore might generate some critical questions about the research findings. However, the limited number of non-management staff available for interview, actually endorsed the views of their management.

The question was put to the respondents in the final round concerning the effect that culture has had on the recent performance of the business and two responses perhaps provide a flavour:
Conclusion: culture a missing perspective?

To return to the original research question as to whether “Culture is a missing perspective on small- and medium-sized enterprise development”. Whilst there is evidence from the respondents in the companies researched that the majority recognize some unique attribute about their organization or the way that they do business, there is also evidence from the literature albeit concerning larger organizations. One key factor, however, is the difficulty in agreeing a universal understanding and meaning of “corporate culture”.

Finally then, what are the authors suggesting? Perhaps simply this; the literature is clear about the effects of entrepreneurship and individual agency as drivers of SME development. There is evidence from the literature, and within the research data gathered for this project, that some of the key issues in the “life-cycle” literature have resonance. It is also clear from the research findings that the respondents recognize the importance and the role of what is understood to be “corporate culture” in the success of their companies.

What benefit might the findings of this research have on management developers, advisors, SME managers and directors and policy makers? One benefit might be to change the focus of provision and advice from a cognitive and training orientated approach to perhaps a more affective and developmental approach, which has SME policy implications. The issues that have emerged from both the literature and from the empirical work seem to suggest that there are aspects of internal organizational climate that can be introduced and altered through time. These phenomena appear in most cases to be initially generated by the top management of the company, often as a result of the design and agency of the founder of the business (see for example, Roddick, 1991; Branson, 1998).

There is, however, evidence from both the literature, and indeed a previous stage of this research project (Choueke and Armstrong, 1998) that the development of a “corporate culture” can itself become an organic organizational process, as more people within the organization buy into, learn about or adapt to the owner’s or founder’s view of the internal and external worlds of the business, while at the same time combining their previous life and work experience with that of evolving informal and more formal culture of the work-group.

In terms of organizational development and growth, perhaps a key task of management might be to accelerate the process described above? The process needs to be one of partnership. A move to a more collaborative approach to managing the business, in a climate in which staff aspirations become a central focus, is a more positive environment for an organic culture, which is geared to business growth, and is likely to be more successful.
In the authors’ view, the debate continues. There is much supportive
evidence from the empirical findings and from the literature that a congruent
climate, and specific sub-cultures are clearly recognizable by the management
of a range of successful SMEs. Constraints of time and resources prevented the
authors from conducting in-depth interviews with staff, in order to seek to
substantiate the views of the management; further research would help to test
this. However, in the limited number of cases that this was possible, staff views
were congruent with those of the management.

It is the hope of the authors that this discussion might bring the notion of
“corporate culture” to a more prominent position in the SME growth debate,
and if culture is at present a missing perspective that this deficiency will be
redressed by owner managers, directors and policy makers.

Notes
2. Bennett, R., “How is management research carried out?”.

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