

# Growth in owner-managed SMEs – Uniqueness, challenges and opportunities

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(Interreg)**

# Agenda

1. Basic facts
2. Growth in SMEs
3. Owner management
4. Advisory
5. Wrapping up

# Basic facts

- High firm growth is rare
- High growth firms are found in all industries
- High growth firms not only technology driven
- Firm characteristics matter
- Entrepreneur characteristics matter
- Driven both internally and externally

# Heterogenous growth patterns

→ Growth is not a linear process

→ Growth patterns vary across

→ **Temporality**: Continuous versus one-shot

→ **Dimension**: Sales/profit versus employees

→ **Measure**: Absolut versus relative

→ **Mode**: organic versus acquisition

→ Randomness? (Gibrat's law)

# Is growth always desirable? No

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Motivation to growth			
		No	Yes
Realized growth	Yes	Reactive growth	Proactive growth
	No	Satisfied zero-growth	Ambitious zero-growth

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Senderovitz, M., & Ewald, M. R. (2016). Controlling unintended growth: An exploratory study of coping with unintended growth in small and medium-sized firms. *Journal of applied management and entrepreneurship*, 21(3), 36.

# Is growth profitable?

## Two perspective

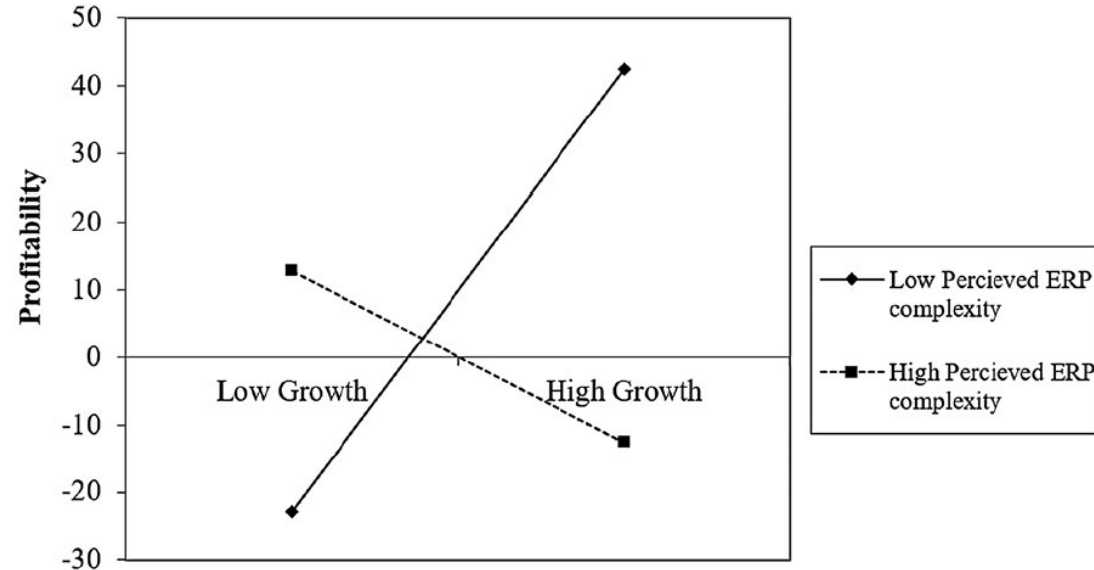
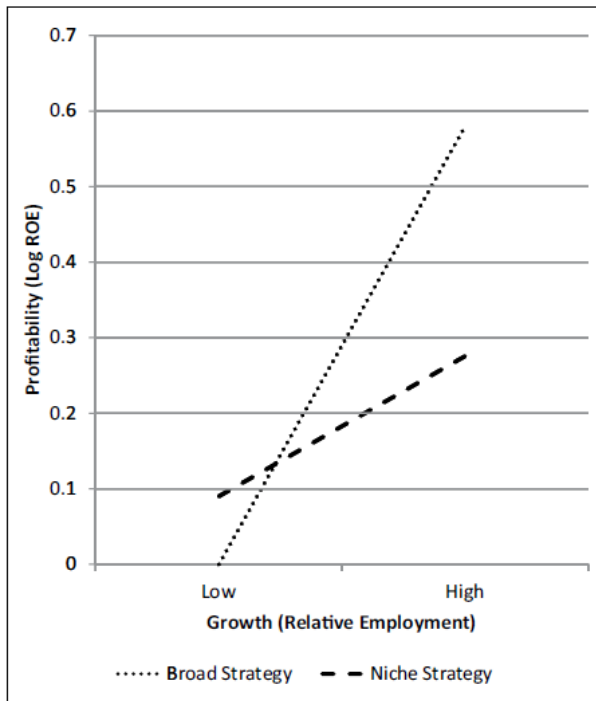
### 1. Market perspective

- Economy of scale
- Experience/learning effects
- First-mover advantage

### 2. Organizational perspective

- Increased management, control and coordination problems (e.g. shift in firm structure, reward system, decision making, new employees, additional space, equipment)

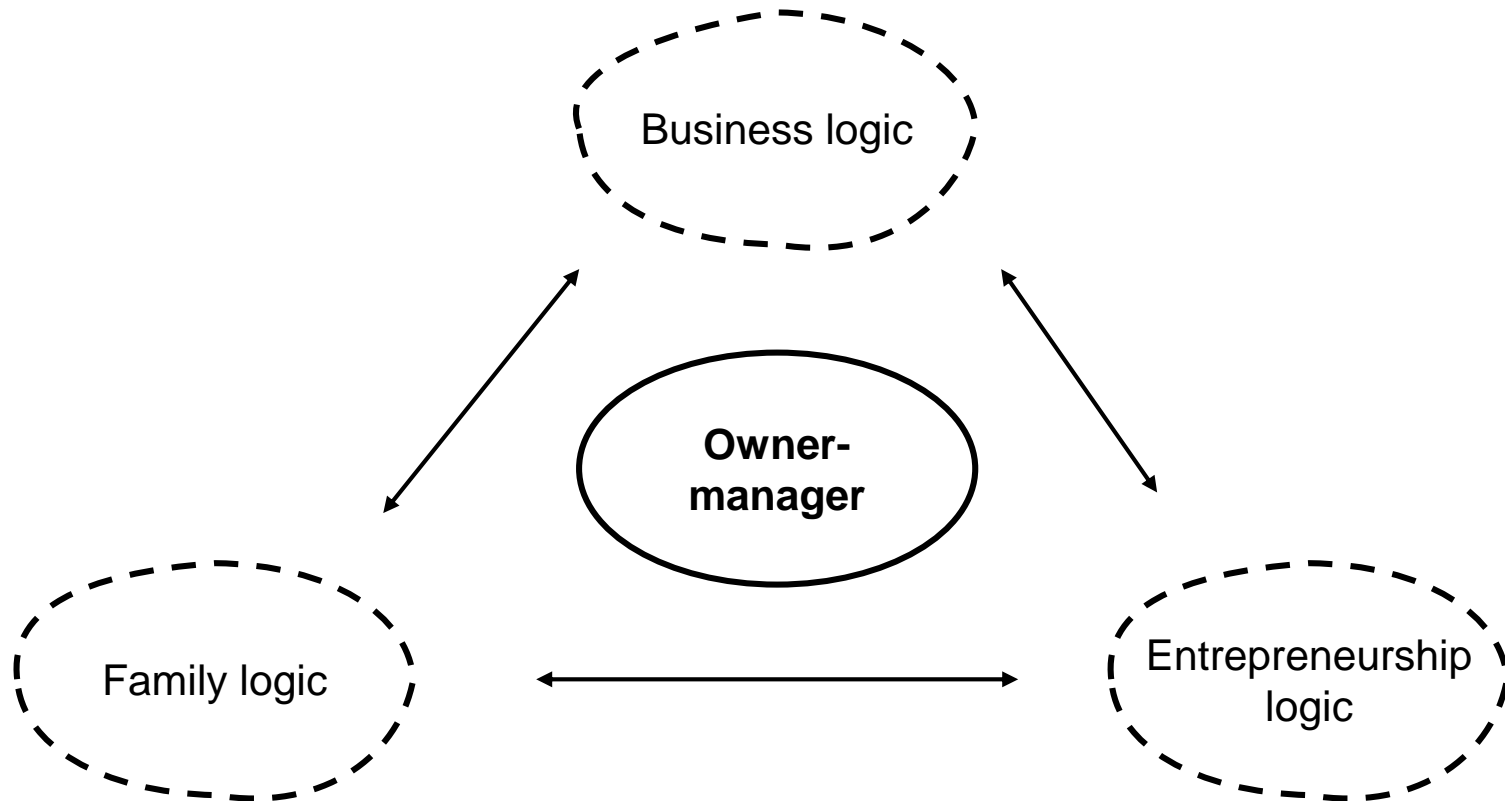
# Two empirical studies



Senderovitz, M., Klyver, K., & Steffens, P. (2016). Four years on: Are the gazelles still running? A longitudinal study of firm performance after a period of rapid growth. *International Small Business Journal*, 34(4), 391-411.

Schlichter, J., Klyver, K., & Haug, A. (2020 online first). The moderating effect of ERP system complexity on the growth–profitability relationship in young SMEs. *Journal of Small Business Management*,

# Owner-management & logics



Klyver, K. (2004). Ejerleder, familielever eller ejerlever. In *løjnefaldende anderledes?—Forandringsprocesser og ledelse i mindre virksomheder* (pp. 79-101). Djøf Forlag.



# Logics characteristics

	Business logic	Family logic	Entrepreneurship logic
<b>Identity</b>	Manager	Family member	Entrepreneur
<b>Focus</b>	Profit	Family	Personal development
<b>Value</b>	Financial	Social values	Personal
<b>Motivation</b>	Power	Social	Achievement
<b>Risk aversion</b>	medium	High	Low
<b>Coordination mechanisms</b>	Business economics	Family wellbeing	Entrepreneurship

Klyver, K. (2004). Ejerleder, familielever eller ejerlever. In *løjnefaldende anderledes?–Forandringsprocesser og ledelse i mindre virksomheder* (pp. 79-101). Djøf Forlag.

# Advisory of SMEs - insights from Kierkegaard

If you truly want to succeed in taking a human being to another place, you must first and foremost take care to find him where he is and depart from there. This is the secret of all art of helping. Anyone who cannot do that, he is himself in a state of unreality, when he finds he is able to help another man. In order truly to help another, I must understand more than he – but indeed first and foremost understand what he understands. When I do not do so, my better understanding is of no use to him.

Kierkegaard, S. (1859), *Synspunkter fra min forfattervirksomhed. En ligefrem meddelelse, rapport til historien*, København.

# Divergent perceptions of advisory

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## SMEs

## Consultants

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### SMEs

- Know the business
- Can solve challenges themselves
- Prefer using own resources

- No strategy

- Contact consultants too late

- Lack of knowledge

### Consultants

- Too expensive with few results
- Not professional
- No deep firm insights or care
- Expand the task

- Professional
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# Advisory regimes

		Complexity of the Advisory Situation	
		Low	High
Knowledge Asymmetry	High	Professional Knowledge Transfer	Manipulative Knowledge Transfer
	Low	Experience Based Advisory	Dialogue Based Advisory

Christensen, P. R., & Klyver, K. (2006). Management consultancy in small firms: how does interaction work?. *Journal of Small Business and Enterprise Development*.

# Wrapping up

- SME growth is heterogenous
  - Different patterns
  - Different motivation
  - With various effects for profitability
  
- Owner-management is complicated by three logics
  - Business logics
  - Family logic
  - Entrepreneurship logic
  
- Advisory of SMEs is challenged by
  - Divergent perceptions of the advisory relationship
  - Advisory regimes

THIS IS DIFFICULT!!!