

ADVANCED STRATEGIES
IN ENTREPRENEURSHIP,
EDUCATION AND ECOLOGY

SMALL BUSINESS MANAGEMENT AND CONTROL OF THE UNCERTAIN EXTERNAL ENVIRONMENT

EDITED BY

KONSTANTINOS BIGINAS
STAVROS SINDAKIS
ANTONIA KOUMPROGLOU
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PETER WYER

Small Business Management and Control of the Uncertain External Environment

ADVANCED STRATEGIES IN ENTREPRENEURSHIP, EDUCATION AND ECOLOGY

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Peter Wyer is a Professor of Entrepreneurship with over 20 years of experience in managing and working with growth-seeking small businesses. Peter is also an independent consultant specialising in entrepreneurship education and small business development support. He is also an entrepreneurship specialist with the Institute of Continuing Education University of Cambridge and Freelance Consultant providing small business development and entrepreneurship education support to the government, private and university sectors in Ghana, Uganda and the UK. His research focusses predominantly upon small business strategy development processes and incorporates a comparative dimension that examines small business development in the developed economy context of the UK, the developing economy context of Malaysia and Ghana and the transitional economy context of Russia. His business support provision includes strategic development

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Foreword

All countries are epitomised by highly uncertain and unpredictable business environments. From the vagaries of the economy through to varying degrees of social unrest or the impact of adverse weather, businesses of all forms and sizes must cope with ongoing change, uncertainty, and risk.

Introduction

The external environment is not only a multielement construct but also a multi-dimensional one. [Duncan's \(1972\)](#) two-dimensional environment (static–dynamic and simple–complex) and [Aldrich's \(1979\)](#) six-dimensional model (domain consensus-capacity, geographic concentration–heterogeneity and stability–turbulence) provided us a plethora of approaches to capture its indisputably complicated layers and nature.

Nevertheless, it should be said that there is a consensus on the view that task environments can be captured through three distinct attributes. These are dynamism, complexity and munificence. It should be noted that a review of both the conceptual and empirical literature pertaining to the above issue shows that both objective and perceptual approaches have been used in the advancement of these dimensions (e.g. [Dess & Rasheed, 1991](#)). These two diverse approaches have resulted in the development of a fourth dimension; that is *uncertainty*, which has been purely subjective; in contrast with the first three that have been treated as real and objective.

The initial writings regarding uncertainty were developed by informational and decision (e.g. [Luce & Raiffa, 1957](#)) scientists who have used primarily mathematical approaches to define the uncertainty concept. Whereas, early organisational theorists such as [March and Simon \(1958\)](#), [Cyert and March \(1963\)](#), [Lawrence and Lorsch \(1967\)](#), [Thompson \(1967\)](#) and [Terreberry \(1968\)](#) recognised the importance of uncertainty for organisations, all held heterogeneous views of the sources and effects of it. For example, [March and Simon \(1958\)](#) favour internal re-arrangements as the recipe for uncertainty while [Cyert and March \(1963\)](#) advocated actions which would influence or control such environmental situations.

[Duncan \(1972, p. 318\)](#), in his early review of the extant literature, concluded that three were the most common facets of uncertainty:

- The lack of information regarding the environmental factors associated with a given decision-making situation.

- Not knowing the outcome of a specific decision in terms of how much the organisation would lose if the decision was incorrect.
- The inability to assign probabilities with any degree of confidence regarding how environmental factors would affect the success or failure of the decision unit in performing its function.

In short, [Duncan \(1972\)](#) concluded that uncertainty is a function of both dynamism and complexity where the former dimension plays a prominent role. [Downey, Hellriegel, and Slocum \(1977\)](#) and [Miles and Snow \(1978\)](#) supported that there is a common element, which is the inability of an individual to understand the present state of the external environment and predict the course of events due to lack of sufficient information. According to [Galbraith \(1977\)](#), perceived environmental uncertainty is the difference between the amount of information required performing a task and the amount of information, which has already been obtained.

[Huber and Daft \(1987\)](#) and [Daft, Sormunen, and Parks \(1988\)](#) defined perceived environmental uncertainty as the absence of information about organisations, activities and events in the environment. Perceived uncertainty is the difference between available information and derived information. [Lorenzi, Sims, and Slocum \(1981, p. 29\)](#) and [Duncan \(1972, p. 314\)](#) expressed different views on this matter by suggesting that an individual's perceptions are influenced by both personal characteristics and objective environmental features.

[Milliken \(1987\)](#), who questioned the meaning of the perceived environmental uncertainty and suggested a thorough re-examination of the term, provided a break through on the discussion over uncertainty. It was suggested that literature had failed to distinguish among the extent that uncertainty is an objective state, or a subjective perceived, mental situation held by the decision-makers ([Milliken, 1987](#)). By defining uncertainty as 'an individuals perceived inability to predict something accurately' ([Milliken, 1987, p. 136](#)), three types of environmental uncertainty have been identified. The first has been termed *State uncertainty (or Perceived Environmental Uncertainty)* referring to the unpredictability of the environment. The second, *Effect uncertainty*, relates to the ability to predict the consequences of a potential change of the environment on an organisation. Finally, *Response uncertainty* relates to the attempts to understand the response options available to the organisation and what is the value or utility of them. Subsequent work by [Milliken \(1990\)](#) and [Miller and Shamsie \(1999\)](#) has further advanced both the conceptual and measurement proprieties of the uncertainty dimension.

Organisational demography (size, age and resource endowment; [Ebben & Johnson 2005](#); [Voss & Voss 2013](#)) has been important contributors to small business success. The literature is generally supportive on the claim that small firms that grow contribute greatly to the economy and social life. Academics and policy-makers increasingly pay attention to the benefits that small business bring to regional, national and worldwide economy as well their catalytic effect in terms of recession ([Coad, 2009](#)). However, despite this vast interest and increase in research there has been a distinct need of further research on several issues relating to small business creation, funding, acceleration and contributions to social and economic development.

The contributions in this volume address relevant and important issues to enlighten the current discussion on the interface of the external environment upon small business.

Chapter 1 provides informing context for the book in its totality – making explicit the distinctiveness of small business vis-à-vis large well-resourced companies. The hazy area of small enterprise definition is addressed and focus is given to the positive contributions that small enterprises make to economic and social development together with the potential benefits and challenges associated with smallness of operation.

Chapter 2 draws upon and integrates insight into how entrepreneurial growth-achieving small businesses respond to the changing external environment, thus presenting what constitutes best small business strategic management practice. The chapter examines the external environment within which micro and small businesses must strive to operate, and the findings and recommendations within this chapter are built out of the rich insights that has been unfolded during 10 years research into and strategic development support of growth-seeking small and medium enterprises in developed, emerging and transitional economy contexts.

Chapter 3 deepens and enriches the understanding of small business strategy process and practice embraced within Chapter 2 by delving further into the ‘black box’ of strategy development. Thus, making explicit the microlevel detail of management, organisational and learning practices and activities that make up the small business strategic management and control of their uncertain external environment.

Chapter 4 considers the need for nurturing of start-up business owners/managers’ entrepreneurial learning capabilities and highlights the fact that entrepreneurial learning and behaviour is different from other forms of learning and behaving. The chapter engages with social identity theory viewing the organisation as a social system where individual behaviours and attitudes are to a large degree influenced by psychological, behavioural, economic and sociological processes of group formation and membership.

Chapter 5 considers how various models of transnational education have evolved across the world, the impact this expansion has created for the local population in terms of skills development and accessibility to education and also for the local economy, and for small businesses in particular. The chapter makes explicit the opportunity for collaboration in the design and delivery of entrepreneurship and management education which is of high practical relevance to sustained small business development in both developed and developing economies.

Chapter 6 focusses upon key leadership skills, including how having a clear vision, communicating successfully across all business levels, leading by example and keeping the team engaged, are shared by all enterprises, regardless of size and nature. Emphasis is on the critical need for small business leaders to understand that each stage of an organisation’s life cycle brings with it different opportunities and challenges that should be dealt with by adopting different leadership techniques. A ‘one-size-fits-all’ approach will not work and could even become detrimental in the long term.

Chapter 7 offers critical insight into the issue of strategic change in today’s fast-paced global competitive environment. It focusses on contemporary drivers

of change and considers their implications for small businesses. The small business challenge relating to capacity to identify, react or respond to unfolding changes is of central concern in this chapter.

Chapter 8 identifies and offers practical solutions and opportunities for small businesses aiming at transforming themselves to effectively deal with skill shortages and the search for talent. It addresses the key small business development issue of ability to attract and retain high quality and committed workforce.

Chapter 9 focusses upon the exit of the UK from the European Union and the new conditions and issues that businesses must face. This chapter draws on key literature to highlight the distinctive managerial and organisational characteristics of small enterprises and to sketch out and map the challenge that Brexit poses for small business owners and managers.

Chapter 10 focusses upon how small businesses can better facilitate employee engagement using the six drivers of engagement recommended by Aon Hewitt and not only improve levels of productivity in the firm but also foster more effective worker contribution and involvement at both operational and strategic levels of the enterprise.

Chapter 11 offers a broad but comprehensive view of the impact and consequences of Brexit on UK small businesses. Providing analysis of theoretical work conducted in the fields of management of small businesses in the UK and control measures taken by them to cope with challenges that emerged due to complexities of the present uncertain environment. Brexit is considered as a key event that is demanding drastic changes in the undertaking of business and the management of small enterprises.

The findings from Chapter 12 will be useful for both scholars and employees (particularly third-country nationals) who want to work in Japanese small businesses. The chapter provides an original viewpoint on contemporary HR practices in Japan by providing a fresh understanding on HRM practices used by Japanese small enterprises and in so doing raises the question as to their potential relevance or at least partial application in other nations.

Chapter 13 offers researchers and practitioners a comprehensive view of the benefits and drawbacks that influence small businesses in adopting internet-based e-business. In recent years e-business has been adopted by many corporations to improve operational efficiency, profitability, and to strengthen their competitive position and facilitate survival in the new economic era. This chapter gives emphasis to opportunity for a more concerted small business uptake of e-business.

Chapter 14 considers the issue of small business funding in the context of the recent economic and financial challenges encountered by Greece. Comparison with prior years and with other European markets show the main challenges and obstacles small businesses faced and the solutions they found during the crisis. Crucially, the chapter highlights the need for robust small business entrepreneurial management capabilities if micro and small enterprises are to survive and prosper in highly uncertain contemporary operating environments.

Dr Dimitrios Koufopoulos

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Preface

We write this book at a time of unprecedented global health pandemic. National economies throughout the world are experiencing devastating human and economic impact. Businesses of all sizes find themselves fighting for survival as they attempt to navigate the vagaries of the crisis-torn external operating environment. Amid fast-changing cultural and societal norms and consumer behaviours, enterprises grapple with newly unfolding enabling and constraining forces and events within both their external and internal business contexts. Warned to expect a ‘new normal’ of severe competitive challenges, weaker enterprises struggle and sink, more astute business leaders seek innovative solutions and sense potential development opportunities. An unfolding invisible enemy was cruelly crystallising business thinking – a high-level ‘strategic awareness’ capability was needed to firstly keep the ship afloat and then navigate it forward through what were totally uncharted waters.

It would, thus, be reasonable to contend that our reasons for writing this book with its focus on how small businesses manage and control highly uncertain environments was spurred by the Covid-19 crisis and all the turbulence that it has spawned.

Certainly, the unprecedented Covid-19-generated business context reinforces the urgent need for this book. Yet, for me, the seeds of this text were actually sown some 25 years ago at an international entrepreneurship conference in the city of Sheffield when I nervously presented one of my first academic papers. I had entered academia from a hospitality industry background employed by a large brewery to help manage its tenanted tied estate of some 180 public houses. It was here, operating in a paradoxical situation of pursuing large brewery company objectives and profitability targets through the fostering of small business development aspirations of the pub tenants that the distinctiveness of small enterprise vis-à-vis large well-resourced organisations really hit me. Small business are ‘not little big businesses’. They are not a microcosm of a large company. They are qualitatively as well as quantitatively different from a large organisation. They experience different developmental challenges and difficulties.

I had, thus, through my embed in the world of business practice conceptually distinguished micro and small enterprises as endowed with potential benefits of smallness of operation, but also facing unique size-related problem types. Yet to my surprise, on entering academia I discovered that such distinctiveness of small business was barely recognised, with both undergraduate and postgraduate business management programmes and small business management training provision

predominantly underpinned and informed by large company-oriented management theories, concepts and tools. The distinctive managerial, organisational and developmental characteristics of small business were not being addressed – with, at worst, an assumed universal utility of management theory and concepts across organisations of all sizes, and, at best, a presumption that a simple watering down of such large company concepts to the small business context would suffice.

My first solo conference paper thus responded to this deficiency. From my experience, I had recognised how a key size-oriented problem impacting growth-seeking small businesses was their difficulty in relating to their fast-changing external environment – and how within academia the proffered antidote to this dilemma was the offering of rational long-term planning models of strategic management. Faced with an audience of lead international academics and creative growth-seeking small business owner managers. I, thus, apprehensively took to the conference stage to present my paper ‘Small Business Interaction with the External Operating Environment – the Role of Strategic Management and Planning’. The content of which flew in the face of much conventional academic wisdom with its offering of alternative conceptualisation of what small business do as best management practice in control of their highly uncertain operating environments – and its integral suggestions for future focus and direction of small business research.

My nerves were soon to give way to emotions ranging from relief to sheer delight as positive reception to my perspectives emerged across the audience. Responses such as ‘a breath of fresh air’ and ‘a total revelation’ reverberated in my mind for days after – and provided me with the motivation and confidence to pursue investigation of the phenomena as central focus of my research in the years that have followed.

Despite recognition within much of the present-day small business literature that micro and small enterprises have unique characteristics and support needs, large swathes of the management literature still do not adequately address distinctiveness features of small firms. For example, neither the strategic management literature or ‘how to’ texts offer practical guidance on the issue of small business management of the uncertain operating environment – the latter continue reliance on traditional rational long-term planning models of strategic management and integral pedestrian use of overplayed and static SWOT analysis techniques.

Thus, within this book, we address ongoing deficiencies within the academic literature and practical self-help business books with regard to how growth-achieving small businesses not merely cope with but also exploit often-hostile operating environments and create and implement innovative and sustainable strands of development.

Our approach throughout the book to consideration of key concepts and issues is such as to accommodate a dual readership. In the world of academia, we reach out to undergraduate and postgraduate students and to academics seeking to push forward their research careers. Our synthesis of relevant existing literature-based understanding with findings from our own small business development research, accompanying summaries of our innovative research methodologies that produced those findings and our novel and creative conceptualisation

of small business managerial, organisational and developmental processes and activities produces theoretical and conceptual frames of understanding that are academically rigorous and practically relevant. For the world of small business practice, our illustrative use of live small business development case studies and capture of theoretical perspectives and own innovative conceptualisation of small business management and organisational processes and activities as ‘guiding lenses’ orients the book towards informing support vehicle for growth-seeking owner managers as they strive to progress in the turbulent environment. Moreover, in this latter respect graduating university students are further served with informing contribution with regard to career-readiness and knowledge and ability relevant to set up and running of their own enterprise.

As co-editor most steeped in the idiosyncrasies and informalities of small business, I have been asked to write this preface. We present content of this book not as incremental chapter-by-chapter build-up of insight, rather as standalone chapters of guiding perspective. The chapter contributors are all lead academics with expertise in their own specific management fields who are providing perspective in the form of free-standing essays, capturing their own take on accommodating of the ‘distinctiveness of small business’ from the departure of their own specialist knowledge base.

It is thus not necessary that the reader progressively digests each chapter from book start to finish. He or she can randomly dip in and out of the text. Though I have suggested that Chapter 1 provides summary contextualisation of the distinctiveness of small business and that my own contribution to the text with focus on the specifics and minutia of small business strategic management and control of the external environment builds sequentially out of the introductory chapter as Chapters 2 and 3.

Thus, for our dual readership we have constructed a small business development tome that:

- At its core, is founded on qualitative research investigations which embrace small business operation and development within comparative operating contexts: thus, the developed economy context of the UK and Japan, the emerging economy contexts of Malaysia and Ghana and the transitional economy context of Russia.
- Provides a creative working conceptualisation of the contemporary external business environment that makes clear and explicit that most change situations encountered by growth-seeking small businesses are totally unpredictable in terms of timing and consequences – thereby dismissing as futile any utilisation of rational long-term planning approaches that rely upon information from the recent past and present to identify and plot business development into what is an unknowable future.
- Makes explicit the distinctiveness of small business vis-à-vis large companies – and how key distinctiveness characteristics manifest themselves in unique problem types which in turn contrive to concur a highly complex strategic learning task upon the small business in its interaction with its unforgiving external environment.

- Presents, by way of indication of rigour of investigation, an innovative case study research methodology with example of its rich, thick outputs in informing small business strategic development context. But also in microlevel detail which transcends the generalist, surface ‘black box’ insight of small business strategy process and content presented in much of the current strategic management and small business literatures.
- Shows how entrepreneurial learning differs from other forms of learning and lies at the heart of successful and effective small business–external environment interfaces.
- Identifies a unique ‘natural makeup’ in small businesses in the form of idiosyncratic, formal and informal infrastructures, organisational forms, management and work activities and capabilities; and owner manager- and size-related potential unique problem types and benefits of smallness. And how these are exploited and utilised by more progressive, entrepreneurial owner managers to facilitate strategic learning and strategic control processes and activities to manage the external environment.
- Gives focus to the size-related staffing and skilling problem impacting most small firms surrounding ability to attract and retain high quality workforce – affording attention to processes of recruitment, and skills development; to creative organisation and leadership of such workers to get the best out of all competency levels and to foster productivity increases through employee engagement.
- Demonstrates areas of commonality and relevancy of ‘leader skills’ across large and small organisations alike and inadequacy of a ‘one-size-fits-all’ leadership approach, showing how an owner manager must adapt in the face of the different challenges and opportunities that both day-to-day change events and organisational growth unfold.
- Addresses the issue of smallness of operation-related issues constraining the raising of reasonable cost finance – drawing upon the unique economic challenges encountered by Greece to highlight need for robust entrepreneurial management abilities to circumvent small business funding constraints.
- Embraces the issue of owner manager’ technology awareness’ capability – analysing opportunities for and potential drawbacks in small business adoption of e-commerce as an operational tool to improve operational efficiency and strategic development vehicle to enhance competitive positioning and increase profitability.
- Produces innovative conceptualisation and provision of ‘guiding lenses’ for informing small business management – resulting in the germinating seeds of small business management theory leading management practice. To date, in the main, the converse has been true.

Our underlying motive in compiling this text is, thus, dual-pronged. To entice yet more robust academic interest in the unfolding of microdetail understanding of the intricacies of small business development and help engineer a bridging vehicle between academic theorising-conceptualisation and the world of small business practice. While no single high-level theory of small business growth is

likely to exist in our lifetimes, well within our grasp is development of low-level theory in the form of ‘guiding lenses’ of best small business management practice capable of informing small business start-up and sustained business growth. The focus and contents of this book are a first step towards such ‘guiding lenses theory’.

Professor Peter Wyer