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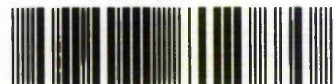

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A Cross-Case Analysis of the Role of Teams in Venture Growth

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Abstract

This study investigates the role of teams in venture growth by focusing on how patterns of team roles and actions explain venture growth. The role of venture teams (relative to individuals) in managing new venture growth is receiving increasing recognition in studies of entrepreneurship and economic development. Generally, many studies tend to focus on why new ventures fail to grow. And where studies of venture teams do exist, they tend to show that teams achieve higher growth rates, on average, than individual entrepreneurs. But, there are still rather few studies that examine in depth the processes through which teams work together.

The analysis presented here is based on five growing firms in Zimbabwe. The findings that emerged from this qualitative study highlighted five key issues that growing firms in many different socio-economic contexts face. These growth issues are: start-up and growth capital, opportunities, human capital and delegation, internal controls and external risks/threats. From the cross case analysis of team roles, it is found that these issues are resolved in particular ways which can be categorised in seven ways. Firstly, it is claimed that team ventures are more able to transcend or minimise growth stage crises because of their capacity to formalise structure/systems early in the emergence process. Secondly, venture teams engaged professional management practices and organisational features at early stages of venture founding using them to facilitate growth. In so doing, teams compress the growth cycle because of the opportunity for team members to perform tasks concurrently. Thirdly, teams endow new ventures with institutional credibility to attract resources and customers. And, fourth, teams exhibit high levels of innovation using multiple team roles to realise business ideas and opportunities. Fifth, working in teams enhances the creativity of individuals through social facilitation because this regulates behaviour and stretches their various efforts. Sixth, it is shown that teams can use network nodes that are more than the sum of the individual network nodes of the team members

because they add team level networks. Finally, it is claimed that teams act as self-governance systems.

In summary, it was because the ventures contradicted, rather than conformed, to the conventional models of new firm growth that team venture growth was achieved with relative ease in all the five cases.

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CHAPTER 1

INTRODUCTION

What This Study is about:

This study investigates the role of teams in new venture growth. The studies of venture teams or entrepreneurial teams falls within the broad field of entrepreneurship. Entrepreneurship in this study is considered to be the practice of creating and managing new ventures. This study deals with teams of people who establish a new business, which they co-own and co-manage.

The Rationale for the Study:

Although the use of teamwork dates back to pre-historic societies, when mankind were hunter-gatherers, hunting and gathering food in teams, the application of teamwork in entrepreneurship received research attention only lately (Kamm et al., 1990; Kamm et al., 1989). The reasons why teams are used in different contexts are many. For instance, one reason is that one individual, alone, cannot perform certain tasks. A second reason is that teams are formed so that there can be some division of labour or so that people may develop specialised skills.

However, researchers have not found it easy to appreciate the role of teams in entrepreneurship. Many researchers have overlooked the fact that there was a discrepancy in their work in cases in which they were singling out only one individual as the entrepreneur, even in a setting where they encountered a team of entrepreneurs (Langan-Fox and Roth, 1995). The gap in research on venture teams, in spite of the foregoing, provided another impetus for the researcher to study venture teams. There has been sporadic theoretical work in this area over about a decade and a half, when some few scholars have attempted to direct research towards the study of teams. The theoretical works of Timmons (1975), Reich (1987), Bird (1989), Cooper and Daily

(1997), Gartner (1988) and Kamm et al. (1990) and Francis and Sandberg (2000), articulated the role of venture teams in entrepreneurship. Some of them, such as Bird (1989) and Kamm et al. (1990) called for venture team research. Kamm et al. (1990) were more explicit, calling the area *'a research agenda'*. In spite of these calls, research has been building slowly and there is little empirical work available on venture teams (Chandler and Lyon, 2001; Ensley et al., 2002; Beckman et al., 2007; Wasserman, 2004; West, 2007). This was in spite of the fact that anecdotes (Cooper, 1973; DeCarlo and Lyons, 1979) seemed to suggest that venture teams in the business world were common and the evidence that such teams outperform individuals in achieving venture growth, on average (Obermayer, 1980).

Various scholars have noted the role of entrepreneurship in economic development and wealth-creation. The theoretical work of economists such as Schumpeter (1934) and Say (1816) acknowledges this function. More recently, many empirical studies have re-affirmed its importance (Birch, 1987; Storey, 1994). Quinn and Cameron (1983) noted that 54% of all businesses fail within one and one-half years and that the median age of all firms is only 7 years. Recently, Aki (2000), also suggested that venture growth, even in cases in which it was an objective, was not easy to achieve, which is also confirmed by studies such as that by Storey (1994), who established that less than 5% of new ventures contribute meaningfully to employment creation in the long-term. This is why new venture growth is both a national policy issue and of academic interest internationally.

At a certain stage in his career and academic progression, the researcher shared the same concerns and considered that studying new venture growth would be useful to academics, policy-makers, bankers, advisors and the government, apart from entrepreneurs themselves. Doing so, from a team perspective, was considered to be important since that area is under-researched.

The Influences of Personal Background:

The researcher's interest in this area developed following a period of extensive involvement with entrepreneurs for over six years as a bank manager. Casual observation at that time suggested that new ventures that were founded and managed by more than one individual (team ventures), generally performed better, particularly on survivability and debt repayment, than their solo counterparts. Drawing on these lessons, the researcher joined a team of entrepreneurs to start up a security venture in 1998. To date, the business has grown every year in sales and employment. During the course of an MBA elective in Small Business Management, the issue of team venture creation and management gradually came to be of intellectual interest. As his interest further grew, the researcher presented a paper on team venturing at an international conference (Rufasha, 2002) and the delegates' interest in the area gave new impetus for the researcher to explore it.

Having developed an academic interest in the subject of small business and having had commercial experience with such organisations, it seemed logical to build on this and develop a major study to understand how venture teams mattered to growth.

Objectives of the Study:

The main objective of the study is to explain the role of venture teams managing venture growth. The study's objectives are:

- To explore the role of teams in venture creation.
- To study how venture teams deal with emerging issues in managing venture growth.
- To evaluate the effectiveness of teams in managing venture growth.

The Location of the Study:

The study is based on five team venture cases conducting business operations in Zimbabwe. The choice of Zimbabwe was partly for the purposes of convenience. Zimbabwe is the researcher's home country where he is known in the business world. This provided contacts with people who were aware of such teams. It was also easy to establish rapport with informants because the researcher is privy to their social customs.

This study deals with issues of generic management practice, which are universally applicable not only in Zimbabwe or in Africa. Just as most literature in management disciplines such as marketing, accounting and finance, human resources management and operations are written from an American or Western European perspective, but is used internationally to inform practice, it is argued that this study is equally relevant world-wide. It deals with business management, which is universal.

The ventures in the case studies have been operating in an economy, which had been declining at an average rate of 3% per annum over the year 2000-2003 (Rufasha, 2005). They grew in spite of the related macro-economic challenges. This harsh environment made their growth all the more remarkable and each case context demonstrates this aspect. As Bird (1989) noted, venture teams may be particularly important in resource-starved environments such as the developing world. However, the use of venture teams in developed countries, as the studies of Cooper (1973) (USA) and Vyakarnam et al. (1999) (UK), for instance suggest, shows that team entrepreneurship is a universal phenomenon.

Much of the previous research such as the classic work of Cartwright and Zander (1968) on group dynamics has been done mainly in Western Europe. It is hoped that studies in the developing world might contribute to building similar classics from locations other than the West.

Chapters:

Chapter 2 that follows sets the scene by reviewing the literature which links team entrepreneurship to the early ideas on entrepreneurship. It also discusses the significance of the process view of team entrepreneurship by showing that entrepreneurship is a process, which is made up of a set of inter-related roles and activities within which teams, and not necessarily individuals acting alone, may share responsibilities. The chapter establishes that there is need for research on venture teams from a process perspective, which is why this study was embarked upon.

Chapter 3 explains why studying venture growth is important by reviewing the relevant literature. The external and internal issues that entrepreneurs have to deal with in managing growth are identified. The core issues of growth identified in chapter 3, which are also used later as the analytical framework to analyse the team's role are: opportunities, start-up and growth capital, human capital and delegation, internal controls and external risks/threats. Implicit within the discussion in Chapter 3 is that teams would deal with venture growth issues better than individuals. The chapter concludes with an analysis of the major growth issues and suggests why venture teams should be studied from a growth perspective.

Chapter 4 explores the concepts of *'groups'*, *'teams'* and the *'venture team'*. A working definition is adopted at this stage, noting that the definition of the venture team is an area in which there is no consensus. The chapter reviews the evidence that teams are prevalent in the business world and that venture teams on average outperform their solo counterparts in managing growth. The venture team literature is then reviewed, including organisational studies from top management team research, in order to identify some of the explanations that have been provided for superior team performance. (Organisational research in this study refers to studies done in large and established organisations). Emerging from the discussion is the fact that, although venture teams outperform individuals in achieving venture growth on average, there appears to be no in-depth studies, which explain how this is achieved. Other

literature describes how top management teams collaborated in making strategic decisions and how they behaved in the actual task management. This literature was used as the basis for choosing the appropriate methodology to study how venture teams can deal with growth issues.

Chapter 5 deals with the methodology. It begins by explaining why a qualitative case-study approach was chosen as the research strategy, why interviews were made the major source of evidence, and why it was useful to triangulate them with unstructured observation and evidence from records. The chapter details the procedures followed in data collection and data analysis. The core processes of cross-case analysis, which were used, are explained in that chapter.

Chapters 6 to 10 are the five case studies, with one case in each chapter. Table 1 below is a profile of each of the team ventures studied.

Table 1
Profile of Case Studies

Case and Chapter	Business	Team Members Studied	Years Covered
Beaters (6)	Panel beating and Spray Painting	2	1991-2002
Print (7)	Printing	3	1998-2002
Insurance (8)	Insurance	4	1998-2002
Retail (9)	Retail Supermarket Chain	3	1996-2003
Bank (10)	Merchant Bank	4	1999-2003

Chapter 11 deals with the cross-case analysis. It analyses how each of the teams dealt with the particular growth issues which are used as the analytical framework.

Chapter 12 discusses the contributions of this study. It is found that venture teams transcend the traditional stage crisis models of venture growth; establish institutional credibility for the new ventures; raise the threshold of innovativeness; speed up decision-making in complex situations and play a self-governance role which provides checks and balances on management practices thereby enhancing venture growth.

Chapter 13 is the conclusion of the study.

CHAPTER 2

ENTREPRENEURSHIP AND THE VENTURE TEAM

Introduction:

The rationale for this chapter is two-fold: to link this study on team entrepreneurship to the field of entrepreneurship and to show that team entrepreneurship has been a neglected research agenda.

This is achieved by following four steps in this chapter. Firstly, the early ideas on the role of the entrepreneur as articulated by economists are discussed. These ideas view the entrepreneur as a person who plays a special function in the economy and hence, a special person. The early ideas on entrepreneurs were interpreted by psychologists (the first to study entrepreneurship) as implying that the entrepreneur was a person with an extraordinary personality drive to perform entrepreneurial tasks. In their view, it was therefore important to measure the psychological characteristics of entrepreneurs in order to explain the causes of entrepreneurship. Accordingly, trait research emerged following the influence of these early ideas on entrepreneurship.

Secondly, the chapter discusses some of the relevant features of trait research, the major aim of which is to gain a sense of what it was about. Trait studies produced generally inconsistent results partly because they focused on one person only even in cases where venture teams existed. It is noted that because trait research had produced a trail of mixed results, scholars advocated a shift from a trait view of entrepreneurship to a process view, which focused on what entrepreneurs do rather than on their psychological traits.

Thirdly, the chapter deals with the ideas of process theorists. The process view is credited with opening a new opportunity to see entrepreneurship in a

different way - as a series of roles that can be performed by more than one person. In other words, the process view made it easy to understand that entrepreneurship can be a team process. However, both process and venture team research did not gain early acceptance within the world of research. Nevertheless, process theorists emphasised that entrepreneurship can be a team process and provided a platform for arguing this point, since entrepreneurship is a set of multiple activities, in their view.

To support this view, the fourth step in this chapter looks briefly at evidence from the literature around individual, family and corporate entrepreneurship. The idea is to underline the view that entrepreneurship can be a shared responsibility as evident from the fact that team entrepreneurship permeates across these fields in the literature, in one way or the other, although research on venture teams developed late and is still sparse.

It is finally concluded that because of the gaps that exist in both process and team entrepreneurship research, there is an agenda for venture team research, more so from a process perspective. This is the impetus for this study.

Defining the Territory: Moving the Debate from Abstract Theory to Applied Theory:

It is important from the onset to define the scope of this study in the field of entrepreneurship. For this purpose, the issues of entrepreneurship theory are cast into two broad categories. One is termed pure theory and the other applied theory. Pure theory refers to the debate on the integration between entrepreneurship and economics. It has been acknowledged that entrepreneurship underpins economic development (Schumpeter, 1934; Drucker, 1985). Despite this realisation, it is noted that entrepreneurship has not been well integrated with orthodox neo-classical economic theory (micro-economics). Orthodox economics theory deals with the theories of the firm which begin with such topics as the laws of supply and demand (Lipsey and Chrystal, 1997), a field in which such prominent economists as Marshall

(1890) contributed to building the foundations. This has been noted by scholars such as Leibenstein (1968), Casson (1982), Kent (1989) and Baumol (1968).

This study explores the practice of entrepreneurship, as a domain for the development of applied theory.

Some of the Early Ideas about Entrepreneurship:

Early ideas on entrepreneurship shed light on the functions of the entrepreneur as a special person. Such thinking emphasised the functions of entrepreneurs in opportunity identification, risk-bearing and co-ordination (Kirzner, 1973; Schumpeter, 1934; Cantillon, 1755; Say, 1816; Knight, 1921). The reason for looking at some of the early ideas is two-fold. Firstly, the manner in which these scholars cast the entrepreneur as an extraordinary person perhaps explains why early research in entrepreneurship focused on individuals. Secondly, the early scholars provided useful insights on issues that entrepreneurs have to deal with as part of their function, whether as individuals or teams, which can form a framework of studying entrepreneurship.

The Opportunity–Related Function:

Some scholars such as Schumpeter (1934) and Kirzner (1973) emphasised the entrepreneur's role around opportunity identification. Opportunities may be understood, as unfulfilled market needs. In other words, an opportunity can be said to exist when something can be offered to the market at a price acceptable to the market. Accordingly, the entrepreneur is the person who recognises that opportunity and meets it.

Entrepreneurs have to be time-sensitive in dealing with opportunities as these are time-bound (Timmons, 1990). Opportunities are ambiguous by nature because reality is multiple (Lincoln and Guba, 1985). This means that a

situation does not present itself as a clear-cut opportunity to different people in the same manner because people interpret the same contexts differently.

We proceed to take a look at the ideas of Schumpeter (1934) and Kirzner (1973) on the function of entrepreneurs around the concept of opportunities.

Schumpeter (1934) and Opportunities:

Schumpeter (1934) viewed the entrepreneur as an innovator. In this sense, innovation means introducing something new (Kamm, 1987) out of which commercial value may be extracted by the entrepreneur. In Schumpeter's (1934) view, the entrepreneur innovates in a manner that can be explained in the following four ways:

- The entrepreneur introduces new goods and services. As an innovator, Schumpeter (1934) sees the entrepreneur's role as that of creative destruction, in which he builds products for which no apparent demand originally exists in the customer's mind but for which demand can be created.

- The entrepreneur introduces new methods of production. In this function, the entrepreneur would replace old production techniques with new techniques. An example of such an occurrence was during the eighteenth century Industrial Revolution in Great Britain when man was replaced by automation, leading to the introduction of the factory.

- The entrepreneur creates new markets and new sources of supply of material. For instance, the entrepreneur might open new supply links in one geographical area that previously was not a source of supply and that could lower costs or increase the levels of supply and eventually the scope of operations.

- As a result of all the above-mentioned functions, the entrepreneur re-organises industry. Entrepreneurs may be viewed as changing the industry when they introduce a new venture that changes its structure. As they drive other industries into extinction by nurturing the emergence of new ones, entrepreneurs engage in creative destruction. They may also change the industry by introducing new kinds of products that re-define the boundaries of competition as they build new capabilities to compete (Prahalad and Hamel, 1990).

In Schumpeter's (1934) view, the entrepreneur's innovative capabilities, therefore, go beyond formal market research principles that formally identify market needs as an antecedent step. This portrays the entrepreneur as a person with special imaginative capabilities to see what could conceivably sell if it were introduced to the market that had never expressed a demand for it.

Kirzner (1973) offers another perspective on the role of the entrepreneur as a special individual vis-a-vis market opportunities. Kirzner's (1973) view of the entrepreneur, places a premium on the entrepreneur's role in opportunity detection. Kirzner's (1973) ideas came much later and fairly recently, but they represent a traditional view as they were influenced by the Austrian school of economists such as Hayek (1945) and Mises (1949). According to Kirzner (1973), the entrepreneur discovers opportunities that are hidden but are diffused in the environment because he is exceptionally alert to market opportunities and possesses special knowledge to be able to do so. In Kirzner's (1973) view, entrepreneurs discover opportunities that already exist but which the general populace is not able to see. Alertness for opportunity detection in this sense is a key attribute that enables an entrepreneur to detect opportunities in spite of their concealment.

The views of both Schumpeter (1934) and Kirzner (1973), although they cast the entrepreneur in different ways, emphasise that he is an extraordinary person. Moreover, the two scholars highlight the significance of opportunities as one of the issues in entrepreneurship which entrepreneurs must be able to

deal with effectively. Their view, however, makes one see only one view of the picture of entrepreneurs in entrepreneurship. Other scholars held different views.

The Entrepreneur as a Risk-Bearer:

A number of scholars have emphasised the risk-bearing role. Cantillon (1755), Knight (1921) and Mill (1848) viewed the entrepreneur as an uncertainty bearer who assumes uninsurable risks. For instance, Cantillon (1755) demonstrated how the entrepreneur carries the risk by buying goods at a certain price and then selling the product at an uncertain price in the future. Risk in entrepreneurship is premised on the fact that there are high levels of uncertainties involved that make such risks uninsurable, in Knight's (1921) view. So critical is the risk-bearing function of the entrepreneur that it is considered to be the basis of his profit, the residue of sales less costs;

> *"...it is this true uncertainty ---- which gives the characteristic form of 'enterprise' to economic organisation as a whole and accounts for the peculiar income of the entrepreneur."* (Knight, 1921 p232).

Contrastingly, Schumpeter (1934) contended that the principal function of entrepreneurs is not necessarily that of providing capital and therefore, it is not that of bearing entrepreneurial risks. Say (1816) also emphasised that the entrepreneur's role must be understood as distinct from that of owning capital. However, the thinking of the other scholars such as Knight (1921) and Mill (1848) was that the owners of capital put their capital at risk by investing in the business since the outcomes were neither certain nor insurable. The Schumpeterian (1934) view may, however, be difficult to sustain given that many entrepreneurs own their ventures to the extent that equity ownership is generally incorporated as an integral part of the definition of an entrepreneur (Carland et al., 1984). Brockhaus (1980 p510) defined an entrepreneur as *"a major owner and manager of a business venture ..."* and are, therefore, risk-bearers as argued by Knight (1921). When entrepreneurs borrow or use venture capitalist resources, they enter into legal contractual agreements with

covenants of how they should behave (Busenitz et al., 2005), which still makes them liable for the amounts that they owe outsiders and they remain, therefore, risk-bearing (Nakamura and Nakamura, 1982). The overriding view, therefore, seems to be that entrepreneurs bear risk with or without the use of other people's funds for as long as they are the ones who are ultimately accountable for the overall function of entrepreneurship.

The view of the entrepreneur as an organiser and a co-ordinator is considered last.

The Entrepreneur as an Organiser and a Co-ordinator:

The first French economist credited with giving prominence to the term *'entrepreneur'*, Say (1816), viewed the entrepreneur as an agent in the economy. To him, the entrepreneur combined the factors of production which included land, labour and capital and then, co-ordinated the production and distribution of goods to the market.

Say (1816) viewed the entrepreneur as an agent in entrepreneurship, a person who assembles resources and coordinates both production and the distribution of goods to meet the market needs. Say's (1816) view touches at the centre of the management function as the entrepreneur has to deal with the organising and co-ordination of resources and activities.

The Early Ideas and Their Influence:

It may be noted that each of the scholars entertained a view of the entrepreneur that suggests that the role might be more complex and multi-faceted than each of them thought. The early ideas raised some of the thinking that has continued to be the basis for understanding the key issues in entrepreneurship as will be discussed later. However, each of the aspects around opportunity-identification, risk-bearing and co-ordination/organisation represent only some of the functions of the entrepreneur which makes it

necessary to integrate the different views in building a more comprehensive perspective. That framework may, however, still be limited by the fact that these perspectives were coming from economists who were looking at the entrepreneur's role from a societal and not at the firm-level point of view.

At this stage, it is important to note that since these early ideas nurtured the image of the entrepreneur as an extraordinary individual, unsurprisingly, early research focused on the individual and not the team, in entrepreneurship. The early ideas came from economists and it was the psychologists such as McClelland (1961) who initiated entrepreneurship research into the psychological traits of solo entrepreneurs. That the early ideas did nurture the notion of the entrepreneur as an individual of exceptional ability is apparent from statements such as that the entrepreneur;

- *"can see the forest from the trees...(and can) see the total scene as well as its parts and how the parts affect each other,"* (Mitton, 1989 p11).
- is a *"larger than life character"* (Gartner, 1988).
- (as a self-image creation by entrepreneurs themselves) *"I knew merchandise, I knew cost, I knew selling, I knew customers, I knew everything.."* (Sam Steinberg; - owner and founder of Steinberg Inc in Mintzberg and Waters, 1982 p495).
- *"He came to the position with a budget and an associate dean. The school he developed was, in a very real sense, his school."* (Kimberley's view of the dean's greatness as represented by the school which emerged - in Kimberley, 1979 p443).

Cole (1965) echoed this interpretation of the entrepreneur as a great person noting that it required a rare category of people with special characteristics to carry out the special tasks of entrepreneurship. This interpretation of entrepreneurship as a one-person act is not surprising as it is based on attribution theory (Calder, 1977), which holds that notable events such as venture creation achievements or failure can be explained in terms of the

special personalities of identifiable individuals. For this reason, the entrepreneur was worth investigating.

The limitations of trait studies, as will be noted, provided a connection between trait research and process research that succeeded trait research itself.

Trait Studies in Entrepreneurship:

Much of the early empirical studies (McClelland, 1961; Lynn, 1969) in entrepreneurship largely focused on attempts to discover the personality traits of the lone entrepreneur. Trait studies are anchored in psychology and most of them engage psychological tests (Brockhaus, 1980). Theoretical and empirical contributions attributing special characteristics have also come from several scholars including Komives (1972), Hornaday and Abound (1971), Hornaday and Bunker (1970) and Palmer (1971). Comprehensive summaries of studies that followed the trait route are in Gartner (1985). Carland et al. (1984) also presented a summary of 12 empirical and 7 theoretical papers around the trait debate. Gasse (1982) and Brockhaus (1982) also provided other summaries of such work. Whilst it is considered unnecessary to go over the same work here, it is also considered necessary to provide sufficient insight into the character of trait research in order to share an understanding of part of the history of entrepreneurship research. This is important because it provides a link with this study. Table 2 summarises some of the research on traits and the general findings:

Table 2

Some of the Traits of the Entrepreneur

Researchers	Trait	Findings
McClelland (1961)	Need for achievement	The entrepreneur is motivated by a high desire to achieve above-average performance in competitive situations.
Brockhaus (1980, 1982)	Risk-taking Propensity	The entrepreneur is willing to take moderate levels of risk.
Schere (1982)	Tolerance of ambiguity	The entrepreneur is comfortable with situations that may appear to be complex, ambiguous and hence unclear.
Durand (1975), Hornaday and Abound (1971)	Internal locus of control	The entrepreneur has the confidence that he is in control of the environment around him and can manipulate it to achieve his goals.
Hornaday and Abound (1971)	Need for power	The entrepreneur is power-hungry and wants to dominate in the entrepreneurship activity within which he is involved.
Hornaday and Bunker (1970)	Need for creativity	The entrepreneur has a high need and capability for experimentation and trying different ways of doing things.
Litzinger (1965)	Need for independence	The entrepreneur always wants work alone without other people obstructing his way in decision-making. He personally needs a high degree of independence and does not value other

		people's support.
Wainer and Rubin (1969)	Need for affiliation	The entrepreneur has a high need to belong, feel related, recognised and accepted by other people.
Welsch and Young (1982)	Propensity for Machiavellianism	The entrepreneur has the wit to negotiate and secure favourable terms for himself when talking with different stakeholders, such as providers of finance.
Lynn (1969)	Level of neuroticism	The entrepreneur scores high on neuroticism, which closely relates to the degree of anxiety about issues of pertinent interest.
Komives (1972)	Religious values	The entrepreneur has little regard for religious values and hence his action is not guided by religion as a reference point.

This evidence and similar evidence as summarised by the likes of Carland et al. (1984), Brockhaus (1982), Gartner (1985) and Gasse (1982) (and explained in the table) may generally be interpreted as projecting the image of an entrepreneur who, at least, has a high need for achievement, moderate risk-taking propensity, high internal locus of control, high need for power, high machiavellianism and a high need and capacity for creativity.

There is however, no universally agreed list of entrepreneurial traits because research evidence has not been consistent (Gartner, 1985). As a result, critics such as Gartner (1988) and Kilby (1971) have been duly sceptical about trait research. From the above profile, the evidence that entrepreneurs have a high need for affiliation (Wainer and Rubin, 1969) seems to contradict the evidence that entrepreneurs are domineering (Hornaday and Abound, 1971) and have

low need for other people's support (Litzinger, 1965). The evidence that entrepreneurs exhibit a high degree of anxiety (Lynn, 1969) also conflicts with the evidence that the entrepreneur tolerates ambiguous situations (Schere, 1982) and always feels a high sense of control of situations around him (Durand, 1975). Scholars such as Kilby (1971), Gartner (1988), Brockhaus (1982), Sexton and Bowman (1985) broadly concur that research has not been able to discover those traits that set entrepreneurs and non-entrepreneurs apart.

It is worth noting that most of the criticisms against trait studies are on methodological grounds. For instance, the studies have used widely differing and sometimes controversial samples of entrepreneurs. For example, McClelland's (1961) seminal study included both entrepreneurs and managers of established companies. The major criticism here is, however, that studies so far have focused on one person, which is perhaps one reason why such studies have produced inconsistent results.

Neglect of the Venture Team in Trait Studies:

Trait research is exposed by the way it handled the contexts in which venture teams were encountered, as the focus of study remained on one person rather than the team. For example, a study by Langan-Fox and Roth (1995) is one such case in which excluding some of the team members in trait research distorted research findings. Surprisingly, Langan-Fox and Roth (1995) reported that their sample included entrepreneurs with at least 50% ownership in the business and who had founded a business either alone or with a partner, but they did not investigate the traits of the other co-partners in the study. Instead, only one individual was singled out for study in all cases.

Similarly, Cooper et al. (1994) studied the venture top team but interpreted the findings around one person. Thus Cooper et al. (1994 p375) argued:

> *"In examining the attributes of the entrepreneur, the assumption is that for new, small businesses, the firm is built around the*

entrepreneur."

Stuart and Abetti (1990) investigated the role of entrepreneurial and management experience of the entrepreneur and the management team of 52 new technical ventures in the New York/New England Area (USA) but, interpreted the results around one person. They specified that *"..measurements were obtained on …the experience of (the) entrepreneur and the team..."* but *"..the discussion emphasis will be on the leader's characteristics...."* (Stuart and Abetti, 1990 p160). Charan et al. (1980) also cited the case of Breitman and Co. Manufacturers; a company owned by two founders, the president and the vice president of the company. However Charan et al. (1980 p10) still maintained that it was a case of solo entrepreneurship, stating that, *"One cannot, however, underestimate the importance of the individual entrepreneur to the process."*

Mitton (1989) devoted a paper to eulogise on the solo entrepreneur as a hero. Within this paper, he identified W. Hewlett and D. Packard as the founding team for Hewlett-Packard but Packard as the only entrepreneur. He also identified S. Wozniak and S. Jobs as the co-founders of Apple but he still held that Jobs was the only entrepreneur. Mitton (1989) further cited the example of E. Simon, who partnered with Ray Chambers to buy out Gibson Greeting Card Inc. from RCA but he still considered that Simon was the only entrepreneur in that case. In fact, in a lengthy eulogy of "*The Complete Entrepreneur*", Mitton (1989) cited several cases of entrepreneurial teams but at the same time surprisingly insisted that *"even where the team members appear to share, there is always a well-understood dominant one …"* (p13) who *"posess(es) special abilities"* (p17).

This kind of evidence partly explains why trait studies have not produced a uniform list of entrepreneurial traits (Sexton and Bowman, 1985; Gartner, 1985; Kilby, 1971) and perhaps why scholars shifted from trait to process studies as scholars began to raise concerns about the state of entrepreneurship research (Low and MacMillan, 1988). Indeed, trait research

was weakened more by its methodologies than its rationale. To put it figuratively, it was a case of gunners missing the target in a just war. Apart from this, the future of trait research appeared also to have been put at risk by other issues. The shift to process research is briefly explored below.

Entrepreneurship Defined as a Process- The Shift From Trait View:

Advocates of the process research (Gartner, 1988; Van de Ven et al., 1984) hold that the entrepreneur must be seen as an agent in the entrepreneurship process. They defined entrepreneurship in their own way to emphasise the process dimension to it. According to some scholars (Gartner, 1988), entrepreneurship as a process is the creation of new organisations. Vesper (1980), Bygrave (1989a, 1989b) and Bygrave and Hofer (1991) also shared the same view.

Scholars such as Bygrave (1989a, 1989b), Gartner, Bird and Starr (1992) and Carland et al. (1984) concur that there is no agreed definition of entrepreneurship. However, entrepreneurship theorists and researchers have applied themselves to the field by investigating both the pre-firm and early firm stages under entrepreneurship. For instance, the work of Bhave (1994) and Gartner (1985) deals with the venture creation process, whilst that of Mintzberg and Waters (1982) deals with managing from emergence through growth of the venture. In this way, it has not been easy to distinguish entrepreneurship from small business management (Gartner, 1988). Considering entrepreneurship as the process of creating and managing new ventures, a view adopted here, is not therefore an extension of the definition of entrepreneurship outside traditional boundaries of the concept. The underlying theme is that, as process theorists would have it, venture creation and management are a process.

The shared understanding of process is that it is a set of activities, roles and actions that are inter-related (Gartner, Bird and Starr, 1992; Bird, 1992; Gartner, 1988). Gartner (1988 p11) contended that by asking the question, "*Who is an Entrepreneur?*" researchers were asking the wrong question,

whereas the focus should be on what the entrepreneur does. Gartner, Bird and Starr (1992) argued that researchers should study entrepreneurship as the patterns of interlocked human behaviours in carrying out the process activities. In the effort to shift the character of research Gartner, Bird and Starr (1992) remarked that the primary task of the entrepreneurial theorist is not to take organisations for granted, but to probe how they come into being.

The Significance of the Process View of Entrepreneurship:

While process theorists appear to take this view, arguing that we cannot know the dance from the dancer (Gartner, 1988) meaning that we cannot understand the process of entrepreneurship by studying the entrepreneur, there are many other reasons that seem to have validated the shift towards process research. Firstly, the process view has been found to be of use in organisational research where there has been a similar shift in the evolution of management research from focusing on the traits of one person to focusing on the management process itself. Similar research into the traits of the manager has seen focus shift over time to the role and functions of the manager after failing to produce conclusive findings (Mintzberg, 1973).

Secondly, it is probable that some moderate critics of trait research might have considered that if the answer to the question *"Who is the entrepreneur?"* (Gartner, 1988 p11) had been found, that was still not going to fully close the knowledge gap in entrepreneurship. An analogy from the natural sciences may help us to understand the rationale for equally valuing both streams of research. When physicists discovered that water *('the entrepreneur')* is made up of hydrogen and oxygen *('the traits')*, research into the phenomenon did not close. We note that research proceeded to explore the process and conditions under which two atoms of hydrogen combine with one atom of oxygen, including temperature and other conditions, to form the basis of our complete contemporary knowledge of the phenomenon.

In other words, with or without the answer to the question of who the entrepreneur is, there was still a need to understand the process itself. One

may consider that knowledge of the components or causal determinants of a process in itself, does not make knowledge of the process redundant and vice versa. Accordingly, the process approach to studying venturing might have been meant to complement and not to replace previous approaches. Entrepreneurship is a multi-dimensional and multi-disciplinary phenomenon (Bygrave, 1989a, 1989b) and the only way to build it into a complete discipline, as is the case with other fields such as sociology and economics, is by joining together its component constituents.

Thirdly, before the organisation-creation process, there is the person and the environment. This is implicit in models of venture formation (Gartner, 1985). On the other hand, studies that were based on the population ecology perspective explained entrepreneurship in terms of the influences of the business environment in facilitating or inhibiting entrepreneurship (Pennings, 1982; Hannan and Freeman, 1977). The process approach promised to be a unifying strand of research in which the entrepreneur's role at the centre of the relationship between the emerging venture and the environment could be understood. By the time the shift was considered in the late 1980's, process studies to explore the nature of the process itself were slowly emerging (Minzberg and Waters, 1982; Vesper, 1980; Kimberley, 1979; Katz and Gartner, 1988). Most of these models lay bare the interaction among the process variables hitherto studied as isolated components. Within the process perspective, Gartner's contribution is outspoken. This role, which is reviewed below, also raised new questions about the relationship between trait research and the process research that followed it.

Gartner's Contribution and a New Emphasis on Entrepreneurship as a Team Process:

It was Gartner who set in motion the emphasis of entrepreneurship as a process, beginning with his process-model of new venture creation (Gartner, 1985). Later, in an award-winning paper, Gartner (1988) eloquently argued that entrepreneurship is a process, maintaining that we can only understand the nature of entrepreneurship by studying the process and not the traits of

the entrepreneur. Other theorists, such as Bygrave and Hofer (1991), seemed to have been influenced by his seminal contribution. In moving the process research agenda, Gartner's participation was marked. He was also involved in work with Khan (Khan and Gartner, 1988) and with Bird and Starr (Gartner, Bird and Starr, 1992) in moving the same agenda.

In 1994, Gartner, along with other researchers (Gartner, Shaver, Gatewood and Katz, 1994) stretched the process concept further and used it to re-define how entrepreneurship as a process could be shared among entrepreneurs in one setting. As Gartner et al. (1994 p6) put it;

> *"The entrepreneur in entrepreneurship is more likely to be plural rather than singular. The locus of entrepreneurial activity resides not in one person but in many."*

By this, they meant that the responsibility of creating and managing a new venture could be shared. This was a significant step because it located the team within the entrepreneurship process which trait research had not been able to account for. In effect, this contribution validated and put renewed focus on an ignored undercurrent; of entrepreneurship as a plural phenomenon (Timmons, 1975, 1979; Bird, 1989; Kamm et al., 1990). As some of the early definitions of entrepreneurship suggest, the view that entrepreneurship can be plural and hence a team process had been recognised from of old, although research had not explored the area (Bird, 1989). Gartner's (1988 p49-56) citations from the works of such scholars as Cole (1959), Draheim (1972), Ely and Hess (1937), Howell (1972) and Lavington (1922), some of which are below, show this;

> *"..the purposeful activity (including an integrated sequence of decisions) of an individual or group of individuals, undertaken to initiate, maintain or to aggrandise a profit-oriented business unit for the production or distribution of economic goods and services,"* defined Cole (1959 p7).

"The person or group of persons who assume the task and responsibility of combining the factors of production into a business organisation and keeping this organisation in operation," defined Ely and Hess (1937 p113).

"(An) entrepreneur is the person and entrepreneurs are the small group of persons who are new company founders. The term is also used to indicate that the company founders have a significant ownership in the business they are not only employees and their intention is for the business to grow and prosper beyond the self-employment stage," defined Draheim (1972 p1).

A focus on entrepreneurship as a team process is a major challenge to the thrust taken by the prolific positivist trait studies, profuse as they are (Gartner, 1985;Brockhaus, 1982; Carland et al., 1984), which had upheld the assumptive view that team entrepreneurship does not exist (Mitton, 1989; Cooper et al., 1994).

As we will briefly note, the argument that entrepreneurship can be a shared process is also reinforced by empirical evidence from both corporate (Burgelman, 1983) and family entrepreneurship (Dyer and Handler, 1994). The case of Management Buy Out teams is also put into perspective. This approach is called the *'Key Actor's Perspective'* here because it looks at the relevant issues with reference to those who initiate and are responsible for entrepreneurship.

The Key Actor Perspective: The Corporate and Management Buy-Out Teams

Evidence from corporate entrepreneurship research also demonstrates the reality of team entrepreneurship. Corporate entrepreneurship is the creation of a new venture sponsored by an already existing one (Burgelman, 1983; Bostjan and Hisrich, 2004). It is an area that has received significant research attention (Sykes and Block, 1989). In corporate entrepreneurship, the top

management team takes the initiative and responsibility to create a new venture and various people at different levels in the organisation play different roles (Burgelman, 1983; Von Hippel, 1977). A case study by Burgelman (1983), which investigated this process, gives sufficient insight into how corporate entrepreneurship evolves. Top management set the policy framework in the form of a corporate strategy, the intent of which was to grow the organisation by setting up new ventures and they gave support to the lower ranks who implemented the ideas.

Operational managers assessed the resource requirements whilst the middle managers (below the operational managers) implemented the initiatives. The implementation process further co-opted research and development managers and group leaders. What is of significance is that the creation and management processes (Zahra and Covin, 1995; Burgelman and Sayles, 1986; Fast, 1981; Ireland et al., 2003) were a shared responsibility and depended on the roles of a group of actors in both decision-making and implementation. Of note is that the decisions at the top were made in a setting in which the top team and not one person alone had participated in strategic decision-making and responsibility was shared, which is common in top management teams (Hambrick and Mason, 1984). Understanding entrepreneurship from the corporate entrepreneurship underscores the reality of entrepreneurship as a plural and team phenomenon, in spite of an apparent disregard for team entrepreneurship in traditional research (Palmer, 1971; Brockhaus, 1982; Ensley et al., 2002).

Further, cases of Management Buy Outs (MBO's) (Funk, 2005; D'Amico, 2005) represent another area where the reality of team entrepreneurship in organisational development could be articulated, although that is not an area of strictly new start-ups. Under an MBO, teams of managers, usually the former managers of an organisation jointly raise capital and (Funk, 2005; Shaw, 2006) takeover the ownership and management of the business, which they lead and manage as the top management team (Hambrick and Mason, 1984).

Although not a new start-up case, a management buy out demonstrates how ownership and management can be shared, as under team entrepreneurship, usually to turn around the fortunes of the business by engaging the firm's entrepreneurial behaviour (Mintzberg, 1973) as an opportunity-seeking and opportunity-seizing firm behaviour (Miller, 1983; Carland et al, 1984). An example is the case of the sale of Dainippon Ink and Chemicals's (DIC's) loss-making Reichhold operation to Reichhold's executive team in 2005, with the view that the team would be able to turn the firm around, as reported by Campaign (2005). Shaw (2006) reports of the sale of the troubled UK rubber company's automotive division to a management co-funded by a US-based private equity company. Many other cases of management buy-outs exist (Mayhew-Smith, 2005, D'Amico, 2005).

The Key Actor Perspective: The Family Business:

The area of family business and entrepreneurship has also received significant research attention (Johannisson and Huse, 2000; Daily and Dollinger, 1993; Dyer and Handler, 1994) in view of the evidence that in most parts of the world, over 80% of business organisations may be classified as family firms (Shepherd and Zacharakis, 2000). The definition of family business has been problematic (Zahra, Hayton and Salvato 2004; Chua et al., 1999), to the extent that Hoy and Verser (1994) opted to avoid such a definition although they were writing on entrepreneurship and the family business. For the purposes here, the family business is one in which ownership and decision-making control is in the hands of at least one family member and other family members are involved either as managers, employees or co-shareholders, or as both co-shareholders and co-managers in the new venture (Dyer and Handler, 1994).

What is of interest are some common observations made by different scholars about the world of family entrepreneurship. Hoy and Verser (1994 p12) observed that, *"The family firm may begin with or eventually develop into plural leadership....".* Dyer and Handler (1994 p74) also observed that, *"A (a) family member may also become involved at the start-up (or buyout) as a*

partner or member of an entrepreneurial team.... (in a process of) dividing of responsibilities and decision-making." For example, according to Duncan and Flamholtz (1982), Realty Company was co-founded and co-managed by Jules and Marion Saxe as a husband and wife team.

From the definition of family business and the observations of different scholars cited above, as well as the other evidence provided at various stages in this discussion, it is apparent that some family ventures are team ventures. In the same vein, not all family ventures are team ventures. There is therefore a significant area of overlap between family business and team entrepreneurship. Family entrepreneurship makes at least two significant contributions to entrepreneurship thought. First, it establishes that entrepreneurship can be a shared phenomenon. Secondly, family entrepreneurship demonstrates that independent entrepreneurship, which is entrepreneurship other than corporate entrepreneurship, can be a team phenomenon although family entrepreneurship has not been investigated from the team perspective.

A cross-interpretation of the studies based on the three key actor categories has suggested that team entrepreneurship reverberates across the three in one way or the other. In spite of all this, it is disconcerting to note that there has not been much research on team entrepreneurship, with the evidence being sparse and anecdotal (Bird, 1989; Ensley et al., 2002). This is in spite of the fact that, as noted earlier, a few of the early scholars, as cited by Gartner (1988), had indeed also captured the phenomenon of team entrepreneurship, which remained as a neglected undercurrent in entrepreneurship. Whilst much of the new promise to investigate teams appears to lie in process research, it is important to review some of the developments in process research and how these developments may inform a study of venture teams of this kind.

It is necessary at this point to understand how far prior process research can guide entrepreneurship research on venture teams.

Process Research And Venture Teams: Defining The Research Gap:

It appears, however, that research into venture creation and management from a process perspective, though not entirely absent (Kimberley, 1979; Birley, 1985) has been slow to take pace. One reason for this has been that venture existence has always been taken for granted (Khan and Gartner, 1988; Gartner, Bird and Starr, 1992), despite the fact that many venture creation processes fail to succeed (Sarasvathy, 1997; Vesper, 1980).

Some of the process research models appear to have synthesised the early ideas on entrepreneurship into models that broadly articulate the issues that entrepreneurs deal with in their various ways. We have theoretical and empirically grounded models of venture creation from business concept to full business establishment stages (Bhave, 1994; Larson and Starr, 1992; Birley, 1985; Block and MacMillan, 1985). These have broadly aided both researchers and practitioners in defining some of the landmark stages in the venture leading to venture emergence.

What is conspicuously absent in most of the studies is an investigation into the role of teams in venture creation and management. Apart from the contribution by Vyakarnam et al. (1999), who carried out process research into the formation of entrepreneurial teams, the researcher could not identify any other venture team studies that have been done from process perspective. The work of Vyakarnam et al. (1999), however, did not look into the roles that teams played in the venture creation or growth, but on the phases of venture team evolution. This sharply contrasts with empirical evidence suggesting that team ventures seem to outnumber solo ventures in high-growth categories (Cooper and Bruno, 1977; Timmons, 1990). An example is the work of Kimberley (1979) where organisation creation was classically described as a one-person process. This is attributed partly to the influence of previous research bias that took the solo entrepreneur as the unit of analysis, as earlier noted, although the realisation that team entrepreneurship is a process and a team phenomenon had been an undercurrent in entrepreneurship and had been given new credibility by the process view. Scholars have not followed up their ideas on this aspect with

process research on teams.

Summarily, venture team research has been building up rather slowly (Kamm et al., 1990; Ensley et al., 2002; Watson et al., 2003; Wasserman, 2004; West, 2007), and venture team research from a process perspective presents a particular gap.

Conclusion:

This chapter attempted to trace the evolution of entrepreneurship thought and research, from some of the early ideas to trait views, and from trait views to process views. The idea was to bring out how venture teams relate to existing work in entrepreneurship.

Beginning with a discussion of the early ideas of entrepreneurship, it is possible to appreciate how these ideas on the functions of the entrepreneur nurtured the emergence of trait research. The realisation that trait research had shortcomings in explaining entrepreneurship was critical to the emergence of process research; wherein it was noted that team entrepreneurship could be easily understood from a process rather than from a trait perspective. What is interesting is that process theorists did not discover team entrepreneurship but they rather gave team entrepreneurship the much-needed credibility as a reality in the business world, given that some scholars were expressly disputing that team entrepreneurship exists. It is the key actor's perspective that makes one wonder why team entrepreneurship did not attract research interest earlier since in one way or another, team entrepreneurship permeated individual, family and corporate entrepreneurship research.

The review of literature in this chapter shows that process research did not spur team entrepreneurship research from a process perspective; it only enhanced the credibility of the idea of team entrepreneurship; it being the notion of a function, a process that can be performed by more than one person since it is a process. Accordingly, given the gaps in process research

itself so far, and the fact that there is a lack of research on venture teams, this study explores on entrepreneurship as a team process.

It is also indicated in this chapter that there is interest in studying both the process of the creation of new ventures and managing them in the realm of entrepreneurship. Research on venture teams, from a process perspective, therefore, becomes the interest of this study. In the next chapter, the issues around which team entrepreneurship will be studied are developed. This follows from the fact that new ventures may evolve from their birth through growth, as one of the options they have after emergence. How venture growth becomes the area of particular interest, and the issues that will be studied about growth are discussed in the next chapter. It will also become apparent in the next chapter that some of the issues of growth raised therein resonate well with most of the elements of the entrepreneurship process, as summarised in this chapter, on the basis of past process models.

CHAPTER 3

GROWTH AND GROWTH ISSUES

Introduction:

This chapter's primary focus is to identify some of the growth issues that entrepreneurs deal with. These issues will then be used as the basis for the analytical framework for this study when looking at how the venture teams deal with such issues better than their solo counterparts.

In closing the last chapter, it was hinted that once the organisation has been created, either it dies, remains the same size or grows. This study is about those ventures that seek and achieve growth, which are also known as entrepreneurial ventures.

The chapter begins with a look at the role of new ventures in economic development. It goes on to explore the concept of firm success and how firm growth can be measured as well as how sales and employment level changes are selected to measure growth.

The section that then follows reviews the literature on the approaches to growth, which have been previously engaged in studying venture growth. It is noted that venture growth is discussed from two perspectives: environmental factors and those factors that are associated with the characteristics and management practices of new ventures. The discussion from the external and internal perspective brings to the surface the core issues of growth, which will form the basis of this study, to investigate how teams deal with them. The stage crisis theories of firm growth are used as a reference point to highlight some of the internal growth issues which growth ventures face.

The chapter ends by drawing together the growth issues, which emanate from the discussion around this concept, which dominates the chapter. As noted

above, this is intended to form the analytical basis for studying the venture teams.

The chapter ends by drawing together some of the growth issues that entrepreneurs deal with.

Role of New Ventures in Economic Development:

Several studies have shown that small firms contribute a disproportionately large share to the job market relative to large firms in different parts of the world (Birch, 1979; 1987; Mulhern, 1995). In Australia, for instance, the Australian Bureau of Statistics (1996) reports that small businesses contribute up to 51 % of the working population. In the United States, businesses that are defined as small by virtue of them employing less than 500 people each constitute as much as over 80% of the firms (Aharoni, 1994) thereby underlining the significance of small firms to employment creation. In the USA, Storey (1994) also established that small firms contribute a disproportionately large percentage to the job market, relative to their large and established counterparts, and these findings make a good case for the study of growth-oriented ventures.

Success as a Measure of Firm Performance:

To begin with, growth is a measure of firm success in terms of particular measurement dimensions. Firm success is the extent to which firm performance has achieved the intended performance objectives. Venture objectives differ. For instance according to Carland et al. (1984), some entrepreneurs are growth-oriented whilst others intend to maintain their ventures small in size (Smith, 1967), meaning that the measurement of success between these two categories of firms is bound to differ.

Firm success may be measured using customer-based measures such as customer-satisfaction, competitor-based measures such as market share (Lanzillotti, 1958), longevity or survivability-based measures, which look at the

length of time the venture has been in existence (Romanelli, 1989; Tsai et al., 1991) and profitability measures such as the return on investments (ROI) (Chandler and Hanks, 1993), among many others. For inter-firm comparisons, academics select firm performance measures that are relevant to their research agenda. For instance, in terms of the Jovanovic (1982) model, the firm's level of profitability is the measure of firm success; whilst Deakins's (1996) critique maintains that a firm that survives under adverse macro-economic conditions is as successful as a high-growth firm under favourable conditions. From yet another perspective, Philippe and John (2006) claim that there are two types of firms the objectives of which differ; one seeks revenue maximisation whilst the other seeks profit maximisation. It may also be important to note that measures of success do not necessarily correlate, thereby underlining the fact that scholars have to be explicit on what they are talking about when they claim to be talking about firm success. Moreover, the measures of success sometimes are even in conflict. Whilst competitor-based measures of success, such as market share are widely used (Lanzillotti, 1958), both theoretical work and research evidence have shown that market share may correlate with profitability either positively (Buzzell et al., 1975; Szymanski et al., 1993 and Porter, 1979) or negatively (Lanzillotti, 1958 and Kaplan et al., 1958).

Conversely, venture failure may mean the firm's failure to meet the intended objectives and does not necessarily mean organisational death (Carroll and Delacroix, 1982).

Though others such as Keasy and Watson (1993) argue that firm performance should not be judged in terms of traditional economic measures of success, an overriding argument here is that business exists to achieve instrumental and quantifiable objectives (Greenbank, 2001).

Overall, firm growth may not necessarily be an appropriate measure of firm success in all circumstances because a significant proportion of entrepreneurs are not necessarily interested in achieving venture growth (Smith, 1967; Smith and Miner, 1983; Carland et al., 1984). Since this study is

about entrepreneurial ventures (Carland et al., 1984), it is considered that venture growth is the most appropriate measure of success.

The Measurement of Venture Growth:

Venture growth is a change in venture size over time.

Venture growth is usually measured quantitatively using, for instance, ROI (Return on Investment), sales growth and market share gain (Chandler and Hanks, 1993).

Traditionally many different ways have been employed to measure growth including sales growth, net worth or ROI (Chandler and Hanks, 1993). ROI is also considered to be a good measure of firm performance growth because it is also a measure of productive efficiency (Chaganti and Schneer, 1994). This means that it also measures the changes in the relationship between input and output values. However, ROI can be used if information on both sales and investment are easily obtainable which is problematic in new ventures. ROI does not, however, account for inflation and value is based on cost or invoice values irrespective of the changes of monetary values over time (Miller, 1979; Wood and Sangster, 2002). Emphasis on capital also ignores the value of other non-quantifiable assets such as people.

As Penrose (1995) noted, quantitative measures of firm growth do not capture the important features and processes of growth, which is why in-depth explanatory studies on the evolution of venture growth over time are called for (Davidsson and Wiklund, 2000; Chandler and Lyon, 2001).

Following an extensive review of studies on firm growth, Weinzimmer et al. (1998) concluded that measures of firm growth generally use manipulations of figures of first-year (t) less figures of last year (y) (that is t-y) to measure firm growth. They acknowledged that this approach ignores important information on growth such as the occurrences and processes by which growth comes about, thereby leaving explanations for venture growth weak. Cognisant of

that observation, this study will explore growth processes over time that makes the quantitative growth measures achievable.

Although scholars such as Penrose (1995) dispute the use of firm specific attributes such as the level of capital investments because they cannot be reduced to a common denominator across firms to ease inter-firm performance comparisons, they concur that some measures of firm growth are needed to enable such kind of comparisons. For the purposes of this study, growth is measured in terms of the annual changes in real sales values and in employment levels.

Choosing Sales and Employment to Measure Growth:

Scholars have used sales and employment level to measure firm growth in entrepreneurship. Oser et al. (2000) measured sales as changes in two successive years and classified growth firms as those, which had achieved two consecutive years of sales growth. Both employment and sales levels are objective and are widely used as measures of growth in studies such as those by Chandler and Hanks (1993) and Ensley et al. (2000), among others.

As Delmar et al. (2003) noted, there are many possible ways to measure firm growth, each of which has its own limitations and the following can be noted of sales and employment levels as such other growth measures:

- Sales figures (turnover). These have to be adjusted for inflation in order to maintain their validity as a measure of firm performance in real terms.
- Employment figures. These are a conservative measure in that they do not change directly in proportion to the changes in other attributes of the firm (for instance changes in capital, asset base or sales levels).

The use of sales and employment measures conjunctively, in this study, is meant to help check for the weaknesses of using either individually.

Chandler and Hanks (1993) argued that performance measures should have relevance, validity and reliability. Sales are a dependable measure because, unlike ROI, the sales figure is not affected as a measure, by the size of the capital investment base. Thus, there is internal consistency in sales and employment levels, because sales can easily be discounted for inflation. Using measures as absolute measures avoids the use of percentages, as in ROI, which is problematic since sales in the first year start at zero. As this study has an interest in growth ventures because of their established contribution to national economic growth and job creation (Storey, 1994), their use is considered relevant. Chandler and Hanks (1993) also established that even venture founders who are concerned with venture growth are in some way interested in sales growth, increasing market share or cash inflows.

There is sometimes a need to externally validate growth because environments may facilitate or hinder growth, which makes it difficult to explain in terms of firm-level competences. An example of such a measure could be gains in market share. However, the measure may be difficult to obtain and would not be applicable in cases in which the firm is the industry pioneer. Robinson and Pearce (1988) used self-reported data in which respondents compared their company with those of the industry and region on a Likert-type scale. Chandler and Hanks (1993) also noted that there is a problem with data on industry performance, which is important to measure growth in relative terms. National economic growth, which is easier to obtain, may be useful for external validation purposes in contexts where industry performance is difficult to ascertain. Accordingly, each of the case studies in this study is put in either the macro-economic or industry context or both.

An Introduction to Studies on Venture Growth:

Venture growth has been described in the entrepreneurship literature as complex (Deakins, 1996; Churchill and Lewis, 1983; Greiner, 1972). Scholars such as Aki (2000) and Hamilton and Lawrence (2001) have noted that venture growth is a rare phenomenon. An intuitive insight into why growth

could be complex perhaps comes from Simon's (1962) seminal work entitled *"The Architecture of Complexity"* as read in the context of Penrose's (1959) perspective on firm growth. Simon (1962) showed, with the aid of rich mathematical illustrations, that in any system, when the number of inter-dependent parts that need to be co-ordinated increases, which is the case with a growing venture (Penrose, 1959; Thompson, 1967), complexity also increases. On the other hand, Clifford (1975) similarly observed that as the venture grows, its points and frequency of interaction with the external environment increases and that enhances complexity.

Unsurprisingly, according to Aki (2000) as much as 50% of new ventures seek growth but barely a quarter of these 50% manage to grow. Similarly, Storey (1994) established that those ventures that grow and meaningfully contribute to employment creation over the long-term are only between 3% and 4% of new start-ups.

Much of the growth literature is dominated by listings or cross-sectional studies exploring the factors that facilitate or constrain growth (Vesper, 1980) and the growth stage models that portray ventures as moving a deterministic evolutionary path (Greiner, 1972; Churchill and Lewis, 1983).

Research on growth has largely focused on extricating the influence of one or a set of chosen variables on performance or the influences of one variable on another (environmental or firm resource and characteristics variables). Elements subjected to this approach cover a wide spectrum including firm structure, systems, age, management style, strategy (Hamilton and Lawrence, 2001; Robinson (Jr) and Pearce, 1988; Van de Ven e tal., 1984; Sandberg and Hoffer, 1987; Siegel et al., 1993; Covin and Slevin, 1990; McCann, 1991; Chaganti and Schneer, 1994; Scheinberg and MacMillan, 1988; Birley and Westhead, 1994). Researchers have even gone further to explore the link between reasons for venture start-up and growth. Birley and Westhead (1994) investigated this link from a 405-company survey in the UK but could not establish any such relationship. Studies have looked at how mode of start-up entry influences growth (for instance, owner-started; inherited; management

buy outs or others) (Chaganti and Schneer, 1994). Relationships of motivations to growth have also been investigated (Scheinberg and MacMillan, 1988; Birley and Westhead, 1994). In short the research approach has been on elements of the process than the process itself.

A holistic overview of the growth process suggests that it is a process, as Bouchiki (1993) also observed, which has been explained from either exogenous perspectives that deal with external factors (Hannan and Freeman, 1977; Aldrich, 1979), and endogenous perspectives that deal with internal factors such as systems and structures influencing venture growth (Greiner, 1972; Churchill and Lewis, 1983). Either approach could be viewed as partial. Accordingly, Deakins (1996) noted that studies have concentrated on examining the impact of individual variables on the growth of small firms, when in practice there will be many factors that will interact and be responsible for growth. This research approach perhaps explains why there appears to be no unified theory of what determines venture growth.

Empirical explanations on growth have been largely based on cross-sectional and quantitative studies in nature and as a result the *"richness of the process has not been adequately discovered,"* (Hamilton and Lawrence, 2001 p49), in spite of the observation that growth is a process (Deakins, 1996).

Conspicuously missing are studies that explore how entrepreneurs deal with the issues of growth. As Deakins (1996 p98) put it;

> *"We know very little of how entrepreneurs are able to react and the process of change involved in growth. The paucity of knowledge and lack of understanding is a reflection of the focus of previous research, which has been quantitative, attempting to identify factors that influence growth. Since growth is a complex process, involving the application of subjective management skills and a learning process of the entrepreneur, we cannot begin to understand this process without further information obtained through qualitative methods..."*

This state of affairs seems not to have changed much, particularly in the area of team entrepreneurship where research is still sparse (Beckman et al., 2007; Wasserman, 2004). Our study aims to fill this void by looking at how venture teams deal with growth issues.

Looking at the two strands of literature that dominate venture growth literature eases the process of identifying some of the issues that entrepreneurs have to deal with, bearing in mind that the focus of this study is to understand how venture teams deal with growth issues. Thus we identify some of the issues venture teams deal with by looking at the literature on environmental determinism (Hannan and Freeman, 1977) and the growth stage crisis (Greiner, 1972; Churchill and Lewis, 1983). The identified issues will form the analytical framework for studying how entrepreneurs deal with growth issues in the identified case studies.

Opportunities and Threats as Issues from the External Environment:

A review of the literature suggests that new ventures have to deal with opportunities and threats as presented by the environment in order to grow.

The theory of environmental determinism (Hannan and Freeman, 1977) holds that environmental factors determine industry and firm growth. Aki (2000) also empirically demonstrated how the macro-economic fluctuations in Finland between 1988 and1995 reduced the growth probabilities of new ventures. Cooper (1973) also observed that the availability of venture capital in the external environment has an important influence on the birth rates of new ventures (and by extension on the their mortality and growth rates). Exogenous (external) determinants of firm growth have been organised around political, economic, social, cultural, legal and technological factors (Johnson and Scholes, 1997).

The influence of the external environment on firm competitive advantage, survival and growth is well articulated in the literature. Classic literature that

focuses on the influences of the environment on firm survival and performance, dating back to the works of Ansoff (1965), Andrews (1971) and Selznick (1957) notes that the business environment provides organisations with both opportunities, for which they compete, and threats against which they defend themselves. The concept of opportunities has been discussed in the previous chapter. Threats are external conditions or risks that endanger the capacity of the venture to meet its objectives, in this case, growth (Aldrich, 1979). Threats come from the business external environment. As an instance, at industry-level, Porter (1980), through his seminal Five Forces model postulates that firm performance is determined by the level of intra-industry rivalry, the respective bargaining power of the firm's suppliers and customers, the power of the firm's substitute products and services in the market as well as the threat of new entry into the firm's industry. Recent research (Sledge, 2005) has validated the model as an applicable framework for conducting an analysis of the competitive threats facing the firm and the framework is widely used as a business planning tool (Siaw and Yu, 2004; Shinno et al., 2006; Van der Lugt, 2005).

Firms, large and small, compete for opportunities and resources such as financial capital, customers and human capital in common markets (Porter, 1980; Prahalad and Hamel, 1990) within the business environment. In competing with their large and established counterparts in the business environment, entrepreneurship literature suggests that, on average, new ventures are at a competitive disadvantage from a number of perspectives, including the resource-based perspective (Barney, 1991; Penrose, 1959) and the liability of newness (Stinchcombe, 1965).

The Resource-Based View and New Venture Competitive Disadvantages:

Much of the discourse on firm competitive advantage for firm growth has been built around the resource-based view of the firm as articulated by Barney (1986, 1991), Penrose (1959), Wernerfelt (1984), which has been developed into the competence-based view of the firm by scholars such as Prahalad and Hamel (1990), Delmas (1999) and Dosi and Marengo (1993). An intuitive view

of the resource-based perspective is that large firms possess *'slack resources'* (Cyert and March, 1963), which they use to exploit opportunities and buffer themselves against threats, and hence possess greater competitive advantage relative to new ventures. Scholars such as Kirchnoff (1994), Vesper (1980) and Roure and Maidique (1986) have shown that resources underpin firm formation, survival and growth.

The resource-based theory of firm growth is premised on the principle that firm growth is underpinned by the possession of rare, inimitable, non-substitutable and valuable resources (Barney, 1986, 1991; Conner, 1991; Dierickx and Cool, 1989) that gives it the propensity to earn economic rents or abnormal profits in the long-term, as argued by Rumelt (1991). Resources are firm endowments that may take the form of tangible assets, competences, routines, tacit knowledge, strategy, structure, people and skills and relations with stakeholders (for instance customers), among others (Barney, 1986, 1991; Conner and Prahalad, 1996). The concept of inter-firm resource heterogeneities across firms is central to this argument (Barney, 1986; Dierickx and Cool, 1989) as those firms that possess more resources enjoy some competitive advantages over those that possess less (Penrose, 1959; Porter, 1980, 1985; Conner, 1991).

As noted earlier, the resource-based theory of firm growth has produced its own school of strategists, the competence-based school of strategists including Prahalad and Hamel (1990), Delmas (1999) and Leonard-Barton (1995) who have developed the resource-based argument further. They argue that it is not the possession of resources per se that matter, but that the only sustainable source of competitive advantage is the firm's ability to continuously develop new core competences and capabilities to exploit new emerging opportunities (Jones, 1997; Prahalad and Hamel, 1990; Godfrey, 1997).

The above line of thinking, and Nelson and Winter's (1982) view that a sustainable basis for the firm's competitive advantage is built around

organisational routines, qualifies the view that new ventures are relatively weak simply because they do not posses *'slack resources'*.

Prahalad and Hamel (1990 p80) argue that, armed with the requisite core competences, the firm can *"create products that customers need but have not yet imagined."* The competences school envision the Schumpeterian (1934) *'creative destruction'*, with core competences going far and wide to re-organise industry; which is the very essence of entrepreneurship (Drucker, 1985; Schumpeter, 1934). Such processes are more associated with the strategies of entrepreneurial ventures than those of old and established organisations, as Schumpeter (1934) would argue. From this argument, since resources can take a broad array of forms, new ventures might not be in possession of substantial physical, human, or financial resources, and hence might be without *'slack resources'* (Cyert and March, 1963), but they might be in possession of other compensatory resources such as networks (Aldrich and Zimmer, 1986; Granovetter, 1985; Petersen and Rajan, 1994), competences and capabilities (among others) that they use to compete with large firms.

On this basis, a significant proportion of new ventures may possess competitive advantages based on routines, according to the seminal work of Nelson and Winter (1982), which routines then support continuous innovations. The basis for this argument is that human beings are the actors within firms (Williamson, 1999) and hence the routines, which are rooted in human activity, determine organisational outcomes. Innovation has been noted as a source of competitive advantage for firms (Porter, 1980; Hamel and Prahalad, 1994; Tushman and Nadler, 1986). Innovation has been defined as the creation and development of new products, services for the market, or production processes (Tushman and Nadler, 1986; Schumpeter, 1934; Curran and Burrows, 1986). The definition of entrepreneurial behaviour has been widely taken to incorporate innovation, risk-taking and proactiveness in firm behaviour (Miller; 1983; Drucker, 1985; Mintzberg, 1973) and as such entrepreneurial ventures are anchored on routines that support innovations. This is not to say that processes of innovation do not take place in large and established firms. In fact prominent scholars such as Kanter

(1988) have written extensively on innovations in large and established organisations. Evidence from the work of Miles and Snow (1978) shows that large and established firms can also choose to be entrepreneurial in as much as new ventures (Smith, 1967). Moreover, studies such as those by Burgelman (1983), Von Hippel (1977) and Sykes and Block (1989) demonstrate cases of corporate entrepreneurship. On the other hand, according to prominent scholars such as Schumpeter (1934) and Drucker (1985), innovation is the defining bedrock of entrepreneurship. As noted earlier, entrepreneurial ventures (Carland et al., 1984) are defined by virtue of their being innovative and growth-focused. This contrasts with the fact that many large and established firms have tended to lose the innovative and entrepreneurial drive as research has confirmed (Riahi-Belkaoui, 1998; Hambrick and D'Aveni, 1988). Scholars such as Feldman and Klofsten (1999) term this tendency the *'the loss of entrepreneurial spirit'*, which is associated with the growth in the size of the firm. Hambrick and D'Aveni, 1988 term this tendency *'downward spirals'.*

Thus, in large organisations, research has established that routines have favoured the development of *'entrepreneurial slack'*, the organisational tendency to become more conservative, internally and control-focused (Stevenson and Gumpert, 1985; Duncan and Flamholtz, 1982; Hendry, Jones and Arthur, 1991) and the loss of the opportunity-sensing and opportunity-seizing behaviour characteristic of new growth-oriented ventures (Hambrick and Crozier, 1985; Mintzberg, 1973 and Flamholtz, 1990). In that context, risk-averse organisational decision-making becomes the norm and this reverses the growth momentum, as Singh (1986) confirmed. The loss of entrepreneurial routines, hence, could be interpreted as the loss of organisational strategic resources (Barney, 1991; Nelson and Winter, 1982); a loss that can be associated with firm growth (Feldman and Klofsten, 1999). Nohria and Gulati (1996) argue that organisational slack stunts innovation and the firm's propensity to grow. This strategic posture, as Hambrick (1994) and Feldman and Klofsten (1999) observed, can stall growth or reverse growth, even when external conditions are favourable (Garnsey, 1998). In a Swedish-based case study, Feldman and Klofsten (1999) demonstrated how a

previously high-growth university spin-off eventually lost growth momentum over time, leading to the loss of competitive advantage and ultimately to what they term *'growth reversal'*.

Arguably, whilst new ventures may build competences and capabilities that compensate for the other resource gaps between them and large organisations, it should not be ignored that entrepreneurs may need certain resource thresholds to build certain firm competences and strategies (Sandberg and Hofer, 1987). Foss (1997), in his classic work entitled *"Resources and Strategy"*, demonstrated that strategy is a function of certain patterns of resource configurations. The finding by scholars such as Cooper et al. (1994) and Cooper and Gimeno-Gascon (1992) that those ventures that have a relatively broad initial financial and human capital base generally outperform their less resourced counterparts suggests that large and established firms have some resource-based competitive advantages that new ventures generally do not have. Oser et al. (2000) also empirically confirmed that for a firm to grow, it needs a certain threshold management capability to be in place. The mismatch between available resources and required resources *"limits the amount of expansion that can be undertaken at any given time ..."* (Penrose, 1959 p532). The comparative resource gaps may, therefore, make it much more difficult for new ventures to create matching capabilities and competences than would have been the case if they too had similar resources to their large and established counterparts.

Overall, from a resource-based perspective, many new ventures can be viewed to be at a competitive disadvantage, although the can build certain compensatory competences and capabilities such routines (Becker, 1999).

The Liability of Newness and the New Venture Competitive Disadvantages:

Another perspective that has been articulated to explain why new ventures are argued to be weaker than their established counterparts has been the *'liability of newness'* perspective (Stinchcombe, 1965). The argument that, on average, new ventures have limited capacity to compete in both capital

(finance), labour (for human resources) and customer markets (for market share) is anchored in Stinchcombe's (1965) *'liability of newness'* perspective. According to the liability of newness perspective (Stinchcombe, 1965; Penrose, 1959), generally a higher proportion of new rather than old organisations die for want of institutional credibility and other reasons related to their being young. According to Stinchcombe (1965), first, new ventures lack the social ties to key stakeholders that give them access to resources. Second, entrepreneurs also have to convince external stakeholders to invest in a venture with uncertain future prospects. Third, the processes of mobilising resources and learning of the new roles are resource-intensive and time-consuming, which would present challenges for the new ventures.

Several studies have also confirmed that organisational mortality declines with firm age (for example Freeman, Carroll and Hannan, 1983). These studies have confirmed the inverse relationship that exists between age and death rates of firms despite the population heterogeneity of the organisations studied, which seems to corroborate the view that new ventures are at a disadvantage relative to their large and established counterparts. Freeman, Carroll and Hannan (1983) confirmed the liability of newness phenomenon with American organisations from different sectors of the economy, which included semi-conductor producers, local newspapers and labour unions. Delacroix and Carroll (1983) confirmed the inverse relationship between age and death rates of firms by analysing 52 firms from different industries. Finally, Carroll and Delacroix (1982) similarly concluded that the liability of newness holds, on the basis of their studies of the deaths of Irish and Argentinean newspaper firms.

According to scholars such as Penrose (1959), however, many entrepreneurs successfully create what she terms *'entrepreneurial credibility'*, with investors to acquire financial resources by overriding the liability of newness, a view supported by Drucker (1985) and Bird (1989). This is confirmed by evidence showing that many new ventures manage to raise considerable resources through formal institutions such as venture capitalists (Berg-Utby et al., 2005; Klofsten, 1999) and banks (Ross, 2006; Cull et al., 2006), in spite of the

liability of newness. Indeed there have been many individual entrepreneurs who have achieved venture growth by successfully building and attracting financial, human and customer resources (Mitton, 1989) thereby overcoming the liability of newness. Individuals such as Honda (Harari, 1994) and many others as chronicled in the work of Mitton (1989) in an article entitled *"The Complete Entrepreneur"*, for instance, have achieved venture growth apparently by overcoming the same phenomenon and hence by building entrepreneurial credibility, the equivalent of institutional credibility in large and established organisations. From its founding, Honda (the firm) has been able to differentiate itself on the basis of competitive strategies based on product and service quality and that has built their image and reputation to succeed in spite of competition from established organisations. Such cases of successful organisations founded and led by individuals suggest that certain ventures can overcome the liability of newness with relative ease. In fact, in a theoretical paper, Gartner et al. (1992) argued that even at the venture creation stage, some entrepreneurs can build entrepreneurial credibility by *'acting as if'* the organisation has long been created, thus positioning themselves strongly against their established counterparts.

However, although several new ventures successfully create entrepreneurial credibility in different ways, still many others suffer from the liability of newness phenomenon, thereby remaining relatively disadvantaged in competing with large and established organisations as other scholars have also observed. For example, Clifford (1973 p149), citing a chief executive, reported thus;

> *"At $10 million you can't afford top people and you have to do the job yourself. But at $100 million, you can attract better talent and you'd better do it in the interests of both company growth and survival."*

Similarly, Steinmetz (1969 p31) shares the same view about the entrepreneur's lack of institutional credibility:

"There is the entrepreneur without capital resource(s), without apparent social skills, and without even a good idea. No respectable element in the community is even aware of him, let alone ready to help him."

Apart from the evidence on the differential mortality rates of new versus large and established organisations cited earlier, the reality of the liability of newness can be inferred from other sections of the literature that highlight the difficulties new ventures experience in raising resources such as capital (Angelini et al., 1998).

A review of the literature (Cumming, 2006; Angelini et al., 1998) shows that new ventures may suffer from the effects of adverse selection. Adverse selection is the bias against new ventures by key stakeholders, usually prospective financiers. This problem of adverse selection for new ventures is closely linked to the other inter-connected problems of information asymmetry (Binks et al., 1992) and moral hazards (Hyytinen and Vaananen, 2006).

Information asymmetry is a situation whereby a firm has superior information about itself to that of any other agents including other firms, which is particularly the case with most new firms (Francis et al., 1994; Eleswarapu et al., 2004). High levels of information asymmetry increase the probability that unfair market values of new ventures (as rated by venture capitalists) are arrived at. For instance, Busenitz et al. (2003), shows that the problem of information asymmetry can adversely affect the quality of Initial Public Offer (IPO) pricing decisions. MacMillan et al. (1985) also empirically established that one of the reasons why applicants for investor finance have their applications declined is that they may not be able to articulate their business ideas clearly enough to bridge the information gap between them and the prospective financiers, which perpetuates the liability of newness. Financiers need sufficient information, including financial information based on trading history (Danos et al., 1989) in order to make fair predictions about the probable success or failure of the venture (Wood and Piesse, 1988). New ventures do not have or have limited trading history, which leaves their

credibility difficult to prove and as a result they suffer a low rating on reputation (Martinelli, 1997). At a certain level, information asymmetry may lead to the problem of moral hazard (Hyytinen and Vaananen, 2006), as interpreted by the banks, which in turn militates against new ventures in financing decisions.

The problem of moral hazard is related to the fact that entrepreneurs may not provide adequate or honest information to bridge the information gap, thereby exposing the financiers to risks of non-repayment of loans. In order to minimise the moral hazards financiers such as banks demand information which new ventures may not be able to provide, such as trading records (Burns et al., 1981), thereby making it difficult for the former to secure credit. Alternatively, the financiers may provide credit facilities to the new ventures at a premium (Angelini et al., 1998) in order to minimise the risk exposure to their total credit; which shows that even the limited concessionary finance facilities such as the Loan Guarantee Schemes (Cowling, 1998) in the UK, may either not be easy to access or are inadequate.

Notwithstanding all this, newness is not necessarily always a liability to the venture, but rather, it can be a competitive asset conversely. For instance, it has been established that large and established organisations suffer from strategic inertia; that is the inability of organisations to change their strategies quickly as and when it becomes necessary. According to Tushman and Romanelli (1985) low organisational performance reflects a mal-alignment between a firm and the environment and organisational size is related to strong inertial tendencies against change. Studies such as that of Boeker (1989) and Kimberley (1979) have demonstrated that the initial conditions at venture founding have a long-term imprint on the strategic direction and performance of the organisation. Although management have the discretion to make new strategic choices at any point in time (Child, 1972; Andrews, 1971), resource commitments in support of the strategies already in place may impede immediate strategic shift (Tushman and Romanelli, 1985). This means that in highly changing environments that need fast decision-making

and strategic change (Eisenhardt, 1989a), new ventures may enjoy competitive advantages related to their relative strategic flexibility.

It may be concluded that, in as much as new ventures do have their own competitive advantages over large and established firms in their own ways, they also have certain issues that they have to deal with in order to mitigate their areas of relative weaknesses too. From both a resource-based perspective and a liability of newness, many new ventures, but not all, suffer competitive disadvantages against their large and established counterparts. It is of interest to understand how those entrepreneurs who grow their ventures deal with the opportunities and threats in the environment in the context of these possible limitations.

This is of particular interest in a study of venture teams when one looks at anecdotes that suggest that even in raising resources, teams rather than individuals, may overcome the liability of newness with relative ease.

For instance, a study by MacMillan et al. (1985) established that one of the venture capitalists' investment criteria is the quality of the management team, implicitly suggesting that solo entrepreneurs would suffer the effects of the liability of newness harder than venture teams. A case for this point also comes from the observation that most Management Buy Outs (MBO's) that are supported by external investors and financiers are organised around management teams (Mayhew-Smith, 2005; Costello, 2006; Rushton, 2005) rather than individuals. Such evidence seems to corroborate MacMillan et al. (1985) findings that investors are interested in the quality of the team at the top. What is not clear is how teams build such credibility.

The Need to Look into the Organisation from an Internal Perspective:

Whilst opportunities and threats that new ventures have to deal with emanate from the external environment, entrepreneurship literature suggests that the second category of venture growth issues emanate from the internal characteristics of the firm. The discourse on the evolution of organisational

features and management practices, as new ventures transition from emergence or start-up stage to growth dominates much of the venture growth literature (Greiner, 1972; Churchill and Lewis, 1983; Mintzberg, 1973). A review of some strands of the venture growth literature shows how the adoption of functional management structures and formal management/organisational systems are issues that entrepreneurs have to deal with in managing venture growth.

Growth Stage Crisis Theory: Limitations and Insights on Growth Issues:

There are basically two opposing schools of thought on the adoption of formal management structures and systems in new ventures as they grow. One takes the view that new ventures are entrepreneurially managed while the large and established ones are professionally managed (Charan et al., 1980; Churchill and Lewis, 1983; Greiner, 1972).

The general view is that management/organisational systems and functional/plural management structures are not needed during the early stages of the new venture. According to Flamholtz (1986) and Charan et al. (1980), as the new venture grows there is need at some point to transform from an entrepreneurial to a professionally managed system. Entrepreneurial management in this case means the use of centralised (usually one-person at the top) and informal management systems whilst professional management means the use of functional management structures and formal management systems. Barber et al. (1989) noted that managerial demands such as monitoring, co-ordination and control only become acute at a later growth stage as opposed to the start-up stage of the new venture. The British Advisory Council on Science and Technology (ACOST) Report (1990) also identified multi-disciplinary management skills as a critical success factor only at a later stage in growth ventures, noting that larger firms require a different set of management skills than smaller firms.

Formal management systems are considered to stifle creativity and flexibility (Charan et al., 1980) and slow the pace of entrepreneurship because of the

need to follow formal procedures, at a time when speed in sensing and seizing market opportunities is considered to be critical (Stevenson and Gumpert, 1985) in growth-oriented ventures (Carland et al., 1984). Systems are therefore considered to induce a bureaucratic process when much of what is considered necessary in early growth is intuition and bold moves (Kimberley, 1979; Mintzberg and Waters, 1982). Due to the absence of systems in the early stages of venture growth, their necessity is heralded by a crisis (Churchill and Lewis, 1983; Duncan and Flamholtz, 1982) as a normal occurrence in venture growth (Greiner, 1972; Charan et al., 1980). Similarly, the absence of functional structures in the growth venture precipitates what Greiner (1972) terms the *'crisis of leadership'*, a kind of delegation crisis that arises due to the fact that there is no delegation of management responsibilities in the venture when plural management is necessary. Hendry, Jones and Arthur (1991) empirically illustrated the emergence of stage crises as small -to- medium enterprises grow and contend with challenges of internal control and have to develop general management skills.

Although control and systems crises are considered normal and necessary by crisis stage theorists (Charan et al., 1980), there is a strand of evidence suggesting that the absence of formal systems at founding may be an omission which retards growth, especially if the related crises are not effectively dealt with eventually. Robinson and Pearce (1988) and Van de Ven et al. (1984) found that ventures that engage formal planning systems for instance, outperform those that do not. In fact, systems are introduced during the founding of the new venture in the case of corporate entrepreneurship because such practices are part of the established organisation (Sykes and Block, 1989). Covin and Slevin (1990), conducted research with 90 new ventures in different industries and concluded that new venture managers in mature industries may enhance venture performance by establishing standard operations, formal rules and procedures, or other mechanistic tools designed to promote internal efficiency. This researcher could find no evidence suggesting that such formality in the early stages of the respective new ventures under corporate entrepreneurship is detrimental to the ventures' performance. This suggests that the absence of formal systems in new

ventures may not have to do with them (formal systems) being dysfunctional to venture growth, but the lack of in-house competences to develop and introduce systems.

Indeed, Beaver (2002) attributed the lack of formal planning practices in new and small firms partly to the entrepreneurs' lack of time and their unfamiliarity with strategic management techniques and processes. This is particularly so in circumstances of solo entrepreneurship where there may be a competence bias towards one or two specialist areas. When venture growth crises related to the absence of formal management systems occur (Duncan and Flamholtz, 1982; Churchill and Lewis, 1983), such crises have a significant and adverse impact on the venture; with Clifford (1975 p22) remarking that, out of such growth crises, *"a company emerges with the growth momentum fatally sapped."* This means that the organisation could have been better served by the early adoption of systems than having them later.

Chaganti and Schneer (1994) observed that new ventures that engaged functional experts in budgeting achieved higher sales than those that did not. Siegel et al. (1993), using a sample of 1605 firms across different industries in Pennsylvania, found that high-growth ventures had more balanced teams across the different management and operational functions than their low-growth counterparts. Teach et al. (1986) and Cooper et al. (1994) empirically established that new ventures managed by larger teams (hence under plural/functional management structures) outperform those managed by smaller teams.

The discussion here provides a possible platform for reconciling the views of stage crisis theorists and their critics. According to Kimberley (1980), there is no inevitable linear sequence of stages in organisational life, although there may be remarkable similarities among developmental patterns of certain clusters of organisations. Penrose (1952) and Miller (1981), among many others, also share the same view. This is corroborated by such observations as that both Greiner's (1972) and Churchill and Lewis's (1983) models have

five stages whereas Mintzberg's (1973) model has three stages whilst Flamholtz's (1986) model has four stages.

Entrepreneurs who deal with the issues of formal organisational systems and functional management structures at founding guide their respective organisations along a different path from those that resolve these issues later. Arguably, on the basis of the above evidence and discussion, stage crisis models represent the growth trajectory of only those ventures that follow the crisis-defined path and leaving out those which follow different growth paths. Stage crisis models are therefore not as invalid as some critics (Kimberley and Miles, 1980; Kazanjian, 1988; Tornatsky et al., 1983; Miller, 1981) seem to suggest.

Another notable criticism has been that growth stage crisis models are invalid because they do not originate from scientific research as opposed to casual observation. Examples of such models include those by Filley and House (1969), Adizes (1979), Churchill and Lewis (1983) and Greiner (1972), among many others. A few subsequent studies have validated the thinking of stage crisis theorists. For instance, studies by Kimberley (1979) and Mintzberg and Waters (1982) confirmed that the two different organisations the scholars studied from founding stages through the growth stages did move along a continuum from the entrepreneurial mode to the professional mode of management. Such evidence suggests that venture growth stage crisis models may not necessarily be dismissed as invalid but that they depict some underlying patterns of some cluster of growth ventures (Kimberley and Miles, 1980) but excludes many other growth ventures that start with formal organisational/management systems and functional structures.

It appears that when and how the new ventures resolve issues of professional management seem to depend on whether it is the case of an entrepreneurial firm (growth-oriented) or a small firm (non-growth oriented) as defined by Carland et al. (1984).

The Entrepreneurial Firm and Resolution of Professional Management Issues: Implications for this Study:

The entrepreneurial venture is described in the literature as; growth-oriented, opportunity seizing, innovative and the objective of the firm owners is to achieve growth (Carland et al., 1984). By contrast, the small firm is not a growth-oriented venture and for different reasons, for example, for the protection of family control and interests (Glueck, 1980). Smith (1967) articulated that many entrepreneurs do not want to grow their ventures but want their businesses to remain small.

Arguably, from a strategic choice perspective, entrepreneurs may opt for an opportunistic growth strategy (being an entrepreneurial firm) or for craft entrepreneurship without growth (being a small firm) (Smith and Miner 1983; Smith, 1967). Child (1972) postulated that structure follows strategy. Child (1972) and Chandler (1962) produced empirical evidence, which supports the same view. If some firms are not growth-oriented (Smith, 1967) whilst others are (Carland et al., 1984), it is logical to expect that their initial structures may reflect these variations in objectives. Perhaps the choice between a functional management structure and a simple (one-person at the top) structure and the choice between formal and informal management systems at venture founding reflect the choice between an entrepreneurial firm and a small business (Carland et al., 1984) respectively.

This study is biased in favour of team ventures that grow, and hence entrepreneurial ventures, thereby making the study of how teams deal with the issues of professional management of interest. In any case, Doutriaux (1992) noted the presence of a venture team at founding as a proxy indicator of a big idea, suggesting that team ventures are entrepreneurial. There have been calls to focus study and support for entrepreneurial rather than small firms in general because of their role in wealth and employment creation (Cooper, 1979). A team venture study that has positioned itself against the stage crisis theory of venture growth could not be identified.

Conclusion:

This chapter was built on the rationale that one avenue of ventures after birth, which matters for economic development purposes and therefore for study, is that of growth. A significant focus of the chapter has discussed how some growth issues come about in the new venture as a result of influences of both external and internal. Opportunities and threats were two broad issues that were noted as emanating from the external environment. It was also suggested that issues to do with capital (financial) and human resources, through a discussion of the resource-based and the liability of newness perspectives, are particularly difficult for entrepreneurs to deal with. On the basis of the stage crisis theory, it was noted that formal management systems and functional management structures (aspects of professional management) are some of the issues that entrepreneurs have to resolve in managing growth. For the purposes of building an analytical framework on growth issues, which will be used in this study, the following emerge as some of the issues that entrepreneurs deal with:

- *External Risks/Threats:*
- *Opportunities:*
- *Start-Up and Growth Capital:*
- *Formal Management Systems or Internal Controls:*
- *Human Resources and Delegation/Functional Structures.*

This study of venture teams will, therefore, be an analysis of how teams deal with growth issues such as those above.

Since this is about venture teams, the next chapter explores the concept of ventures teams, what is known of them, particularly in the area of venture growth, and what is not known. It is in the next chapter that this study's areas of potential contribution are established.

CHAPTER 4

VENTURE TEAMS

Introduction:

The need to explain team venture growth is located at the heart of the team literature. However, the venture team has not been much studied. Accordingly, this chapter addresses two issues. Firstly, it distinguishes the venture team as a unique phenomenon. Secondly, it evaluates the contribution of past research in explaining the prevalence and impact of venture teams on venture growth. The objective is to establish how this study may make further contributions by studying team venture growth whilst building on past research.

Understanding Team Concept, a Typology of Teams in Organisations, and Distinguishing the Venture Team:

Scholars differ in their definition of the term '*team*'. In any event, the term tends to overlap with the term '*group*' (Hackman, 1990; Watson et al., 1995). Accordingly, it is important first to understand the concept of the group and then distinguish teams from groups. The term '*group*' may refer to a broad categorisation of any number of people (Lickel et al., 2001; Hackman, 1990) along bloodlines, kinship, race, language and religion, among many others. Examples of groups include the racial categories such as Africans, Europeans, Indians, Asians and Americans, which are all groups of people. Thus all people in the world who fall within a particular age category may be referred to as an age group. All Roman Catholics in the whole world may also be seen as one religious group. The list is endless. Many of these groups are recognised in the literature. Examples include religious groups (Taylor and Jaggi, 1974), racial groups (Hewstone and Ward, 1985; Mansbridge, 1999) and ethnic groups (Yin and Fan, 2003). Within groups, there are other types of smaller groups that are called '*teams*'.

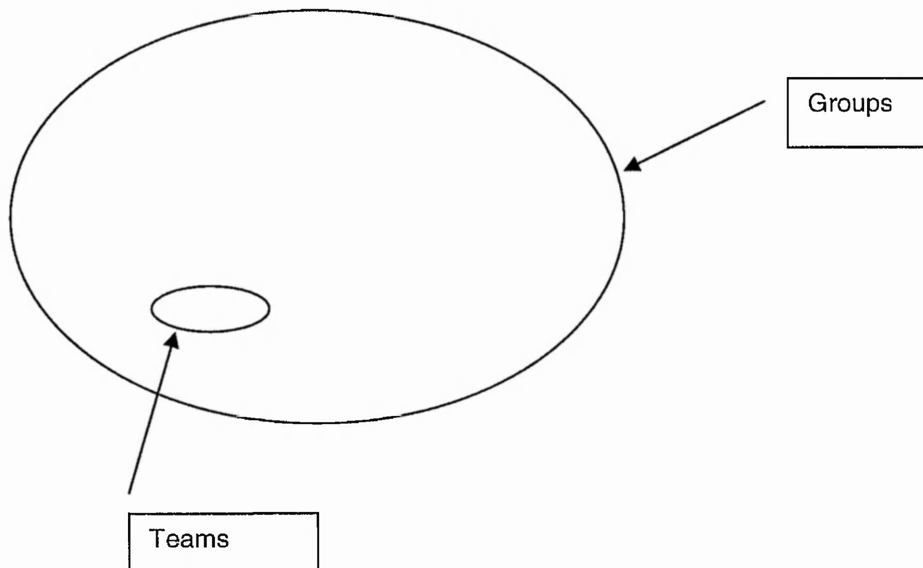
Teams can be distinguished from the universe of which they are part by the fact that teams have a particular degree of *'groupness'* (Katzenbach and Smith, 1993). Typical examples of such groups, which are called '*teams*', includes lecturers at the same business school, surgeons at a maternity hospital, the marketing personnel in an organisation, the finance team in a government department and similar others. These are the groups that fit the *'team'* label. The term '*team*', as the foregoing demonstrates, is more specific about the people who collaborate effort to achieve a specific goal, which they all share. Thus, all teams are groups but not all groups are teams.

There is a general view in the literature that teams see themselves and are seen by others as particular teams (Hackman, 1990) and this may not be easily the case with all groups. There are a number of indicators by which people may come to be labelled as a team. This includes the kind and frequency of interaction. A real-world example is that of bank tellers; always seen by customers in a similar uniform at the same bank, interacting with each other and with customers and handling transactions from behind the counters collaboratively. From such observations, customers may start referring to the tellers in their own private discussions as '*an excellent team*'. Lickel et al. (2001) describe a team that may easily be seen by outsiders as such as possessing *'entitativity'*.

Although this is one of the general distinctions between teams and groups, there are some groups that may be clearly distinguishable, for instance, by being seen at the same time during certain occasions, but still do not fit the '*team*' label. The church congregation, the family and friendships groups are typical examples. Thus whilst groups may include religious groups and social clubs (Peacock and Selvarajah, 2000), the family or friendship groups (Naohiro and Ermisch, 1996; Henrich et al., 2000), it is only the task groups that may be referred to as teams. The task group exists principally to meet task or instrumental needs of the group. It can be a team of builders, physicians, university lecturers, departmental managers, top managers, a football team or any other. Hackman (1990), for example, compiled a collection of case studies of 27 different task teams.

Figure 1 represents this categorisation of teams as a subset of groups as discussed above.

Figure 1
The Relationship between Teams and Groups



Examples of task groups, hence teams, which may be drawn from the literature include:

- Disaster Rescue Teams (Bruce, 2003).
- Research Teams (Kratzer et al., 2005).
- Top Management Teams (Hambrick and Mason, 1984).
- Volunteer Medical Teams (O'Brien et al., 1971).
- Sports Teams (Hardy et al., 2005).
- Negotiating Teams (Min and LaTour, 1995).
- Presidential Campaign Teams (Cook and Brown, 1992).
- Project Teams (Zenger and Lawrence, 1989).
- Marketing Teams (Demas et al., 1979).

This set represents teams whose purposes vary, but with a specific task to execute through collaborative activity which emphasises their being teams. It may be inferred from this list that some of the teams exist within a clearly defined organisational framework (top management teams), but some are not clearly positioned or may vary in the setting in which they are found – either within the organisation or some loosely coupled arrangement (for example rescue teams and sports teams). The interest in this study is focused on one of the teams, which are found in the organisations.

A review of organisational literature such as the work of Sundstrom et al. (1990) and Hackman (1990) suggests that the typology of teams, which are found in organisations, may be represented under the following categories;

- Work teams, in which the team of operatives are under a supervisor, as in the case of a production department (Sprejtzer et al., 1999).
- A project team, which has a finite time limit and is assembled to resolve specific problems and then disbanded after the task has been completed. Examples include some new product development teams set up solely for this purpose during a certain point in time within an organisation (Ancona and Caldwell, 1992).
- Parallel teams, existing within the organisation as sideline groupings of people who deal with particular recurrent issues that constitute their *'raison d'etre'*. This category includes quality circles (Prado, 2001), which may comprise members from different functional units of the organisation dealing with on-going issues in product or service quality improvement.
- Middle management teams (other than top management), which are the strata between top management and lower level employees.
- Top management teams, which are responsible for strategic formulation and strategic guidance of the organisation (Hambrick and Mason, 1984).

It was from such a typology that one would have expected to find the venture or entrepreneurial team (Cooper and Daily, 1997). Thus, whilst typologies of teams in organisations vary by author (Katzenbach and Smith, 1993; Sundstrom et al., 1990), a typology of organisational teams that has included the venture team could not be identified. However, of interest is the compilation of Hackman's (1990) case studies, which came closest to recognising the venture team when he studied the '*Compressor Team-Start*.' A close study of the case, however, reveals that it relates to a case of a team of employees mandated by the top management of a parent organisation to set up new ventures in the manufacturing of electric compressors. Thus, it is a case of corporate entrepreneurship (Sykes and Block, 1989), a concept discussed in Chapter 2, and not that of an independent venture team. Given the implications of such an omission, one wonders why venture teams were omitted in organisational research since they are teams found within organisations.

The Absence of Venture Teams in Typologies of Organisational Teams:

One of the explanations why venture teams could not be recognised early through organisational research may be because of the traditional bias of organisational research towards large and established organisations (Quinn and Cameron, 1983). Moreover, the research could have been inhibited by the use of less exploratory research designs, which made it difficult to discover teams that seemed to defy conventional wisdom of entrepreneurship as a one person act (Mitton, 1989; Reich, 1987). Surprisingly, even research on top management teams took off as late as the post-1984 era after a call by Hambrick and Mason (1984).

Perhaps venture teams have been clustered under top management teams in organisational classification, since there are significant similarities between the venture team and the top management teams found in large and established organisations regarding their leadership function as the top managers (Ensley et al., 2002).

The Leadership Function of Venture Teams:

Research from the upper echelons perspective (Murray, 1989; Wiersema and Bantel, 1992) has shown that top managers matter to an organisation since they make strategic choices (Child, 1972).

Venture teams, like top management teams and solo entrepreneurs, lead and manage their organisations. In terms of the upper echelons perspective (Hambrick and Mason, 1984), top management teams, and by extension venture teams, are the most powerful decision-making social unit positioned at the apex of their respective organisations.

In terms of the upper echelons perspective, Hambrick and Mason (1984) postulated that the organisation is a reflection of the top management team, implying that the leading team significantly influences the performance of the organisation. Theorists from the environmental determinism perspective (Hannan and Freeman, 1977; Carroll and Delacroix, 1982) have, on the other hand, argued that organisational outcomes are a result of the influences acting on the organisation from the external business environment, an aspect discussed in the last chapter.

Whilst research has demonstrated that the environment influences organisational performance (Pennings, 1980; Romanelli, 1989), research from both the upper echelons perspective (Finkelstein and Hambrick, 1990; Hambrick and Mason, 1984) and from the strategic choice perspective (Child, 1972) suggests that human thought and action (Williamson, 1999), at top management level, has a significant impact on the choice of strategies organisations employ. For instance, a stream of research such as that by Bantel and Jackson (1989) suggests that in their leading function, top managers influence the nature and direction of their firms' strategies.

Some entrepreneurship research evidence also suggests that the characteristics of the venture founders (Almus and Nerlinger, 1999; Cosh and Hughes, 2000), hence of the leader-managers, such as age, education and

industry experience, among others, influence firm performance. Whilst much of that evidence is from solo entrepreneurship research, the building theoretical (Gartner et al., 1994) and empirical work (Kamm et al., 1989; Ensley et al., 2002) on team entrepreneurship supports the view that the function of leading team ventures can also fall within the upper echelons perspective and, therefore, the top team's impact on venture performance is collective since leadership is plural (Gartner et al, 1994). Reviewing a US report, *'Causes of 11742 Business Failures in 1980'* by Dun and Bradstreet Credit Services, Timmons (1990) found that, of the causes of venture failure, 60% were a result of inadequate sales; 10% heavy operating losses and the rest 30% competitive weaknesses. He reviewed a similar report of 1968 (*'Improving the Prospects of Small Businesses'*) that attributed some of the venture problems to be 40% inadequate sales, 40% operating expenses. In the final analysis, Timmons (1990) commented that these problems were rooted in the level of skills in the venture team and the team's ability to develop basic strategy to cope with new situations. Similarly, McCann (1991) explains how, faced with myriad of strategic choices for consideration and choice, the major strategic limitation for ventures is management/entrepreneurial skill and knowledge, hence the dearth of leadership capacity. Covin and Slevin (2000) noted that most of the problems limiting venture growth are rooted in management deficiencies arguing that it is the role of management to identify focus areas, refine ill-suited organisational routines and reconfigure organisational resources as well as identify opportunities in the environment.

Research evidence shows that team's leadership function is significantly accountable for venture performance, with many entrepreneurship scholars such as Bruno and Tyebjee (1985) saying that in many ways the new venture is an extension of its founders or founder. The significant impact of the venture team's strategic choice-making role on firm growth has been demonstrated by Feldman and Klofsten (1999). In a Swedish-based case study, Feldman and Klofsten (1999) demonstrated how a previously high-growth university spin-off began to experience a decline in growth and eventually experienced growth reversal. Feldman and Klofsten (1999)

concluded that this was because although the company had been faced with many opportunities to do things differently, the choices that were not made by the venture team had constrained the ability of the firm to continue as a growing and independent-medium-sized venture. It could be because of this kind of organisation-wide impact that venture teams have, which explains why such teams are gaining increasing research attention (Bird, 1989; Ensley et al., 2002; Wasserman, 2004)

Although there is such an underlying similarity between venture teams and top management teams in terms of their leadership function, the two differ in several critical respects that make venture teams worth of separate study.

What is a Venture Team?

Before the venture teams can even be defined precisely, the way they emerge underscores their peculiarity and brings us close to what venture teams are. Kamm and Nurick (1993) provided a decision model for team formation that encompassed the idea stage and the implementation stage. According to their model, the idea to form a venture and the business concept may come from the lead entrepreneur, or the idea may emerge after an existing informal relationship gives members an opportunity to realise the potential of working together, before any business idea is conceived. The team then shapes the idea. Timmons (1979) also argued that enterprise founders might not have defined their intentions with finality at start-up. The decision to implement the idea transforms the social relationship into a business partnership. The authors noted that the general trend was for such teams to emerge out of existing relationships, although they noted that relationships outside existing social boundaries do occasionally come about. The later work of Timmons (1990) also expresses his similar observations. The members' attraction to each other guides the selection of whom to team up with. Attraction is cast as a multi-dimensional phenomenon that could encompass the motivation of any person or persons to team up with a specific other or others based on complementary skills or similarity in interests or the social reward of working with a particular person or persons (Kamm et al., 1990; Bird, 1989).

This distinction also has important implications on how venture teams function. For instance, the degree of formality and informality in the team's relationships is expected to influence the team members' interaction patterns and hence the venture's performance (Francis and Sandberg, 2000). Beyond how the venture team emerges, it can be understood in terms of how researchers have defined and researched the phenomenon. Kamm et al. (1990) defined the venture team as two or more people who contribute equity and who establish the venture jointly- being involved together from the pre-founding stage.

According to Lechler (2001), the venture team members are the owner-founders who work either full-time or part-time in the venture. For Ensley et al. (2002), every other member had to meet at least three conditions: that they were the venture founders, held an equity stake of at least 10% and participated in strategic decision-making. Implicit from their definition, none of these conditions was necessary and no single one was sufficient, by and of itself, to define the venture team. In particular, it may be noted that the issue of capital ownership was not considered to be a defining one for an entrepreneur; a position that contradicts Schumpeter's (1934) ideas but which was argued for in Chapter 2. From another angle, Roure and Maidique (1986) argued that the new venture TMT (top management team) consisted of those people identified as such by the CEO (chief executive officer), the president and critical line staff in an organisation. Ensley et al. (2002) used the president or the CEO of the new ventures they studied to confirm the inclusion of members into the TMT and, incidentally, this tallied with their definition as mentioned above.

Watson et al. (1995) defined a venture team as two or more people who jointly establish and actively participate in a business in which they both have an equity stake. This definition is broadly similar to that of Vyakarnam et al. (1999), although the significant qualification they add is that venture team members need not necessarily be the founders. Some members can be added to the venture team after start-up as and when necessary. According to Eisenhardt and Schoonhoven (1990), however, team members are the

founders who would have worked full-time as the top managers from founding. Cooper and Daily (1997) noted that it is possible for one of the entrepreneurs to work part-time in the venture by providing ideas only from a distance. This means that views differ regarding whether venture team members need to be part of the founding team on the scene or not.

Researchers also disagree on the issue of equity ownership. In keeping with the earlier position adopted in chapter 2, and the support of scholars such as Kamm et al. (1990) and Ensley et al. (2002), equity ownership is considered here as distinguishing between at least the member of the (hired) traditional management team and the venture team. Equity ownership confers power to equity holders (Wasserman, 2004) and defines the entrepreneur in many definitions of entrepreneurship (Brockhaus, 1980). The other aspect, which is important, is participation in strategic decision-making. Only if strategic decisions at the top are shared will there be evidence of entrepreneurship as a plural and hence team phenomenon (Gartner et al., 1994), otherwise it will be no different from solo entrepreneurship.

However, an issue that emerges from past research is that who is or who is not part of a particular venture team may not always be unambiguously clear. In this study, there are two issues, which one might want to leave for empirical research to determine. One of them is the level of participation; whether there can be a case of team entrepreneurship in which others start by working part-time and participate in equity holding and strategic decision-making. The second one is whether other team members may be admitted at a later period after start-up. Thus in this study, some areas of the venture team definition will be tightened whilst others will be loosened because research is yet to settle what the venture team exactly is. At the same time we need to get some sense of what we are talking about. As a result of the variations in the types of venture teams that these definitions suggest, Cooper and Daily (1997) noted that research should be focused on developing the typologies of venture teams. This makes it necessary to leave other aspects of the definition open to refinement with the use of emerging evidence.

From the foregoing discussion, it is apparent that the issues that appear to be central in defining a venture team are: team size, date of joining the team (founding role or non-founding role), level of participation (in management or not), time spent (full-time or part-time) and equity ownership (holding of an equity stake or not). Thus these aspects give us a sense of what a venture team is. Although there is no consensus on most of these issues, the discussion helped to bring out the core aspects that matter in defining the venture team within a certain framework. Accordingly, for the purposes of this study, the venture team will fit the following criteria:

- Two or more people who are part of the top team in a venture, which was founded by at least two of them;
- Each member holds an equity stake;
- Each member participates at least in strategic decision-making.

The criterion on team size emerges from the consensus in the literature as noted in the foregoing discussion and venture team research (Watson et al., 1995; Ensley et al., 2002; Vyakarnam et al., 1999), which has recognised that at least two people are enough to make a venture team. However, the eventual size of the team is not determined by the size of the team at founding, as the research on team formation and development of venture teams by Vyakarnam et al. (1999) has suggested. The criterion on equity ownership was settled by the position taken by the researcher in terms of the discussion in chapter one, wherein it was argued that venture ownership is considered to be a defining dimension of entrepreneurship in most research (Brockhaus, 1980). The position on participation in strategic decision-making follows from the discussion in the preceding paragraphs; in which shared decision-making is adopted as a differentiator between team entrepreneurship and solo entrepreneurship. As earlier noted, the other controversial aspects of the definition will be left to emerge from the study.

Understanding venture teams as one species of teams raises our awareness on how far we can rely on past research to explain how teams manage growth

better than their solo counterparts, on average, at a time when research on it is still sparse. Indeed much of the academic work on venture teams, this study being no exception, anchors itself on small group literature as if venture teams were not a species of a kind. Ensley et al. (2002) referenced only one literature source on venture teams out of 98 citations. Vyakarnam et al. (1996) referenced only eight sources of venture team literature out of a list of 28 citations and Watson et al. (1995) referenced only six out of 64 citations.

The closest that most of this body of work comes to venture teams is when such work draws on literature on top management teams to anchor itself. Since there has been very little research done on venture teams (Kamm et al., 1990; Ensley et al., 2002), reference will be made to that little body of research and the literature on small groups, especially that on top management teams, whose roles seem to share some similarities with that of the venture teams.

Although venture teams have not been much researched as noted earlier, anecdotes and the little body of research building up (Ensley et al., 2002; Beckman et al., 2007; Wasserman, 2004; West, 2007) suggest that there is a significant incidence of venture teams and that, on average, they outperform their solo counterparts on growth (and other related measures of venture performance). Table 3 shows some of this evidence.

Table 3

Incidence and Impact of Entrepreneurial Teams on Venture Performance.

Author	Summary details of Study
Chandler and Lyon (2001)	Studied 12 teams across high technology ventures.
Cooper (1973)	Observed that most high-technology foundings are team start-ups. He identified that new ventures started by two or more people are on average over half of all new high-technology start-ups reporting that they make up 48% in Austin, 61% in Palo Alto.
Watson et al. (1995)	Conducted a study focusing on dyads across industries and studied 480 of them identified through the Chambers of Commerce in the USA.
Ensley et al. (2002)	On a sampling basis, were able to study up to 70 new team ventures drawn from the Inc. 500 (USA) (1995).
Cooper and Daily (1997)	Noted that team ventures constituted 30% of the members of the National Federation of Independent Business in the United States and that they account for 70% of high-technology start-ups.
Vyakarnam et al. (1999)	Studied 14 venture teams that were introduced to them, not through a systematic search but through networking and accidental contacts and those who were voluntarily attracted to their project. They report that, at the time of their writing, they had met with over 30 venture teams as part of building an on-going database.
DeCarlo and Lyons (1979)	Established that 23 out of 77 non-minority and 23 out of 45 minority female entrepreneurs started business with a partner. This study was not focused on team

	entrepreneurship.
Knight (1989)	Sought to compare independent entrepreneurs with corporate innovators in technical ventures (Canada). Their typical sample, incidentally, included the president or owner of the firm (77% of the firms), a vice president, usually an equity partner (19% of the firms) or other, usually the controller (4% of the firms).
Cooper and Bruno (1977)	With a sample of 250 high-tech firms in the U.S.A., established that team ventures constituted 76 % of the successful ones as measured in terms of annual sales.
Teach et al. (1986)	On a sample of 237 software ventures (U.S.A), reported that successful team founders made up 46% of the sample whilst successful individual venture foundings made up 16% of the sample. Sales were used as the measure for success. Two thirds of the sample represented team venture foundings and they also noted that larger teams were more successful than smaller teams.
Obermayer (1980)	Reported that 3 out of 10 solo founders in a sample of 33 case study firms in the USA achieved sales levels above US$6 million, whilst of the 23 team ventures, 16 achieved sales in excess of the same level. According to a study by Mangelsdorf (1992), 60% of America's fastest growing private companies were founded by more than one person.
Brockaw (1993)	In the *'Inc'*, cited a US study of the youngest 306 firms and established that two or more founders had founded only 6% of the *'hyper-growth'* ventures whilst the rest, 94%, had been founded by teams of at least

	three people.
Cooper et al. (1994)	In a multi-sectoral study with 1053 ventures, found that the presence of partners, apart from the initial size of capital, was an initial predictor of firm growth.

The foregoing evidence suggests that entrepreneurial teams are both common in venturing and that they are significant in impact. The measures used to assess firm performance across these studies differ, with various references to firm growth, hyper-growth, or success. However, the role of the team in enhancing venture performance is consistent in spite of the use of different performance measures (Chandler and Hanks, 1993). It might be that the variations in measures are inconsequential in this instance since ventures, being business entities, are primarily measured against instrumental objectives.

It is noted that empirical explanations of how the team outperforms the individual in managing growth are missing. Chandler and Lyon (2001) noted that research has demonstrated that venture teams and their composition make a difference in firm performance, but there is no adequate explanation of why that is the case. Kamm et al. (1989) also called for in-depth qualitative research in order to explain the team-performance link.

The little body of venture team research, however, needs to be reviewed with some supporting evidence from other areas, especially top management team research. This is done in order to seek as much explanations as possible from the relevant work, which is available. In so doing, it is considered that the manner in which this study may contribute will be guided by the nature and character of past research within the context of the research question.

Explanations of the Role of the Venture Teams in Growth:

There are many useful insights from past research which help to explain the role of teams in venture growth to date, although there are still many areas that need empirical investigation. On the basis of past research, explanations for team venture growth can be looked at through two major research strands. These are:

1. the influence of team demography on venture performance, and
2. the influence of team social processes on team venture performance.

Positive Influences of Team Demography on Venture Performance:

Research on team demography has produced two sets of results, one that suggests that generally team diversity has a positive link with venture performance and the other that suggests otherwise. We begin by looking at the former set of evidence. Research suggests that team performance can be explained in terms of team demography (Pfeffer, 1983). Team demography can be defined as aggregate external characteristics of the team such as age, race, gender, nationality and functional background (Murray, 1989; Finkelstein and Hambrick 1990; Bantel and Jackson, 1989; Wiersema and Bantel, 1992; Wagner et al., 1984). Any of the terms '*team structure*', '*team composition*' and '*team demography*' are used interchangeably in this study for the purposes of diction rather than differences in meaning. Team diversity refers to the extent to which the team members have significantly dissimilar demographic characteristics. Although venture team literature explains team performance partly in terms of team demography, very little research around this aspect has been conducted with venture teams with researchers preferring to rely on evidence from organisational research on top management teams as Kamm et al. (1989) did.

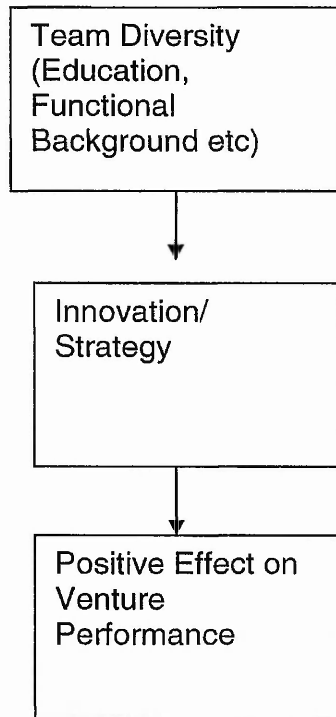
Research generally suggests that team diversity enhances venture performance. Kamm et al. (1989), Bantel and Jackson (1989) established that

top management teams whose members differ significantly in both educational and functional background are more innovative than those whose team members are similar. Functional background refers to the level of job experience in a particular area such as marketing, operations, finance or other. Implicit from this evidence is that diverse teams would be able to grow their ventures by taking advantage of their innovativeness to build competitive advantage (Porter, 1980).

Michel and Hambrick (1992) investigated the relationship between top management team members' differences in their duration as part of the top team (tenure) and the functional experience and strategies adopted by firms. They established that teams made up of members who possessed significantly dissimilar characteristics were associated with diversification strategies. Studies linking team composition/structure to strategies generally suggest that certain strategies, or the propensity to make certain strategic moves, or to change strategies when necessary, are associated with diverse teams. Hambrick et al. (1996), for instance, also established that top management teams which were diverse in terms of functional background, education and company tenure (length of stay in the company) had a high inclination for pro-action (rather than reaction) in strategy development and made strategic moves, the impact of which was relatively high. These studies suggest that dissimilar venture team members give their ventures the strategic flexibility to change ahead of competition when there are circumstances to warrant changes in strategy to align the venture with changes in the environment (Romanelli, 1989). Figure 2 is a model of this relationship:

Figure 2

Influence of Team Diversity on Venture Performance



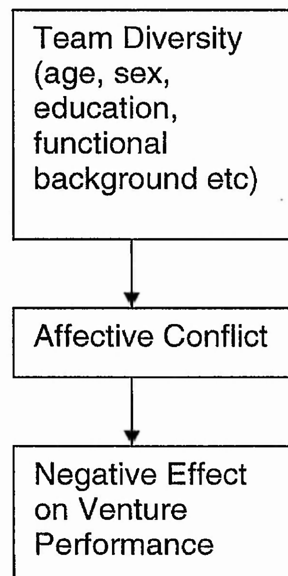
Although these studies suggest that team demography can enhance team performance, they have some limitations, which make it necessary to complement them with other studies. Firstly, these studies do not demonstrate how the diverse teams achieve what they are said to be able to achieve. This leaves researchers with a limited understanding of how the teams achieve venture growth. Secondly, this strand of research gives partial explanations because other explanations that have nothing to do with the team composition/demography such as social processes (Jehn et al., 1999) (a concept that will be explained under that heading), are excluded, although studies suggest that social processes also influence organisational performance (Jehn and Chatman, 2000). Thirdly, because these studies consider the impact of the aggregate characteristics of the entire team, the input, and hence the role of individual team members is not visible. The significance of particular aspects of team diversity may therefore be hard to

understand. Much insight is gained but much is also lost because tracing the team outcome to the member contributions would sharpen explanations and ground them in data.

Negative Influences of Team Demography on Venture Performance:

There is however another stream of team demography research (Jehn et al., 1999; Zenger and Lawrence, 1989; Tsui and O'Reilly, 1989), which suggests that team demography may adversely affect venture performance because of its adverse influence on team social processes such as interaction. Figure 3 depicts this.

Figure 3
Negative Influence of Team Diversity on Venture Performance.



The general finding of these studies is that team diversity has a negative influence on interaction and communication, which in turn will adversely affect venture performance if significant levels of interaction are required in task performance. For instance Smith et al. (1994) studied 53 top management teams and found that the diversity of the team as regards functional background had a negative influence in the communication processes to exchange information. With project teams, Zenger and Lawrence (1989) found that there is a positive relationship between the similarities of team members on both members' age and the length of time they have stayed together in the group (tenure similarity) as well as informal interaction and communication frequency. In other words, people who fall within the same age group and who have been working together for a long period of time interact more frequently than those who have worked together for relatively shorter and varied periods of time within the group. This kind of research is yet to be extended to venture teams and only provides suggestions about the possible influences of certain venture team characteristics on venture performance. It is possible, therefore, that in a task in which high levels of team interaction are required, team diversity would hinder team venture performance, because it reduces the levels of team interaction. Studies have also established that demographic dissimilarities among team members usually cause affective conflict, which is counter-productive (Jehn, 1994; Amason, 1996). Affective conflict (Amason and Sapienza, 1997) is the disagreement among team members, which is based on personal dislike of each other, rather than disagreement over fact and logic on the task (which is cognitive conflict).

From these two streams of demographic research, it may be concluded that team diversity represents a stock of both team assets and liabilities and much depends on how the team uses them as it functions. It can enhance team performance but it can also inhibit team performance.

From another angle, the two related sub-streams of studies on team demography also under-represent the cognitive base, the full-brain potential that they are purported to measure (Michel and Hambrick, 1992; Wiersema

and Bantel, 1992) in at least two ways. This limits their capacity to explain organisational performance on the basis of team characteristics.

Firstly, the demographic variables selected in any one study are too arbitrary and too narrow to stand for the constellation of demographic attributes in any team. Most studies use only one or two variables when the dimensions of demography are several. For instance, Cho et al. (1994) studied the influence of top management team tenure (length of stay in the organisation) and background on the firm's inclination to take particular steps on strategy. However, as noted earlier, team demography covers other characteristics such as race, gender, religious background, social background and age which were excluded in that study without relevant explanation. Studies should therefore investigate the role of the full constellation rather than study only one or two of the characteristics.

Secondly, excluding the psychological traits of the team members in measuring the cognitive base in these studies (Wiersema and Bantel 1992; Murray, 1989; Kamm et al., 1989) excludes the other part of the brainpower which psychological traits and not demographic characteristics, better represent. For instance, Wiersema and Bantel (1992) investigated the link between top management team demography and strategic change, operationalising team demography as age, education and tenure to measure the team's *'cognitive perspectives'*, although they did not include a single psychological trait variable. These contrasts with Hambrick and Mason's (1984) conceptual model, which posits that individuals interpret the world and come to act on the basis of both their demographic attributes as well as their personality traits. Interestingly, studies of the solo entrepreneur generally measure the cognitive base using psychological measures on one hand (Brockhaus, 1980, 1982; Sexton and Bowman, 1985) whilst studies on top management teams use demographic data to measure the cognitive base on the other hand. Measuring psychological characteristics is avoided in team studies because they are complex to effect and it is difficult to gain access to study top management on that aspect (Michel and Hambrick, 1992). This is not the case with demographic attributes, which are easy to obtain from both

inside and outside archival records (Hambrick, 1994). However, by avoiding the use of psychological traits, studies inadequately capture the venture team characteristics and how these influence venture performance.

Thus, the selection of a limited set of *a 'priori'* variables (Wagner et al., 1984; Wiersema and Bantel, 1992) has limited the capabilities of research on the relationship between team composition/demography and performance in being able to explain the relationship comprehensively. Such a limited set of variables means that scholars are limited to knowing much about those variables that they know of already and hardly anything about yet unknown and hence undefined variables. This limits the potential for discovery. Ironically, the narrow focus also limits the understanding of the role of the selected variables themselves because they are held accountable for outcomes of unselected variables and their relationship with the missing variables is not captured. Less exclusive research strategies may therefore be able to generate new insights.

The second major research strand has investigated the influence of team social processes on performance, which is reviewed below.

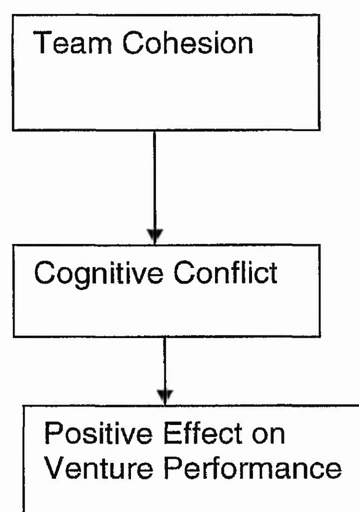
The Influence of Social Processes on Venture Performance:

Research evidence from such studies as by Jehn and Chatman (2000), Lechler (2001) and Jehn and Shah (1997) has shown that social processes such as team cohesion and conflict can influence firm performance. Social processes cover a broad area that includes such facets as team interaction, team cohesion, team conflict and team norms, among others. These aspects have much to do with social relationships among people within a team. A few of these may be explained in order to grasp this concept fairly well. Team interaction (Bales, 1950) is one facet that has been investigated in venture team research. Interaction can be defined as an activity by which people exchange meaning or tangibles. Accordingly, interaction can be verbal or non-verbal. Verbal interaction includes vocalising or the use of voice. Non-verbal interaction includes body language such as eye contact or a blank stare. It

may also involve teammates passing bolts to each other on the assembly line, in which case team interaction is also task behaviour. The emerging research evidence on venture team interaction has suggested that some particular forms of interaction may enhance team performance. Watson et al. (1995) established a positive link between team venture performance and a selection of team interaction variables. Interaction was operationalised as a 15-point dimension and it included items which measured partner levels of openness in sharing information about tasks, levels of partner contribution and co-operation and the extent to which intra-team conflicts were resolved, among several others.

Another more sophisticated stream of research has also established that some social processes influence team venture performance by first triggering an intermediate set of social processes. Figure 4 represents this chain:

Figure 4
Effect of Venture Team Cohesion on Venture Performance



Ensley et al. (2002) studied and established a positive link between venture team cohesion and team venture performance. The link between cohesion and performance was established by its positive link with cognitive conflict first, which then positively influenced venture performance. It is also established in the study that team cohesion also minimises the incidence of affective conflict, which is dysfunctional to venture team performance. Thus, the study established the link between a relational trait and performance through the former's influence on interaction processes. This was the only study so far which could be identified relating to that research stream.

Thus, the few studies on team social processes suggest that these processes can be a resource, which is peculiar to the venture team as opposed to solo entrepreneurs and may be used to enhance venture performance. However, research has not gone far enough as there are not many studies in the field of venture teams as a whole (Ensley et al., 2002), although such work is slowly building up (Watson et al., 1995; Wasserman, 2004; West, 2007). Although social processes have been used to explain team performance in this emerging body of team venture research, studies have not demonstrated how venture team interaction also influences venture performance. Moreover, the general pattern of team venture studies follows the footprints of top management team research, replicating the self-same variables as if venture teams might not have dimensions that are peculiar to them. For instance, the dimensions of team conflict and team cohesion (Jehn and Shah, 1997) have been researched in top management teams and these have come to be among the earliest areas of research on venture teams (Ensley et al., 2002). Research has thus lacked originality, which has limited its scope for discovery. Venture team studies could take a more open outlook until these variables are identified through an in-depth qualitative research, which could take an exploratory character to bring out those variables, which matter.

Studies on venture teams so far have concentrated on the venture team's internal social processes (Watson et al., 2003) and have not yet explored external social processes of the venture team such as interaction between the team and other stakeholders (outside the team's boundary). Venture teams

function by interacting with various stakeholders such as customers and financiers (MacMillan et al., 1985). For instance, they may have to deal with venture capitalists; an area where some venture team research was conducted by researchers such as Busenitz et al. (2005) and MacMillan et al. (1985). However, as an example, studies have not investigated the interaction between venture teams and venture capitalists on how this relationship is forged to begin with, as far as could be established. This is in spite of the fact that venture teams appear better favoured than individuals in venture capitalists' investment decisions (MacMillan et al., 1985). Studies with other teams have investigated roles of the team outside the organisational boundaries.

Most of these shortcomings emanate from the fact that the venture team research has not studied how venture teams work, how they manage growth and how they deal with the complexities of growth as a process.

Studies which Suggest New Directions:

Smith et al.'s (1994) work is a rare example which demonstrates that the interrelationship among team demography, team interaction and team performance are much more complex than suggested by the two separate strands of research (on team demography and on team social processes). In a sophisticated study of 53 top management teams, they used three models within that study. One of the models tracked the influence of team demography and firm performance and another model tracked the influence of team social processes on firm performance. The third model tracked the influence of team demography on firm performance through its (demography's) influence on social processes. The study is rare and considered to be of particular merit here because it integrated the major research strands that are normally studied separately in both top management team and venture team research (Lechler, 2001; Murray, 1989). This approach inspires the study of venture teams using approaches that do not take a partial view of team dimensions. Smith et al.'s (1994) study, however, still suffers the limitations of positivist research because it does not

explain how the variables influenced outcomes, thereby leaving the explanation open to speculation.

The study by Eisenhardt (1989a) provides an example of yet another kind of study which is not common in top management team research and which is absent in venture team research. From a strategic decision-making perspective, Eisenhardt (1989a) demonstrated that top management teams can speed up strategic decision-making by exchanging different pieces of relevant information. A significant achievement of this study is that it demonstrated how patterns of team behaviour led to superior performance, something missing in all the studies reviewed above which dominate much of the top management team and venture team research. The study, however, dealt with only one aspect of the team's work (strategic decision-making) and not the entirety of the team's functioning. Because Eisenhardt's (1989a) study did not focus on any limited set of team variables to explain team performance, it was able to provide empirically grounded explanations on how team behaviour on the task complemented other facets of the team to explain performance outcomes. This provides useful insights into how studies on venture teams, which seek to explain team venture performance in terms of patterns of behaviour, may also be conducted. This is a significant deviation from the trend of past research on the same subject, which is positivist (Kamm et al., 1989; Ensley et al., 2002).

Apart from this, there are benefits to studying the role of venture teams in venture growth by tracking the entire history of the venture. Kimberley (1979), for instance, tracked the role of a dean in founding a medical school in creating and managing its expansion over time. Whilst such studies explain outcomes in terms of the individual, their merit here lies in the fact that they explain outcomes in terms of the leader's role over the entire history of the organisation and not as an outcome of the link between static attributes of the individual and selected aspects of the performance outcomes. The explanation was in terms of the role of the team over time and this is the lesson, which the study at hand will take.

Conclusion and Way Forward:

The review of previous research in this chapter suggests that the elements of team demography and social processes represent potential that can work in either direction for the team to enhance or hinder team performance. Their impact depends on how they are used and this can be captured in the functioning of the team, which is termed the *'team task behaviour'* in this study. This is of significance given that the venture team is a unique phenomenon as discussed in this chapter. This implies that the extent to which each particular kind of a team in general, and each individual venture team in particular, uses these potentials can only be understood by studying the relevant team, in this case the venture team.

The discussion in this chapter suggests that research, which takes only one set of variables and excludes other team variables, has some limitations in developing a comprehensive understanding of the impact, not only of the variables on team performance, but of the whole system of variables which account for firm performance. There is expected to be interplay between team characteristics such as educational background and functional job experience on one hand and the team's social processes, such as interaction, which cannot be captured through positivist research on the other hand. Research is therefore being conducted on the team's behaviour in the entrepreneurship process, as teams do not function by holding other variables constant in real-world contexts. As the studies of Eisenhardt (1989a), on the role of team actions demonstrated, much of the essence of *'teamness'* is lost when studies delineate demographic and interaction variables in explaining venture outcomes rather than have researchers investigate the venture team as a *'functioning unit'*. This study will therefore have to depart from methodological convenience by adopting a more open-ended research approach, which does not select any limited prior set of team variables to be investigated. This is in keeping with the view that in an emerging field of research such as that of venture teams, dimensions that matter might need to emerge first from more open-ended research, before scholars begin to select only a few variables for empirical testing.

Now that the explanatory capacity and the limitations of past research to explain team performance have been noted, it is important to link the recommended methodologies to the research agenda, as articulated in chapter 2. This linkage is important because previous studies were reviewed to try and benefit as much as possible in the explanation of how venture teams grow ventures better than individual entrepreneurs, possibly without the need for further research. However, complementary research was called for. The agenda is to explain how teams manage growth better than individuals, in a context in which positivist studies have provided some limited explanations. The route of studying how venture teams deal with growth issues was opted for in chapter 3, having noted that it reflected the nature of growth as a process. The review of team research in this chapter similarly recommends studies on how venture teams function (at work). Investigating team task behaviour matches with the call for behavioural approaches (Bygrave and Hofer, 1991) advocated by process theorists (Gartner, 1988) in the study of entrepreneurship.

The methodology employed in this study will reflect the research thrust thus far suggested; of focusing on the team's behaviour in order to explain how the team deals with growth issues over the history of the venture from founding until the time of the study. This leads to the next chapter which explains how the case study method was chosen as a research strategy to conduct a in-depth study of how teams dealt with growth issues, focussing on the patterns of team roles in the process.

CHAPTER 5

METHODOLOGY: USE OF THE CASE STUDY APPROACH

Introduction:

This chapter is concerned with research design, data collection and data analysis.

The beginning part addresses issues that include the initial analytical framework, and a discussion of why the case study method was adopted. This is followed by Part A, which deals with sample selection and the data collection techniques employed. Part B explains how the post-fieldwork analysis was conducted. Under that heading is a discussion of how the data analysis was conducted.

Towards the end of Part 'B' is an explanation of how the themes were abstracted, how the cross-case analysis was conducted and finally how the findings of the study were reported.

The Research Issue and Analytical Framework:

This is an explanatory study investigating the role of teams in venture emergence and growth. In studying how teams deal with growth issues, an understanding of how team ventures outperform their solo counterparts is being sought. A list of growth issues which were used in the study as the analytical framework and which emerged from a review of the literature are:

- Start-Up and Growth Capital
- Human Resources and Delegation
- Internal Risks and Internal Controls
- External Risks
- Opportunities

The researcher used these issues as the stage within which the team members were the actors whose roles were to be captured and then reported on. In so doing, the objective was to bring to the surface the role of the team processes through which teams contribute to growth.

Consideration of The Case Study Method As The Research Strategy:

An interpretive, as opposed to a positivistic approach, was adopted for the purposes of conducting this study. Case studies can, however, take either form (Strauss and Corbin, 1990; Van Maanen, 1988). Positivistic studies, which fall within the positivist paradigm, are generally favoured in social research because they are argued to produce objective and generalisable findings (Eisenhardt, 1989b). However, very few studies, even from the positivistic perspective, would pass the test of generalisability because the majority of studies deal with only samples of respondents in chosen locations. As sample-based studies are not like a census, that part of the sampling frame or the population that may still not have been directly studied could significantly vary the findings of positivistic studies. The issue in case study research is not one of generalisability but theoretical generalisation (Yin, 1994).

Doutriaux (1992 p306) noted that the problem with cross-sectional studies is that, *"Most analysis of start-up characteristics are static in nature and often deal with individual factors, (the) firm being observed at one point in time."* Moreover, he added that missing variables limit the use and effectiveness of models derived from such studies. Because of this, he argues that correlationships between explanatory variables sometimes have researchers reach flawed conclusions.

In this study, the choice of the case study as a research strategy and the use of qualitative methods had little to do with the researcher's philosophical orientation, but with the nature of the research and the questions to be investigated. In past research, the researcher has used both positivist research strategies and quantitative research techniques as appropriate to the

research issues and that alone invalidates any claims for a subscription to a particular philosophical orientation.

Justification for Using the Case Study Method:

According to Yin (1993 p3), the case study is chosen as the most appropriate research strategy especially when "*the phenomenon under study is not readily distinguishable from its context,*" as in this study. The team was not separable from growth, which was the context within which its role was being studied. The case study approach has been similarly used for theory generation in organisational research (Gersick, 1988). As was the case with Gersick's (1988) study, the study at hand sought to generate new insights. The other reason why the case study approach was used was because the social phenomena under investigation were complex. Yin (1994) recommended the use of case studies in situations where the real-world phenomena under investigation are complex.

Venture growth and venture teams are two separate fields that are complex in their own individual right and to study the two within one context is no mean feat. Growth is an outcome of multiple factors and processes (Deakins, 1996), which include external factors couched within the population ecology perspectives (Hannan and Freeman, 1977; Pennings, 1980), internal factors as couched within the resource-based view of the firm growth (Barney, 1991; Penrose 1959) and the strategic choice perspective (Child, 1972) which also explains growth in terms of the strategic decision-making role of the top managers. The discussion on stage crisis models of venture growth in (Greiner, 1972; Hambrick and Crozier, 1985) in Chapter 3 also further hinted on the complexity of growth. On the other hand, the complexity of teams and team processes was evident from the discussion in the last chapter, at least when one got to appreciate that team performance is an outcome of a complex interplay between team demography and social interactions (Smith et al., 1994).

Hardly could it have been feasible to conduct positivist research that explores the interplay of these multiple dimensions of growth and of the team as inclusively as the case study method did.

Investigating ways in which growth processes and team roles are intricately interwoven therefore lends itself to case study research because their interweaving connections go beyond the capabilities of either experimental or survey research. It was noted in Chapter 4 that the pre-occupation with causal priority had limited previous research on teams in that it focused on some, but not other, variables within a study. The study was meant to overcome the limitations that are characteristic of positivistic research (Low and MacMillan, 1988) by focusing on team task behaviour.

An advantage of using the case study method, which the researcher sought to exploit, is that sample cases can be changed for best scientific advantage whenever evolving circumstances warrant such a change. Blau (1955) also changed the cases for his study after failing to gain access to a private firm and so he ended up studying two government agencies on the relationships between formal and informal work groups. Gersick (1988) decided to increase the number of cases mid-way during the study, having noted that two of the groups were coming from the same setting. As a result, she added four other cases. This flexibility peculiar to case study research did prove useful during fieldwork, as it was easy to gain access to study other ventures rather than others.

The case study approach is a flexible research strategy that allows the researcher second chance as Yin (1994) noted, unlike other methods. For instance, it is possible to re-interview the same informants several times during the study whilst during a survey, it is normally possible to do so only once on a particular study. As it turned out, interviewees were subjected to more than one interview in a number of instances. In any case, all venture team members were further subjected to focus group interviews over and above the one-to-one interviews held with each of them, something that could not have been part of a survey research design (Yin, 1994).

The case study method was also chosen because of its capacity, as a research strategy, to triangulate multiple research methods within one study (Yin, 1994). The researcher sought to rely primarily on interviews with multiple informants as the main source of evidence (Mintzberg et al., 1976). However, it was decided that the observation and document analysis methods would be used in order to strengthen theory development (Eisenhadrt, 1989b). Such a triangulation of methods was expected to make the research process more rigorous, although the process was to be both more time-consuming and expensive than would otherwise have been the case if only one data collection method had been employed (Denzin, 1978). Pettigrew (1988) employed all the three methods when he was studying strategic change and competitiveness in two companies. Other case studies, which have also successfully relied on the triangulation of methods include those of Eisenhardt and Bourgeois (1988) and Burgelman (1983).

Although in social research the logic of experimental research may be attempted at through the use of quasi-experimental designs in which the use of control groups is employed (Campbell and Stanley, 1966), there was no way in which control groups could have been used because the study used a historical perspective. The research was an investigation into processes, which had already occurred, and not those that were occurring. Moreover, teams under real conditions are expected to behave differently from those under laboratory conditions (Gersick, 1988) and therefore studying how the task behaviour of teams had shaped the processes of growth was expected to outclass findings from laboratory research in terms of applicability to real-world contexts.

The Role of Literature in Shaping the Study:

Reference to literature was used to gain orienting theories of entrepreneurship, management, firm growth and teams. This helped to define the research gap and to develop the analytical framework. Bourgeois and Eisenhardt (1988) used prior literature to identify such constructs as conflict

and power to study the top management team's strategic decision–making. The inquirers then made those concepts the exclusive focus of their study and collected data mainly around these concepts. Gersick (1988) converted an initial theory-testing study into a theory building process following the emergence of dramatically new evidence (see also Bettenhausen and Murnighan, 1986).

For the purposes of this study, on the basis of prior literature, the researcher entered the field with some prior categories framed around the argument that teams would outperform individuals in dealing with growth issues as broadly represented by the analytical framework. However, the researcher kept an open mind on what variables of the venture team would be given priority in the study, it being considered that studying the team's task behaviour would bring out new insights into the patterns of team behaviour and the aspects of the team which would account for growth. It was considered that holding tight prior categories would be inappropriate because there appeared to be variations in the nature and pattern of growth issues across new ventures (Kazanjian, 1988). An appreciation of the prior literature also provided the guidelines of the areas of the literature that needed revisiting as emerging evidence later suggested.

Sample Selection:

There is no rule of thumb on an ideal sample size in case study research given that the objective of this study is theoretical as opposed to statistical generalisation (Yin, 1994). The pilot case was chosen on the basis of topical relevance (Miles and Huberman, 1984) and subsequent cases were chosen on the basis of replication logic (Yin, 1994). Unlike other survey studies, the aim was not to achieve a wide proportionate coverage of the sampling frame, but to gain in-depth and rich data that was context-related, in order to generate new insights from a manageable sample size. Case study research has been conducted successfully with the use of either single or multiple cases. Single-case studies include the study of Steinberg Inc. by Mintzberg

and Waters (1982), a study that tracked the evolution of the company from the entrepreneurial to the planning mode. Kimberley (1979) also tracked the role of a dean in creating and developing a medical school. Mintzberg et al. (1976), using a single case to study, developed typologies of strategic decision-making processes into a model that had seven paths.

Although studying multiple cases was going to be both expensive and time consuming (Herriott and Firestone, 1983), the researcher did not want to lose the opportunity to gather sufficient evidence, enough to go beyond the incidental, which was going to be impossible if only one case had been studied. Harris and Sutton (1986 p8) selected 11 organisations from different industrial sectors in order that they could come up with a model relevant to different contexts, arguing that, *"Similarities observed across a diverse sample offer firm grounding…."*. Gersick (1988) also studied eight project groups from different backgrounds in order to develop a model, which could be applied across different contexts. Pettigrew (1988) studied strategic change and competitiveness in four large British companies across different sectors in order to come up with results, which had been controlled for external effects such as environmental influences. Noting these wide variations on sample sizes which ranged from one to eleven cases, it was decided that studying five cases across the banking, insurance, panel-beating, retailing and printing sectors would produce findings which would apply across different business contexts. The selection of cases was based on purposeful sampling, which means that it was not random but arbitrary to fit with the issues of interest. Gersick (1988) also said that she had selected her sample groups randomly, whilst making sure that they fitted with the objectives of her study.

Preparing for Data Collection:

The researcher underwent academic training in research methods in general and the use of qualitative methods in particular. One case study was done and subsequently published (Rufasha, 2005). The pilot study also provided a

further opportunity to refine competences in case study research before the researcher proceeded to execute the next phase of the study.

Part A: Data Collection Processes:

To facilitate the triangulation, both qualitative and quantitative evidence were used in the study at hand. In case study work, Mintzberg and McHugh (1985) also used qualitative evidence supplemented by frequency counts. In this study, quantitative data was needed in order to verify patterns of growth in sales and employment levels whilst qualitative information was needed to illuminate quantitative data for explanation. The use of qualitative evidence was predominant, however, because much of the evidence was in the form of non-numeric data that included processes, events and people's roles in these occurrences.

The Use of Interviews:

Yin (1994 p85) noted that, *"interviews are an essential source of evidence because most case studies are about human affairs"* to be *"reported and interpreted through the eyes of specific interviewees."* Mintzberg et al. (1976 p48) also noted that as some events take a long time to unfold, the researcher might have *"to rely heavily on interviewing...(as the) best trace of the completed process remains in the minds of those people who carried it out."*

The researcher followed Eisenhardt and Bourgeois (1988) and Eisenhardt (1989a) in employing the courtroom procedure to elicit evidence from the informants.

The three principal questions to be answered by such data were:

'What happened?'

'Who did what?'

and

'When?'

Open-ended, in-depth conversational interviews with venture team members, first separately and then in focus groups were conducted. Other key informants were people who were close to the events other than the venture team members themselves.

Some pertinent data on informants is in Table 4 below.

Table 4
Data on Informants

	People Interviewed	Team Size	Team members Interviewed	Non-Team Members Interviewed
Beaters	8	2	2	6
Bank	9	4	4	5
Insurance	11	4	2	9
Retail	9	3	3	6
Print	7	3	3	4

Reliance on multiple informants and other sources of evidence, especially records, to confirm or disconfirm oral evidence, addressed some of the concerns previously raised about relying on executives' recollections about the possibilities of evidence distortion and memory failure (Schwenk, 1985; Huber and Power, 1985). It was established that since most of the stories were accounts of facts and events, the multiple accounts, especially by the top team, were strikingly convergent. There are other studies which have relied on interviewing executives for evidence from which converging reports also suggested that executives' memories are significantly reliable for retrieving historical information of facts and events related to issues involving

them (Huber, 1985; Mintzberg et al., 1976). Eisenhardt (1989a p548) reported similar experiences with the reliability of executive interviews as sources of historical information in her study, noting, *"....there was typically high agreement among respondents around the critical issues of when a decision began, when the decision was made, and how it was made."*

Multiple informants were engaged so that they would confirm or disconfirm prior evidence as well as providing leads to additional sources of evidence. There were minor variations in informants' versions, which were in any case reconciled during the final focus group interviews that were conducted with every other top team. Evidence of what had happened was taken as authentic once reported by at least two people, or cross-checked in probes during the focus group discussions without contradictions being raised. Minor variations were in the form of differences in opinion, especially in the case of evidence from lower level employees. Such variations had a negligible effect on the study as the study focused on facts and events around which the stories largely converged. An example is a case in which one member in Insurance was labelled by a middle manager as lazy and yet the members of the top team found him to be *"a competent risk-assessor who would go to assess risk on farms during weekends,"* as Chartered, one of the team members, said. Such variations, which could not be reconciled, were preserved and whenever it mattered to the research issue, the different versions were reported intact.

The Timing of Interviews:

The timing of interviews and the list of interviewees were continuously adapted as informed by on-going evidence. Opportunistic developments ensured that the original research design be adjusted to benefit from the flexibility of the case study design at yet another level. For instance, when one of the Print team revealed how they moved up-market through team-based marketing, it was considered important to interview the sales representative for cross-checking because his name was also mentioned repeatedly around that initiative.

Interviewing Informants:

The conversational approach circumvented the limits of using the questionnaire, a written instrument, which carries both the instructions and questions to respondents and that provides space for them to complete their answers. The possibility of non-response and collecting inaccurate and incomplete information (Judd, Smith and Kidder, 1991) would have been high if questionnaires had been used because only a thick booklet of questionnaires could have elicited as much information as would enable a construction of the company's history. Such a booklet would have put off many potential respondents. The presence of the researcher and the active listening techniques available to the in-depth interview process gave the respondents the motivation to elaborate on issues as soon as these emerged; opportunities which the use of questionnaires could have missed.

The interviews were initially allowed to flow naturally as informants recounted the company's history and the researcher *'mapped out'* milestone phases, events and processes early in the research process (Lofland and Lofland, 1984). This marked a process of concurrent data collection and analysis. Probing largely followed leads from the earlier stages of the interviewing process (Lincoln and Guba, 1985). Thus, after the mapping of milestone phases in the venture evolution, the informants were subjected to intensive questioning to elicit the team's role.

Probing in later rounds of interviews sought to explore afresh issues not raised or not well explained by the previous interviewees and those that had been given little or no significance by the interviewee. For example in Print, FD, the finance director (one of the venture team members) raised the point that the move to open an agency in Chiredzi was historic but failed to articulate the event in detail. This development enabled them to penetrate an untapped market in the south-eastern part of the country thereby opening a significant revenue base. It was then decided to probe the sales director on that event, since he was expected to be intimate with the details. Probing and

member checking also dealt with problems of poor recall and informant bias. For instance, the date of purchasing the first machine in Print was noted as 1997 and 1998 in two separate interviews. The third member confirmed this as 1997 and later in the focus group discussions, the team members concurred that the machine was bought in the last week of December 1997 and this evidence also tallied with a subsequent verification with records.

Interviews with one person ranged from one and a half to three hours cumulatively. In most cases, the interviews with individuals were broken over a number of days for different reasons including work pressures, informant fatigue and impromptu developments, among others. In Beaters, the case with the longest history, interviews with each of the two team members and two of the longest serving employees added up to over three hours for each of them. The researcher closed further interviewing in each case at the point of what could be termed *'narrative saturation'*, akin to theoretical saturation (Glaser and Strauss, 1967), which was the stage when the same stories were being narrated repeatedly and any new significant evidence was hard to come by.

Focus group interviews supplemented one-to-one interviews. During focus group interviews, member contributions provoked the others' memories to amplify, modify or corroborate particular accounts. Differences in opinion were reconciled and that enriched explanatory insights.

As most of the narrative accounts flowed, active listening and note-taking were the researcher's primary tasks. It was considered that *"the advantages of hand-written notes are sufficiently marked to make that the mode of choice"* (Lincoln and Guba, 1985 p272) for recording purposes as tape-recording was likely to have been obtrusive and to have put the respondents on guard. The use of shorthand facilitated this. All interview data was captured irrespective of whether it seemed to have relevance or not to the study objectives at the point of source. All field notes were recorded and transcribed within 24 hours

and it was therefore important to space the research process carefully in order to minimise transcription data overload.

The Use of Documents and Archival Records:

Documentary sources were used for supplementary evidence (Miles and Huberman, 1984). Records also provided leads to possible sources of new or additional evidence. The successful use of documentary and archival records in case study research for such purposes was also advocated by Lincoln and Guba (1985), who exhorted records as a non-responsive source of rich and contextually grounded data to support human sources of evidence. Table 5 below shows how this was done in the pilot study as an illustration.

Table 5

Examples of Use of Documents

Document	Date of Doc	Original purpose	Role in study
Pictures and newspaper cuttings of launch	December 1998	Archival recording of historic events	Helped to confirm high profile nature of the critical incident as dignitaries of National prominence turned up. Added credibility to storying evidence.
Minutes of annual meeting	January 1999; 2000; 2001; 2002; 2003.	Annual planning	Evidence of professional management practice and skill diversity in team. Evidence of milestone objectives and comparison with outcomes to see seriousness of planning. Evidence of member role in particular events.
Sales records	1997 to date	Administrative purposes.	Confirmed surges of sales in strategic phases.
Production schedule	2003	Production scheduling	Represented the 24hours production. Invited the researcher to investigate when, how, what and why around this development.

Different kinds of documents were used in the study. These included invoice books and financial records; business proposals; correspondence; organograms; budgets; tax returns; lists of clients; geographical maps of areas served each year; press articles; minutes of meetings; projects documents (for example on opening of new branches); brochures; MIS reports and staff files. Documents and archival records were found to take a wide and inexhaustible array of forms and content (Marshall and Rossman, 1989) but the researcher laid a finger vicariously on records for any leads to other sources of evidence and for confirmation or disconfirmation of oral evidence which was the main source of data. Use was also made of *'soft'* documents obtained through internet searches on company's websites. Cases of contradiction were noted for further searches. For instance in Insurance, the documentary evidence that there were five founders in the company contradicted with the oral accounts which invariably omitted the fifth member. This prompted further probing and it was established that the fifth member had only agreed in principle to join the other four members subject to his recovering from an ailment from which he never recovered. The fifth incumbent could not therefore join the team, which is why his role was not accounted for in the oral accounts.

There were some files that could not be accessed for confidential reasons in different cases such as the *'legal disputes'* file and *'special settlements'* file in Retail, but oral stories and probes could not hide the core of these events. The files in the case of Retail had to do with the legal issues that came to a head during the financial crises, which formed part of the rich oral evidence from the multiple informants. Of the records accessed, some copies were taken with official permission.

Support from Observations:

Some researchers have relied on observation only. Gersick (1988) used observation for the first half of her study. The study at hand focused on the historical evolution of the venture and, prima facie, this ruled out observation as a data collection method. The researcher took the opportunity of being on-

site to observe member behaviour and the setting so that this could *"add new dimensions of understanding to either the context or the phenomenon being studied"* (Yin, 1994 p87). This was facilitated by the fact that in four of the five cases all the team members were still managing the ventures and it was only in one case (Insurance) where two of the four members of the team had just left by the time of the study. From a non-participant standpoint, the researcher wanted to infer any consistency or otherwise in reported team interactions and to be able to interpret team behaviour in the context. This approach proved fruitful as the following Table 6 on the Print case illustrates.

Table 6

Examples on the Use of Observational Evidence

Observed behaviour	*Insight illuminated*
Sharing same office	Evidence of equality from narratives corroborated.
Daily Morning meetings	Evidence of ongoing planning claims corroborated.
Many incidents of solution processing activities in production – costing –marketing complexities (e.g. material substitution)	Evidence of team applying diverse skills to develop novel solutions.
Customers attended by any one of the available directors in the absence of the other; SD handles a production challenge.	Evidence of role interchange and gap-filling in the absence of the other. Corroborates stories of cross-functional role interchanges in need as management strength from of old.
SD and PD went out on a joint marketing mission to attack a corporate prospect.	Corroborated stories of teaming up in joint marketing missions to win up-market clients particularly during the early phases of the company.
Artefacts	Corroborated stories of PD's role in developing machines and tools.

The observations focused on team member behaviour on task performance; interpersonal behaviour in the form of verbal and non-verbal interaction among the team; and the physical setting. Artefacts were also another source of observational evidence. Artefacts ranged from one type to another and they included tools; print-outs; photographs on the walls; disused computers; obsolete vehicles and many others. These provided different clues and supportive evidence to the oral forms of evidence. In Print for instance, stories of one of the members' (PD) role in adapting machines and designing tools were corroborated by observable pieces of improvised tools lying around all over in the factory. Brief observational notes were taken out in the form of phrases, quotes and key words during the fieldwork and fleshed out with the aid of memory at the end of the day to avoid distracting the observation process, which sometimes interspaced with the interviewing process (Douglas, 1976; Lofland and Lofland, 1984).

Observational evidence, therefore, significantly illuminated oral evidence. Observing contemporary behaviour for the purposes of triangulation with narratives of historical events in this manner was in keeping with encouragements in the naturalist tradition for the researcher to be creative (Lofland and Lofland, 1984). This deepened an understanding of phenomena under investigation in context. For instance, in Beaters, a spray-painting and panel-beating business, observing joint repair work in progress on complex roll-over vehicles provided useful vignettes on the role of the team in creativity, which demonstrated how such opportunities could only be exploited through teamwork as also confirmed by oral evidence.

Flexibility of the Case Study Approach Exploited: Changing Cases:

During the course of this study, two cases were dropped mid-way and two replacement cases were added accordingly. In one case, the wife, who also co-owned the venture as an equal partner and had a role in administration, was found to be acting only as a minor actor and did not significantly participate in decision-making. She only spent half of the workday at work and referred most of the questions to the husband. The study of this garment

manufacturing company was dropped after three weeks. In the second case, it occurred that the banker-client relationship that previously existed between the venture team of that tyre-retailing business and the researcher imposed an undue influence on the informants. They gave statements like;

> *"We are certain (that) when you come back you will not give us money because you will know the other side of us....."* and, *"We have a pending case with the bank that we know you can be a better witness because this transpired during your time....."*

The informants held the impression that after further studies, the researcher would come back to work with them once more as their bank manager and as a result therefore they had two concerns. The first one was that the researcher had known enough of their poor financial state to be biased against them in future lending decision-making. The second one was that the researcher was expected to later reciprocate by providing supportive evidence in their litigation against the bank since the disputed issues took place when the researcher was in office as their bank's local branch manager. Further, four files were taken out of the office and were never returned, as the researcher was about to access them. It was then decided to abandon the tyre–retailing company during the fourth week.

An insurance case study was then added. This case had been identified through the national print media by chance. The press articles summarised the company's history and referred to two of the top managers as the *"co-founders of the company"* and the company's performance statistics therein confirmed that it was a growth case. The other replacement case was identified through the researcher's contacts in the banking industry. It was established through a market intelligence search that two of the top management team were known by the market to have founded the venture together and this was also subsequently confirmed in interviews and company records. The market rated the team-founded merchant bank as a case of rapid growth. The opportunity to add new cases was crucial to the success of the study as failed cases threatened the continuity of the study.

Part B: Post-Field Work Analysis:

Data analysis was, to a significant extent, conducted concurrently with data collection (Glaser and Strauss, 1967), as much of the foregoing also demonstrates. This section, therefore, only reports on other aspects of the data analysis process separately only for communicative clarity. For instance, the nature of the social context in Print was apparent upon entry when it was instantly observed that the team shared one office. Active listening was in itself an analytic process around which probes were framed. Thus, mimeos and reflective remarks emerged upon immediate entry onto the field as part of an on-going sense-making process and not necessarily as part of the aftermath of fieldwork. Such ideas were written as reflective remarks in the form of sentences, phrases or paragraphs (Miles and Huberman, 1984).

Records were kept of interpretive meanings or of thoughts on the meaning of member interactions; possible inter-connections between events or phenomena and emerging linkages of current findings to previous research (Van Maanen, 1988; Burgelman, 1983) which only came up as "*hunches*" (Eisenhardt 1989b p539; Miles and Huberman, 1984 p72). The reading of transcripts over spaced intervals and the writing down of reflective notes helped in framing ideas and even in capturing new understanding as fieldwork progressed. Burgelman (1983), during a study on corporate venturing, also kept such a running record of flashing ideas. As data collection and analysis proceeded simultaneously, opportunistic adjustments to the research design were effected to probe new emerging themes (Gersick, 1988; Harris and Sutton, 1986) with certain informants who were not in the original research design and to similarly delete and add other cases for investigation.

The Absence of A Straight-Jacket Analysis Format in Qualitative Research:

The set-backs of validity and reliability in qualitative research have been that the methods of analysis are not well-formulated and no standard format exists (Miles and Huberman, 1984). The big challenge is, therefore, that few guidelines exist for executing the inductive analysis process, which is a key issue in interpretive research (Eisenhardt, 1989b). Though there have been recent strides in developing some systematic canons of qualitative research analysis (Lincoln and Guba, 1985; Miles and Huberman, 1984), case-specific variations are still the norm in analysing qualitative data. In analysing a case study of strategy-making at the National Film Board of Canada, Mintzberg and McHugh (1985) combined narrative with graphs on employment and sales growth. Leonard-Barton (1988) used tabular displays and graphs for case study analysis. In the current study, data coding and displays in the form of tables, matrices and cognitive maps were amongst the analysis tools employed. Some of these feature in the analysis and discussion chapters (chapters 11 and 12 respectively). Whilst a meticulous elaboration of the tools used would be too voluminous to dwell upon, below is an outline of the major analysis steps that formed the basis of linking the research findings to the case evidence. This outlines how the company stories were constructed, how the analysis was conducted at three-levels and how the cases were pattern-matched for final conclusions.

Building the Case Stories:

The researcher collapsed the field data into time lines around the issues raised by the informants through oral reports. In this respect, the process came close to what Gersick (1988 p14) likened *"to that usually followed implicitly when a scholar develops a history of the body of work of an artist, writer, or scientist."* Accordingly, following a number of other studies (Mintzberg and Waters, 1982), each case came to be described as depicted by the time phases as a guiding framework.

In Print for example, the identifiable phases were;

(1) The Formation of the Company (July 1998);

(2) Venture Emergence and Early Growth (July 1998-Dec1998);

(3) Geographical Expansion (Jan 1998-2000);

(4) Diversification Phase in which new product markets were identified (2000-2003).

Vyakarnam et al. (1999) employed a similar approach when they were tracking, analysing and reporting the formation and development of entrepreneurial teams over time.

In determining the time demarcation for each phase, it was discernible from the informants' reports that the information they were reporting was based on events, processes and occurrences in which time was always a built-in signpost within the accounts. The case stories were built up from the company histories as mapped out from the oral evidence provided by the multiple informants. In their study, Bourgeois and Eisenhardt (1988) depended on informants to determine what would be considered as high stake decisions for the purposes of identifying the strategic decisions for focus. Although this process was followed largely in this study, the significance attached to the occurrences by the informants did not always earn the same merit as that interpreted by the researcher for the purposes of the study. Hence during these process informants only served as a guide.

For instance, in Beaters both the directors and all the employees interviewed considered that the points in time when personal property (for example farms, cars or flats) was bought for either a director or an employee was an important and indelible part of the company's history. For the researcher, such episodes were considered to be asides, which had marginal relevance to the substantive issues under investigation, and they did not appear to define a

phase in the growth path of the venture. Accordingly, such episodes were omitted for the purposes of mapping out historical phases for the company as it was judged that such an omission would not have a material effect on the research outcomes.

Analysing the Data Using an Embedded Design:

Following Bourgeois and Eisenhardt (1988), the researcher used an embedded multiple case design (Yin, 1994) – a design in which the unit of analysis is at more than one level. This was appropriate given the complexity of the study, which involved in-depth studies of five cases with differing histories and in different contexts. When Bourgeois and Eisenhardt (1988) examined how top managers make fast strategic decisions in high-velocity environments, they conducted their analysis at three levels. The firm was the first level of analysis, which they scanned for the firm's strategy and performance. At the second level of analysis, Bourgeois and Eisenhardt (1988) analysed top management team personalities and their interactions among the group. At the third level, they analysed and identified strategic decisions within the firm's history to investigate how the team had made each strategic decision. Multiple designs are complex but they provide rich explanations and this was typical of the study at hand.

In the study at hand, the first level of analysis was the firm. At this level, the researcher scanned for such phases as '*The Transformation From A Shop To A Supermarket: 1996-1997*' in Retail case, as reflected by the case stories built on time-line basis and the firm's performance from founding up to the time of the study. The study at hand, by defining phases as closely as possible to empirical evidence (for example, geographical expansion phase), limited ambiguities that could distract attention of the study from issues of key focus.

Phases as the Second Level of Analysis:

In the second level of analysis, each phase in the development of the venture was scanned for incidents, vignettes and task processes (e.g. jobs, new product development), which had given shape to that phase. It was the phases that had given shape to the company's history. In turn, it was the different categories of these units that had been the building blocks of the phases. For example, in Retail the *'geographical expansion phase'* (1999-2003) is shaped by the opening of new branches every other year. The developments around the opening of every other branch, therefore, become a unit of analysis as a data point. The analysis task at the phase level of analysis was to scan for the occurrences.

The Multiple Data Points Embedded within Phases as the Third Level of Analysis:

Upon learning that the cases strangely displayed varying richness of appropriate data points within and across cases, the researcher had to creatively apply appropriate methods (Lofland and Lofland, 1984) and develop different techniques as demanded by the uniqueness of the study. The researcher, therefore, had to capture elements that complied with the criteria in terms of them having shaped the phase. Those elements came up in several forms such as events, vignettes, strategies or others in which the team had various roles. Gersick (1988) who had to make similar choices of what to consider as having shaped a situation gave guidance that was found to be of practical aid in determining what had shaped a phase. In terms of Gersick's (1988 p14) analogy, ideas and decisions that shape a new product may be taken to be those *"that gave the product its basic shape or that would be fundamental choices in a decision tree if the finished product were to be programmed."* What emerged was a complex approach to analysing the same phenomena across different data points identified by adhering to common ground principles.

For instance, in Beaters vignettes of how the team collaborated in the workshop provided richer data points than stories such as the construction of a new workshop, which was considered the biggest ever development. In Insurance, the processes of strategic decision-making and events around such decisions provided rich data points and vignettes were sparse. Miles and Huberman (1984) termed events that shape phases *'barometric events'*.

Abstracting the Role of the Team in Dealing with Growth Issues:

Using the various data points, cognitive maps were drawn which showed the patterns of team actions in dealing with particular growth issues. For instance, in Insurance, converging arrows represented multiple team roles accounting for the process of dealing with capital issues at start-up as represented by the following steps:

Step 1: Developing a multi-faceted business plan for presentation to investors;

Marketer developed the farm insurance plan. Engineer did the commercial and industrial strategy. Centre did the new product development strategy. Chartered translated these business plans into the financial plan. These roles were performed both concurrently and in series on the basis of specialist division of labour.

Step 2: Identifying sources of capital;

Centre connected the team to potential investors, as he was the only one with networks within the capital markets.

Step 3: Team activation of centre's networks;

Although Centre had the relevant networks, activating the networks was a function of teamwork as:

- The team divided roles to articulate different aspects of the business concept to investors on the basis of their specialist roles following the role pattern in step 1 above.
- The team stood collectively as the available execution capacity to implement a multi-dimensional business concept that could only be implemented by a multi-disciplinary team and this made their case believable to investors.
- The team enabled them to raise capital because of a multi-racial composition that included whites who were more respected in the business world at a time when black indigenous insurance had not yet earned market confidence.

From such mappings of team roles, it could be established that the team dealt with a capital issue in a manner that individuals could not have accomplished. From this, it could be concluded that in dealing with the issue of capital, the team therefore facilitated venture growth in a manner that surpasses the capacity of the individual.

Cross –Case Analysis:

Thus, because of the multiple case design adopted for the study, the investigator tapped into the exploits of replication logic as applied to case study research (Yin, 1994). In essence the cases acted as a series of experiments and each case was compared with the previous cases to confirm or disconfirm inferences (Gersick, 1988). This helped to address the concern for reliability, an issue about which case studies have been criticised (Miles, 1979).

The process of cross-case analysis was characterised by theory-data-theory-data iterations largely because the researcher had only a few prior conceptual categories of how the members would deal with growth issues and member behaviour tended to differ, across cases, in dealing with similar issues, which opened up new insights. The related evidence occasionally begged for a

revisit of particular aspects of the literature. An example of such an iteration process was the pilot study, in which the informants had articulated that they were able to convince the bank manager to lend them funds partly because the team had gone to meet him together and exerted *'chiremerera' (social weight)*. A revisit of the literature to examine the concept of *'social weight'*, confirmed that the concept is used in referring to the collective influence the team exerts on its members.

The researcher considered that if an adapted term such as *'team weight'* was used in the study, that could reflect close parallels between the concept of *'social weight'*, as normally applied, whilst broadening its application to refer to the team's influence on outside stakeholders as discovered in the study. Another example was in the case of Bank, where it was found that networks existed at the team-level and not at the individual level, which explained why it was possible to penetrate the market only as a team. A revisit of the literature confirmed that team-level networks were found not to have been accounted for in the entrepreneurship literature and this finding was noted for discussion later. All in all, the iterations between data and theory sharpened insights and grounded them in thick evidence.

Reporting the Findings:

In reporting the cases, the researcher was aware that *"unlike positivistic research, there is no accepted general model for communicating interpretive research"* as cautioned by Bourgeois and Eisenhardt (1988 p820). Guided by prior training and experience in case study research, the researcher chose a consistent way of reporting the pertinent findings in all the cases. Accordingly, the researcher reported the company stories by letting respondents speak so that each story linked closely to the data source. Bourgeois and Eisenhardt (1988) provided descriptive accounts, which did not rely much on direct citations from the cases as sources of evidence, arguing for the concerns of space. Their approach precluded the audience from making independent judgements and inferences from the primary evidence. For instance, when they reported that, *"The resulting plan was risky"* (Bourgeois and Eisenhardt,

1988 p824), the statement comes from the authors and the reader is not provided with an opportunity to evaluate this view from the direct statements of the informants, although that inference has important implications in linking the study findings to the evidence. True to Gersick's (1988) observation, it was found that whilst the presentation of findings permitted exploration and experimentation, the process heavily cost time in the effort to give concise reports from imposing volumes of data. This study made sufficient citation to oral accounts largely because interviewing was selected as the main source of evidence. As in criminology, presenting stories in this manner was meant to help the audience to follow the thread from the research issue to the evidence gathered and then finally to the conclusions.

CHAPTER 6

THE ROLE OF THE TEAM IN VENTURE GROWTH: A CASE STUDY OF BEATERS

Introduction:

This is a case study of Beaters, a panel-beating and spray-painting company that started in 1991 in Harare, Zimbabwe's capital city. The study tracks the evolution of the venture from the formative stage till the time of the study taking particular interest in the role of the venture team within the context of the company's growth. The report is organised around the pre-start-up processes; how the functional areas of the venture were co-managed; and how the roles of top management were changing over time. The report from data collected through interviews, written records and, to an extent, observation during a five-week in-company study during the year 2003. The study demonstrates how the venture team was able to propel the company's growth by integrating ideas, skills and complementary roles to achieve high quality standards in the workshop and to minimise the impact of their individual shortcomings, particularly in the workshop and in administration. Although the company's clientele base stretches to cover the whole country, the company only operates from one large branch in Harare.

Background of the Case:

Beaters is a panel-beating and spray-painting venture founded by two brothers, Gz and Mz, on 2 April 1991. The company has built its core competences around quality to establish a strong record in the market. The company's employment level had grown from 6 people to 67 by the year 2003, the time during which this study was conducted. Gz and Mz own 50% of the company's shares each.

Both Gz and Mz are class one journeymen in panel beating. At venture founding, Gz (46), the elder brother, had 15 years of industry experience and

was a foreman by the point in time at which he left his previous employment. He had attained primary education. Mz (44) had 13 years of experience in panel beating and had managed to attain two years of secondary education. Though neither of the two is a qualified spray-painter, Mz was better in that area than Gz, having had some previous experience in that aspect of the job. Gz was better in panel beating. Job costing is an important part of their work. However, neither of them had either the experience nor training in that process at the beginning. They shared on-site ideas on finished job costing and costing for job quotations.

However, they had a similar approach to administration of learning by doing, benefiting from sharing ideas especially during the earliest phases, before a manager was appointed in the third year. As the administration work grew, the two continued to overlap in managing both the workshop and administration, with Mz, becoming more involved in administration than his counterpart. On the other hand Gz, who spent most of his time in production, became better than Mz at managing the workshop.

The team had always been a cohesive and behaviourally integrated one, bonded by strong family and friendship ties. The two used to spend most of their time in each other's company even after work. They would attend the same church. As a result, their planning is on-going and benefits from formal as well as informal interaction on or off-site. An administration manager who was appointed in 1994 assisted with accounting and personnel management, areas in which both of the directors lacked previous experience. Table 7 below tracks the company's sales performance and the related employment levels.

Table 7

Beaters: Performance Statistics

(Sales in US$m)

Year	Sales	Employment level
1991	4	6
1992	6	11
1993	6.5	21
1994	8	27
1995	8.6	28
1996	10.2	33
1997	11	37
1998	15	33
1999	15.7	39
2000	18	44
2001	19.4	58
2002	23	62
2003	24	67

(Note to Table 7: All figures are inflation adjusted using 2000 as the base year).

Industry Context:

The spray-painting and panel beating industry falls into two major categories. At one end are the reputable companies, most of which are multi-nationals who charge a standard price for quality work. There are about 20 such companies in the country. Their target market is made up of companies and elite individuals who are highly discerning on quality, and who are heavily invested in capital infrastructure. At the other end of the industry are a few dozen formal and informal players who charge low prices and have no reputation for quality. Most of them operate by outsourcing some of their functions from large and established

competitors. Their target market is largely made up of individuals in the middle to low-income bracket, who are price-sensitive.

Beaters is one of the few indigenous companies which has carved a niche as a top quality company and has been moving between second and fourth position on quality over the past four years at a national level as rated by the Motor Trade Association of Zimbabwe, the industry's watchdog. The industry usually operates on a seasonal basis with most companies recruiting during the rainy season only to temporarily lay off some of their labour-force for four months during the off-peak period. Beaters have never laid off during such periods though it would normally slow down on recruitment. Over the period 2000 to 2003, a significant percentage of the national fleet was grounded because of fuel shortages following which many companies in the panel beating industry folded. The national accident rate declined by 37% over the period 2000-2003 accordingly. Beaters continued to provide quality work in order to grow in terms of real sales; with the number of vehicles repaired increasing at a rate of 3 per month over the last three years on average, and the employment levels continuing to rise in defiance of the industry and a 3% p.a. average decline in national economic growth (2000-2003).

Developing the Vision For Quality:

In 1989, after years in the panel beating trade, Gz shared with his brother an idea of starting their own business observing that the industry needed quality work in the local panel-beating and spray-painting industry. In their words, Mz said, "*We wanted to polish up this industry..*" while Gz said, "*... our aim was to bring out the true colours of the panel beating industry.*" Placing a premium on achieving high quality, the two directors set out to run the venture on a cautious growth path, insisting, "*...growth should never be allowed to compromise the quality of our work which is our goal number one,*" said Gz.

Eventually even employees came to share this understanding;

> *"The idea has always been to achieve and maintain high standards of quality and this could be difficult to monitor, if branches were opened all over the country,"* said the administration manager.

Pre-Organisation And Early Start-Up Processes:

The idea to start up the venture was nurtured and co-developed by the two brothers who were working for different employers then and who also happened to be close friends who spent most of their time after work together. Gz kept talking about the idea to his brother until it became a serious matter for both of them. Mz said, "*I used to walk with my brother who was also working for a different company and we started to plan for it (*starting up their own company*)*."

In the process, the two started to plan how to raise the initial capital. They agreed that they were going to work on some private jobs together at home during weekends and would use the earnings from these jobs to buy basic workshop equipment. They also decided to engage their younger brother as an assistant before the plan took off in 1990. Their first customers were just people who knew either of the brothers and approached them at home after finding the quotations from formal companies too high. Their younger brother who was assisting them and who later became a foreman had this to say;

> *"During weekends, we would do minor repair jobs for Gz's customers at his home for two weeks in a month and then we would do the same for Mz's customers for the other two weeks at his home. All the money from these jobs would be put in one bank account and they would only draw out the money to buy equipment and materials for the planned company. In that preparatory year we*

bought a porter power, a small compressor, two grinders, a spray gun and other important equipment and we were ready to start."

By early 1991, when the necessary equipment was in place, the two then planned how they would move forward with each reciprocating the other's risk-bearing moves. The young brother and foreman further confirmed;

> *"When the necessary equipment was in place the two agreed that Mz would sell his Peugeot 504 (car) to meet capital demands for initial consumables such as paint and wages. In return, Gz was to work full-time in the new company. As such he had to leave his current employment to start working in the company. Mz's car was then sold for US$2000. It was agreed that he would remain at work and that his salary was supposed to supplement the wages and rent payments until such a time when the new company was fully established. As a contingency measure, the two then decided that from the savings from the earlier private jobs, they would put aside cash reserves to cater for family requirements during the first six months of start-up just in case things did not go as planned. I was there when all these things were being planned at home and when it all eventually happened."*

As soon as he had resigned from work Gz established business premises in Harare, the country's capital city. On 2 April 1991, the venture took off with a complement of six people including the two directors. Initially, business came from long established acquaintances. At this stage Mz would join the others after finishing work at his formal job. He would then concentrate on spray-painting. As he explained;

> *"I would come after 5 p.m. from my workplace and would help with spray-painting. I would also do some panel beating. I would then leave them to polish the spray-painted vehicles. I had some*

experience in spray painting and I was good at that. In any case I couldn't help it in any other way as we did not have a professional spray-painter among us."

In 1991 the full staff complement comprised a *'partyman-cum-driver'*, a wages clerk, two other '*partymen*' with Gz as a panel beater and an instructor and Mz his spray-painting partner. (Partymen are semi-skilled workshop assistants). The work volume was fast growing and within three months the number of employees rose to 10. Consequently, in the third month, Mz resigned from his job and joined the others on a full-time basis. To create a market awareness for the new company within the surrounding areas, they would alternate on out-door marketing errands. Mz said,

"I would go out introducing our company to various people. I would go out for three days and Gz would go out for the other two days every week. All the time one of us would remain behind to run the work-shop."

Soon, the volume of work was growing fast as "*customers spread word of our quality work in all directions,*" Gz said.

A History of Shop-Floor Operations:

In the workshop, the workload would be shared as jobs were done simultaneously and according to a second foreman, "*Normally, Gz would be working on one vehicle while Mz would be working on the other.*" They implemented a peer review system for quality checking. When one had a finished car, he would call on the other to inspect on quality. This approach to quality management was still in operation at the time this study was conducted. Gz had this to say about how they checked on each other's work;

"When I have done a vehicle, I call my brother and we go on a test run together to get his comments about his feel of the vehicle. He

also does the same for me. This helps us to achieve perfection. We have been long enough together and I now work with two minds, his and mine, as I anticipate what he expects of me when he checks my work."

The second foreman confirmed how the two would collaborate on complex tasks to achieve high-quality results;

"Whenever complex jobs came by, the two would exchange ideas on how to go about the work. Typical situations would involve roll-over trucks. The two would work jointly on such work, sharing ideas and complementing roles to achieve perfection. There were several occasions when the directors would put their heads together usually when there was a badly damaged car, particularly roll-overs. These need at least two or three journeymen. They were able to do many complicated cases of roll-overs involving work which had been rejected as beyond economic repair. When we started in 1991, Mrs Tenda, who operates a fleet of buses across the country, gave us her badly damaged vehicle for repair. The two worked on the job together and the vehicle came out so well that no one could tell that the vehicle was once accident-damaged. Gz and Mz did most of the body building work and spray-painting. Word spread of this feat and we got many other jobs as a result of our growing fame."

It is generally considered that though such work brings in large profit margins, no one journeyman working alone may be able to come out with a perfect job.

In 1992, a roll-over truck was repaired by the two directors working jointly on the task, sharing ideas and complementing roles to produce another quality piece of work. Mz had this to confirm;

> *"The Mazarura truck that we did was so badly damaged that no one ever believed (that) it could go back on the road. Whenever there was such a vehicle, each of us would emerge with his own idea of the perfect outcome upon looking at the vehicle closely. We would combine our pictures and then apply our artisan skills to come up with the best possible job."*

This job was significant in that it brought in the first ever big lump sum of money into the company and many other jobs were done similarly. The first makeshift structure to house the workshop, put up in 1993, was financed by proceeds from that job. The job was on a truck belonging to a public bus operator and it was therefore not long before the craftsmanship on the job became public knowledge. Over time, the venture became renowned for its competence in working on complex repairs to high standards of quality. As a result, the company continued to get an increasing number of jobs and the number of employees continued to grow and, by 1993 the employment level had risen to 21. Some of the complex jobs done by the two directors collaboratively included:

- In 1995- a roll-over Mercedes vehicle for the Mayor of Bulawayo.
- 1997- a roll-over bus for Pioneer Coaches.
- 1998- a roll-over truck belonging to the Municipality of Marondera which had been condemned by the insurance company as a technical write-off.
- In 2002- a Mazda B25 roll-over truck belonging to the Ministry of Local Government.

In 1991, just six months after operating, the two agreed to employ their eldest brother, Nz, who had previously failed twice as a solo entrepreneur in the same trade. Upon joining, Nz assumed the roles of workshop manager and quality controller, reporting to both of the two directors. When the largest ever piece of equipment (the computerised spray-painting facility) was acquired in 1998, Nz was seconded to the vendors for the necessary training. By the time

of this study, Nz was in charge of the operations in the Paint Shop, as the facility came to be known.

Re-Organisation of The Workshop:

The history of the workshop is punctuated with capital expenditure to finance the upgrading of technology and adding new functional units within the workshop year-on year. Some of the major pieces of equipment, all financed from internal resources, served to enhance production capacity, speed up work processes and enhance work quality. These included the following:

- 1996- The Big Compressor.
- 1997 – The Fibre Glass Construction Technology.
- 1997-The Trimming/Upholstery Technology.
- 1998-The Computerised Spray Booth.

It was considered to be the most important piece of equipment to be acquired by the company and the technology is also used for jobs that need metallic paints. The technology reduces the warming period for painted vehicles, auto-mixes paints, reduces wastage and improves the quality of work.

- 1998- The O-liner machine. The technology straightens bent chassis fast and easily.
- 1999-The Jick machine.
- 2002- The Radiator Repair Technology. This was originally outsourced.

In 1998 the company bought the then rented premises and over the period 1999-2000, a new look single storey building complex was built to house the administration block, a workshop parkade and a much larger workshop (than the old one). From 1999, as operations continued to expand, the workshop had to be re-organised with top management devolving direct supervision to

foremen in gradual steps. The first foreman was appointed in 1999. They appointed their younger brother, with whom they had started the company as an assistant, to this new role. The workshop was then split into two main divisions; the Panel Beating Shop and the Paint Shop. The Paint Shop was to have four other sub-units which were; Preparation; Polishing; Oversprays and Painting. A second foreman was appointed in the year 2000 the third in the year 2001 and the last in the year 2002. Weekly, each of the four foremen would be allocated specific jobs (vehicles for repair) by the directors.

Gz explained the rationale behind these appointments;

> *"We came up with the idea of the foreman when we realised that as the business grew, we could not keep track of each and every vehicle in the workshop off-hand. We considered that if we had foremen it would be easy for any of them to remember and track say 3 to 4 cars at the same time. Foremen assist us in managing the operations and checking quality."*

The foremen report directly to both Mz and Gz, given Nz's focus on the Paint Shop. This was confirmed by one foreman who said, "*When I need a new recruit, I approach Gz or Mz depending on who is closer.*" The appointment of the foreman has created an opportunity for the workshop to operate on four work teams. In managing the four work teams, the directors work closely with the foremen, putting collective pressure on them for production volumes, quality and profits.

Gz explained as follows;

> *"We have been able to build quality within this company because our foremen know our quality requirements. We get reports every week like this one (sample supplied). All reports in this company run in pairs and this has been like that ever since 1994; a copy for*

me and a copy for my brother. This shows the jobs that were done and income that was generated by each team last week. You can see that these teams are ranked in order of the revenue they bring in weekly. If a foreman remains at the bottom of the league successively, the two of us call him to find out why. These teams compete weekly and earn team-based bonuses."

Concern to avoid encounters between the foreman and the top team has always kept the foremen firmly behind their teams for results. As a third foreman explained;

"Monday meetings are not very friendly at all if the two call you into the boardroom to explain the performance of your team. They can hit you left, right and centre and you feel badly exposed because they talk the same message in (a) different language... Mz tends to be advising, persuasive and solution-seeking. Gz is demanding and unforgiving and such meetings are not always good. You have this encouragement and a few tips from one and a 'you-can-pack-and-go' message from the other - you are caught in between. The next thing is (that) you go down to your team mad for results."

The two directors have also acted as a joint panel in the recruitment and selection of employees, to ensure rigour in the selection and recruitment process. Mz confirmed;

"We do not want to recruit the wrong person because that wastes our time here. We help each other to get as much information from the candidate in order to help us decide; we then discuss our opinions and make our decision. This is a small but critical part of our job here, to get the right people for the workshop."

The two have also been taking turns to train their own apprentices, since it is their policy to groom their artisans from within. The second foreman reported;

"I was trained by Gz in panel beating, and Joseph (another foreman) got most of his spray-painting training from Mz. Mz trained most of the spray-painters and both trained many of us, that is the long-serving employee. We then trained others."

Managing Time and Dealing with Job Costing:

Managing time in the workshop has been a significant driver of job volumes and profit margins. Emphasis is on getting jobs out ahead of quoted times. According to Gz, they "*quote a job for 4 weeks on labour then work to complete that job in 2 weeks.*" Of the two directors Gz has always been more particular about managing time on all jobs in the workshop than Mz. Mz admitted that, "*One element that has been useful to this company is that we have different characters but have the same goal.*" One other important aspect of the work was the estimation of job costs for quotations and the actual costing of completed jobs. Neither of the directors had any experience in this area.

Aware of this shared shortcoming, the two directors chose to share ideas in doing quotations. In this way, at the beginning, according to Mz they "*were both teaching and learning from each other in order to reduce the chances of error by costing jointly.*" At first each of them would initially do an assessment and a quotation by himself and then they would do it together and agree on the final quote after discussions. The two became confident on this aspect with the passage of time and eventually each of them could competently quote and cost work on ordinary repairs though the two would still need to collaborate on costing complex damages. The administration manager explained how the two would share workloads in job quotes and finished job costing;

"Up to six cars could come at the same time requiring quotations. One would do one quotation whilst the other would also be doing another quotation. This kept customers not waiting for too long. In some cases when one was busy doing quotations, one would be continuing with repair work so that production would not stop."

With time Mz became more involved with issuing quotations/estimations whilst Gz concentrated on workshop operations. However, Gz would still give the quotations if Mz were not there. By early 1994 the directors were gradually training junior employees in the issuing of quotations in order to ease the increasing workload. George, an administration clerk, slowly took over from his bosses in this regard. GZ said this about the costing procedure;

"Mz would establish the painting materials used and I would do the costing of other materials and accessories. We helped each other on calculation of hours that were difficult because it included his and my hours and those of partymen too. Each one of us had to keep a clear record of these items so that when we eventually met to combine them, we would show each other records and then do the costings as quickly as possible."

Dealing with Administrative Chores:

In 1991 when they started, the directors employed a clerk to handle paperwork. In 1994, noting their deficiencies in management and accounting, the team appointed an experienced accountant/administrator as they "*realised that we could focus our attention on the workshop operations, the area we knew best.... but paperwork was also growing so someone had to do the administration work,*" according to Gz. The manager recounted that;

"I joined in 1994 as an administration manager in charge of administration and finance... My first observation was that the systems needed to be further developed. My first job was to

introduce formal systems in administration and accounting because the systems which were in place had been improvised by the two directors. They did have good systems for the workshop, which were second to none because they knew the trade, but I had to link the workshop operations with those in administration and accounting, system-wise. It took us about six months to complete the job."

Since then, the directors have been shuttling interchangeably between the office and the workshop, leaving most administrative responsibility to the appointed manager. This has ensured that for most of the time, both the workshop and the office had the attention of at least one of the directors for consultation and monitoring.

Role Changes in the Workshop in Quality Checking System and Job Quotations:

There have been some modest role transitions in the manner in which the two directors manage the workshop. The third foreman reported as follows;

"Usually the directors no longer do the actual panel beating and spraying. They mainly supervise and inspect the quality. However, both come in when we have complicated repairs such as those of roll-over trucks which are very difficult for even an experienced journeyman to repair."

The manner in which the company has delivered on quality is viewed as the single greatest contributor to the company's market share. Gz admits that, "*Most of our jobs have been coming through referrals by our satisfied customers. We certainly do not have a marketing department. Here people refer one another to us because of the quality of our jobs.*" Now the two directors act as the final quality review panel in a three-tier quality review

system whereas previously they peer-checked each other's work. The first foreman had this to say;

> *"First the foreman checks the work quality, then Nz, the quality controller. At last the two directors give the final judgment. Each of the two inspects every finished car independently. This helps, given that people see the same job differently. They always discuss what they find out and order re-polishes where necessary until the job is perfect, before they approve of the release of any finished vehicle. If I do a car, I may leave some areas (which are) not so well done. One may come and pick one mistake, as the other picks yet a different bloat."*

Because the quality checking system involves many people with different perceptions about quality and "*this puts the foremen on high alert*," Mz said. Typical quality issues raised during quality checking include problems with wheel alignments, headlamp focus and paint over-sprays among others. The foremen emphasised that the collective adjudication of quality becomes their yardstick as the second foreman remarked;

> *"This process has also taught us to anticipate what the different individual quality checkers at each stage would look for. Over time one tends to learn what to be thorough on and now re-work has decreased significantly."*

In the areas of job cost estimations and finished job costing, the team has largely delegated but remain on call when there are too many customers in need. In 1999, they hired the first estimator who was appointed to a higher management position of a Chief Estimator in the following year. According to Gz, delegating this function was;

"....a bold decision we had to make because it effectively meant transferring the prerogative for pricing the company's services to managers. It is a sensitive area and we still have to keep a distant watch."

Mz also shed light on the rationale to delegate this function;

"We recruited the estimators as the jobs were increasing. They all are of management grade. Before then, the two of us were overlapping in this responsibility...but as the job grew, we wanted to have our focus remain devoted to the workshop. The workshop is the backbone of the company."

The second estimator was recruited in 2000.These two were recruited from outside the organisation. In 2002, they hired an untrained recruit who was later trained by Mz. *"I used to do the estimates before I trained Amai (Mrs) Chireshe,"* Mz said.

Role Shifts in Administration and Managing Finance:

By 1999, the office employees comprised the administration manager, a receptionist, buyer and a paymaster. Since then, a bookkeeper, a computer assistant, three estimators and a clerk have been added to the office complement making the office staff 8 in total. Because of their different capabilities, the two directors were reported as allocating their responsibilities as follows;

"Mz now spends more than half of his time in the office and the rest in the workshop. Gz is in the office half of the time and spends the other half in the workshop," said Nz.

On-site observations made during the study confirmed that Mz was often responsible for quotations, public relations and he also helped in the areas of finance and administration. Gz, who was reported to be good at workshop supervision and quality control, was found to be spending about 75% of his time in the workshop. He also helped in administration. Because they both share an understanding of the entire business, the two stood in for each other when it was necessary. As such a management vacuum was avoided in 2002 when Gz fell ill for four months and Mz managed the company. However, employees consider that if the two were to separate;

> *" None of them would succeed alone in managing a similar company because each one 'ane hubofu hwake hunokavhirwa noumwe' (each one has his own degree of blindness which is made up for by the other)." The* administration manager said.

Trust and reciprocal forbearance have worked to eliminate the potential of misappropriating funds. As one of the directors confided;

> *"Each one of us signs on the company's bank account alone. Each carries a company chequebook but there has been no occasion when one went to the bank and found money siphoned. We trust each other and both of us respect that," said* Mz.

Transparency and mutual accountability are facilitated by the fact that the two interact routinely and exchange most information on significant transactions promptly, as one of the foremen confirmed that, "*On themselves, the directors are always talking to each other. Their communication is on-going and both of them keep each other informed of important issues.*"

Records also confirmed that fiscal prudence through adherence to mutually agreed plans has sustained debt-free operations for 12 years despite perennial acquisitions of equipment;

"We have also had no problems in the area of finance. We have been financing our programs from money generated in the workshop. We have never had any cash-flow problems because we first have to do a map together of what we can afford before we jump. We match our projects with our capacity to generate income from the workshop. Once we agree on a plan, we are both bound to respect that plan and no one signs a cheque for another unknown or unplanned project," said Gz.

As the payments increased in number and in size, in 1995 the team introduced a system of file notes explaining transactions against a cheque issued beyond a certain size. This served as a transparent mechanism for the other director who would not have signed the particular cheque to verify apart from it meeting bookkeeping purposes. The limits were revised upwards at least twice a year;

"Every request for a cheque of US$5000 and above has to be accompanied by a breakdown note. The note may indicate the details of the car for which the accessories were purchased, for instance. This is done so that the other director may follow the transaction if (he is) interested," Gz said.

In many respects, realising their shortcomings in accounting and finance, the directors have let the administration manager play the role of a *"financial advisor to the company directors,"* according to Mz. This helps them to get timely information for fast-decision making as the administration manager confirmed;

"What usually happens is that, when there is something that the directors want done, they come to me. I tell them of our financial

position, what payments we need to make and what collections we would be expecting from the work in progress. I then advise them that it is possible to go ahead now or to wait until a certain period when our cash-flow may permit. I have the hands-on information of what will be happening in the area and they take my advice."

Key decision-making is by consensus. As Gz put it, what makes their planning easy is that;

"My brother and I are so used to each other and we spend a lot of our time together. We have realised that each of us has his own way of looking at an issue but we always come up with the same answers to one problem because our aim is one. When we reach a deadlock, the administration manager arbitrates and her arbitration is respected. But this is very rare."

After setting up the accounting ledgers, the administration manager later recommended to the directors that they introduce computers in administration. Computerised accounting systems were then introduced in the year 2000 as an important step to enhance administrative efficiency.

Vignettes: Illustrative Work:

The following (Tables 8 and 9) are vignettes of how the two directors collaborate on complex tasks.

Table 8

Vignette 1

The Mazarura Roll-Over Truck:

When the two directors set themselves to do a complex job in the workshop they work together interactively in dealing with such complex operational problems. The following is an example of such collaboration on one job which is well remembered by both management and employees for having created a name for the company and generating the proceeds from which the first shed to house the workshop was built in 1992, about a year after start-up. The insurers had declared the car under repair a write-off and three other garages had declined the vehicle as irreparable. One other company had given the client an uneconomic quote.

The first foreman described how the directors seized the opportunity to both create a name for the company and get the first biggest payment. He explained;

> "*Roll-overs, especially of trucks, need two or three journeymen to work on. The Mazarura truck had been rejected by other panel beaters as beyond repair…Gz was aware of developments in the fibre-body works and had done that at his former employers. He proposed the use of fibre material to replace parts of the head and a complete replacement for the chassis… He said this would reduce wastage as the body was badly mangled. Because the vehicle was too big for our spray-painting booth, Mz improvised a way to extend and ring-fence the other area with insulation rubber that he had hired from J& I Rubbers, as he stressed the need to maintain constant temperatures. A makeshift darkroom was built and we worked inside under florescent lighting for six hours. Mz was always good at spray painting…They both re-checked the*

finished vehicle, separately, and each had his list of defects. After several refinements, the vehicle went for official inspection. It passed the first inspection test and the client gave us a fat cheque…We started to get in more trucks for body work as a result of this job."

Probed on how this was possible Gz had this to say;

"You see those big trucks out there; each of us has seen all of them and has his own picture of how each vehicle must come out. After lunch, we will then go to the same vehicle together to exchange views and map out a plan to come out with a perfect job before we start working on the vehicle together. As you see it is a piece of major repair work and neither of us can do a good job alone on that car. We both need each other on that job."

Table 9

Vignette 2

The following incident again typifies the routine in the day of the two directors when they have to work on a complex job together. On-site were three haulage trucks for job quotes. There was one under repair in the workshop. Though this was a routine process, it gave an opportunity for the team to be observed in action to appreciate how they are able to make operational breakthroughs in their daily operations especially on high-value complex jobs. *On-site Observation:* Incidentally, one day, Gz came into the office during the researcher's interview with Mz and the following conversation was witnessed; Gz: "*How are we going to deal with the front end of the T35 (truck)…I am stuck because the old headlights do not match the other changes we have done—You need to see it….*" Mz: "*Shop around for new accessories to the lower part of the 'head' of the vehicle to make a perfect job. Use aluminium material rather than that second-hand rubber. It (the rubber) has a few ugly scratches. I know you wanted it there to cut costs and you can't find a new one on the market anyway but it just irritates me… please have it off...I will come there after finishing this meeting so that we can see how it is shaping out.*" The pair was tracked on to this job and it was established that Gz put a special eye on how the shape of the car should come out whilst Mz concentrated on doing the actual fitting. A few areas were dismantled a couple of times on either's suggestion or re-assembled until both were satisfied. Some issues were explained to the other party clearly though at one point, Gz had to say, "*Mind! …give me a chance and you will see what I want*" and he took over the task.

Future Plans:

They have just acquired some premises to open a Truck Division for the exclusive repair of haulage trucks.

There has always been an interest to have a mechanics division. However, the directors believe that quality can only be sustained if the key people managing the core operations are family members;

> *"One of the directors' sons has been sent for a 4-year training program in motor mechanics at Nissan. He was with us for four years in this company. He will come back as a qualified journeyman. He is expected to revive the mechanics function and head it," the* administration manager said.

CHAPTER 7

THE ROLE OF THE VENTURE TEAM IN GROWTH: A CASE STUDY OF PRINT

Introduction:

This is a case study of Print, a three-man team venture, which tracks the organisation's founding and growth history over the period 1998-2002 (both years inclusive). The case begins with insights on how the team resolved the problems of start-up capital and market entry, then followed by the acquisition of the first machine and the re-organisation of the organisation into three units for functional specialisation in December 1997. A 1998-1999 phase of rapid geographical expansion follows after which comes the acquisition of the exercise book printing machine, the most historic development, and the creation of the schools market in the year 2000. In the same year, the team's critical role in the setting up of an agency in Chiredzi, a region of vast market potential, is articulated. The case ends with a brief overview of the team's social context before an analytic note on the role of the team in the company's founding and growth. This in-depth in-company study was conducted over a period of two months (January-February 2003), as a pilot case study, having been identified through the Zimbabwe National Chamber of Commerce.

Background:

Print is a team venture that was formed in 1997 for the purpose of printing and selling commercial stationery. The venture team comprises of SD (the sales director), FD (the finance and administration director) and PD (the production director and team coordinator). All the three share some prior joint work experience at Manica Printers, a printing company that folded in 1999. PD (45), the idea initiator and the team leader, is a qualified artisan in printing. He had risen from the production shop-floor to the level of an assistant manager at Manica Printers had 12 years of industry experience. SD (41), who holds a

diploma in marketing, was a sales and advertising manager at Manica Printers and had 12 years of relevant industry experience. FD (43) did courses in Finance and Accounting. He had worked in the origination department and in administration and finance at Manica Printers. He had 13 years of relevant industry experience.

This shared past was held by the team to have been critical to their coming and remaining together as they eventually developed strong friendship ties and subsequently agreed to venture into printing on PD's initiative. They started trading within the same month of leaving employment, which was in July 1997, having already registered the company. All of them had been forced to resign because their plans to start up their own company had come to the attention of senior management. The team's composition has not changed since venture start-up. Starting with the three as both the employees and the owner-management team, by Jan 2003, they employed 25 people (excluding the directors) and, since then, they have been registering yearly growth in terms of sales, net income, employment level and asset base. Included in the employment level figure are three sales officers and a production supervisor all of whom were appointed over the period 1998-1999. All the three own thirty three and a third percent each in shareholding.

The company is based in Mutare, the country's third largest city. Its market has been fast expanding and as of January 2003, it covered the greater South-Eastern region of the country. The company's core competences reside in quality products, innovative practices, market aggression and fast decision-making and implementation. With an employment level of 25, excluding the directors, Print is considered to be a rapid growth medium-sized company in an industry in which most of the players have an employment level of well below 15 and very few of them employ more than 40 people each. Below is a table of key performance statistics.

Table 10

Print: Performance Figures (US$m)

Performance Figures Print:

Year	Sales	Employment level
1997	0.05	4
1998	2	8
1999	2.7	12
2000	6	21
2001	6.8	25
2002	8	28

Industry Context:

The printing sector is a hard-contested industry with many players either folding or scaling down their operations over the past seven years. The national macro-economic environment over the same period was generally hostile with inflation averaging over 100% over the period. Shortages of critical inputs due to the unavailability of foreign currency, and lately, erratic fuel supplies have forced many companies to scale down operations. Due to the above-mentioned hindrances some of Print's competitors have even closed down. The critical success factors in this industry are appropriate mechanical technology, vehicles and aggressive marketing as well as an intimate knowledge of the industry.

Start-up Phase (July 1997- Feb 1998):

When SD, FD and PD were forced to resign by their employer in July 1997, they had no start-up capital, no assets and no credibility with the market as a stand-alone company and no premises. They faced the options of either looking for employment or pursuing the fledgling idea of setting up their own venture. They elected to start a printing concern, which was the same industry as that of their previous employer. Each of them, particularly FD, occasionally

thought of withdrawing from these intentions, considering rather that one should look for a job. However, he said,

> *"The other two would keep on propping up my spirits and encouraging me saying 'Zvinoita' (It can be done) as the situation was so hopeless that if it was only one person, he would have just looked for a job, as none of us alone could have started the company since we had no money."*

The three pooled their skills to form a team with complementary skills in marketing, production, administration and finance. As FD put it, "*We developed a plan, a day after we had left our jobs, as to how we were going to operate.*" In line with their plan, the three convinced the market and earned credibility by going out as a team, first targeting team member networks;

> *"We first sat down under a tree on the day after we had left our jobs and we started to plan. We produced a list of people we knew and thought we could approach for business first. Although both small and big players personally knew us, since we were a new company, our initial strategy was for us to go out for marketing as a team. This gave us a big punch on the market,"* said PD.

Using team-based marketing missions, it did not take long before the company started to win printing orders even though they did not have the printing equipment. As SD said, *"We successfully persuaded him to pay a deposit which was our seed money to finance that order because there were two of us telling the same story in different ways."* Without production capacity, PD had suggested that they outsource 100% of all production. PD explained how they implemented a novel concept in a triangular modus operandi, which needed a three-man team to be feasible. According to the '*zero-production*' strategy, a strategy by which all production was to be outsourced;

"FD would remain in the office faxing orders to Harare. SD would be in the field sourcing orders and I would be in Harare attending to orders-in-production. Each of the three roles was indispensable for the functioning of our three-man organisation and none of the roles could be deleted in the set up. At this stage we had no resources and so we could not recruit but we had to organise ourselves to cover all the key areas on our own," said PD.

Whilst PD and SD were out marketing, FD remained in office to handle finance and administration as well as attend to walk-in and phone-in clients. On the back of his previous experience, FD also started developing business systems;

"When my colleagues were out, I was already busy drawing up the systems for administration and accounts and I also attended to customers. I started to lay down administrative and computerised accounting systems as soon as I had found an office in July 1997. By December 1997, I had already established budgeting and budgetary control systems. We prepared our first annual budget in December 1997 on the format, which we are still using today. I literally migrated with administration and accounting systems from Manica Pinters where I was doing the same job. We are using a full ledger-based computerised accounting system which I installed in November 1997."

Acquisition of the First Printing Machines and Vehicles (December 1997-February 1998):

Without in-house production capacity, the team stood to lose their market to their Harare suppliers who were now following up Print's clients and, in addition, were delaying production and demanding payment upfront. Relying entirely on outsourced production, the team was therefore not going to meet the growing demand from both the local market as well as from new geographical markets. Accordingly, they decided to search for finance to buy

production machinery. The acquisition of a Gestetner machine in December 1997 heralded the start of in-house production and the first employee, a printer, to whom some functions of doing could be delegated, was hired.

After failing to get finance from a number of banks, one of the team members (FD) said he felt hopeless and saw this as a dead end but the other (SD), suggested that they approach alternative sources. *"After trying a number of banks without success, I felt hopeless but SD said to us, 'Do not lose hope boys. We will get the money. Let's try Scottfin (bank)',"* said FD. As a team, they reckon that the manager of the bank believed them because the presence of the entire team overwhelmed him and they also convincingly presented their case from different perspectives. Of special note is that the entire team concurred that no one of them could have obtained the assistance from the bank without the joint involvement of the entire team. FD had this to say about the role of the team in raising finance to buy the first machine;

> *"When we approached Scottfin, we went as three men crying and we asked the manager to assist us; telling him of the fate of our families as we pleaded with him one after the other that the machine was a gold mine to us. Each of us was attacking the manager from a different angle explaining how we would not fail with this machine. None of us alone could have obtained that loan! We needed to have 'chiremerera' for us to be believed. (We needed to have some weight for us to be believed)."*

SD explained how the team had benefited from PD's technical expertise to identify and later to assess the machine;

> *"PD has an intimate technical knowledge of printing machines. He used this knowledge to make a search in the print media, identified a Gestetner machine and was able to assess the condition of the machine from a technical point of view. This being a second-hand machine, there was no room for error given the vulnerability of our company on the first fixed asset acquired from borrowed funds. In*

fact all our machines are second–hand and PD had to assess them first."

The team also relied on team cohesion to raise productivity and to honour their obligation to the bank as a way to enhance their credibility from which they then continued to get financial support. As FD reported;

"We encouraged each other to work hard and pay-off the bank loan. When we did that our credit rating with the bank went up and Scotfin became our assured line of credit. We were only able to provide security for our loans two years later when we bought new premises as freehold property. All that while, the bank supported us even though we did not have collateral."

Through collective action, the team accessed capital with neither collateral nor a previous track record. Further, the financing bank was also a non-traditional source of small business capital, which is normally provided by venture capitalists under equity take-up arrangements. The team's involvement in this case therefore had a critical impact in raising capital finance from a non-traditional source of small business capital. Later, the three also pooled their terminal benefits to buy more capital equipment and the first vehicles for business use. As PD confirmed, "*In February 1998, we got our terminal benefits and bought two business vehicles, two more machines and a plate burner for the darkroom.*"

SD also confirmed that;

"We needed more equipment. When we got our terminal benefits from Manica Printers we contributed equal amounts to raise US$5400, which we needed to buy additional equipment and our first two vehicles for marketing and deliveries. That helped us a lot because we could now easily reach out distant markets and meet rising demand."

As the business grew through the acquisition of new geographical and segment markets upon the commencement of in-house production, the organisation was promising to become administratively complex. On the basis of his prior managerial experience, PD foresaw co-ordination challenges. He recognised an opportunity to split the venture into three departments in order to tap into the diverse skills of the team through functional specialisation and his proposal was adopted. This was hardly six weeks after the venture had started. It must be noted that before then, the team was having a three-pronged modus operandi that in principle represented three functional departments, which are Sales, Finance and Administration and Production. This was only slightly modified upon the introduction of in-house production as confirmed by PD;

> *"We re-organised ourselves in December 1997 when the first machine came in and we then recruited our first employee, a printer. We had different skills and we could do best by setting up clear-cut structures and my colleagues supported my idea as the organisation was already showing up good signs of growth. We separated into three departments with SD taking marketing, FD taking up finance and administration and I set up production which was the new department and I also developed the systems for production scheduling, output measurement, order tracking and time management."*

In the absence of hired labour and management, the team themselves collectively created additional working capital capacity by foregoing and later delaying combined management salaries to support growth;

> *"In the early stages, we had cash-flow constraints as we had no capital to finance our orders and so we gave ourselves half-salaries. Later, when other people joined us, we gave priority to employee wages and the three of us would still get half salaries. We would then allow ourselves the balances later during the month*

after financing our orders and this eased our cash-flow problems. Demonstrate role of team by case examples," said SD.

FD also confirmed that;

"I remember (that) in April 1998 we set aside a combined sum of US$1350 from our wages. Each of us had to forego US$450 in wages to finance these orders for Firstel and Mambo Bookshop."

In this way, team member volition translated into capital resources.

Market Development (1998-1999):

The period 1998 to 1999 witnessed a phenomenal growth in the company's geographical expansion with SD creating new markets in Nyanga, Rusape and Marondera on the back of expanded production capacity under PD's management. This phase also heralded a surge in venture growth in terms of both business volumes and employment level. Within the same period, Print repositioned itself to successfully target the up-market by leveraging on the team's collective action, thus moving the company brand up-market during the venture's infancy. For the first time, the company profile was repositioned through being associated with reputable blue- chip companies. Team roles later became specialised although the team used *"to inter-change roles fluidly as necessary such that when PD was not there either of us (SD or FD) managed production,"* said FD.

As FD confirmed;

"PD and SD continued to team up on joint marketing missions in attacking either new geographical markets or blue-chip corporate prospects. What is interesting is that we were not well- known by then since we were only a new and small company, but we were still able to quickly attack up-market companies and we achieved excellent results. New customers came on board. This strategically repositioned the company brand to up-market status and the

market started to view us as a big company which enabled us to bid for large tenders."

The team therefore, once more, capitalised on the collective weight and on being a team with complementary skills, knowledge and competences to gain access and convince the elite decision makers in blue-chip companies and marshalled the courage to confront the targeted elite managers. As PD said, "*When we approached them as a team, we commanded respect and we easily got elite managers to listen to our case and decisions were made in our presence though in big companies decision-making is normally slow.*" The team also mentioned that experiences in the market were sometimes demoralising, for example, if they were given a cold shoulder. Being two gave them the courage to laugh off the experience and they would vow to re-attack the same prospect or keep going until they could get at least a catch for the day. Alone, one of them confessed, it was easy to give up and look for a job;

> *"Even when we got a cold shoulder, we would laugh it off when outside and then encourage each other to come again and we would of course go again. We occasionally met with such experiences. If it was one person I tell you one would feel dead demoralised and would certainly lose step when walking out of those big offices. I can remember when we were turned down by giants like Border Timbers, PG Mutare and Forestry Commission but we kept going there until we finally got them on our customer book,"* said SD.

In this phase, which was mainly the creation of new markets, SD identified most of the market opportunities and co-ordinated activities in sales department. PD supervised production and prompted the need for additional machines when necessary, usually recommending the appropriate machine to be bought. FD who managed administration, finance and accounting would do cost-benefit analyses to inform team decision-making whenever new machinery was considered for purchase or whenever opportunities were too ambiguous to assess heuristically.

As SD put it;

> *"My job was to find markets for our products and to co-ordinate activities in sales and so in 1998 I took the company to Rusape and then to Marondera, areas which I knew were sleeping markets. In 1999 I saw opportunities in Chipinge and we opened a sub-branch there. I appointed sales officers to take care of each of these markets but I have always followed them up and they submit weekly reports. Every quarter each of them comes in this office to meet all of us for a performance review."*

PD further explained how the team complemented roles during that wave of fast geographical expansion;

> *"Whenever growth in sales started to strain our production capacity I was the first to know. I carefully studied the type of orders coming in and that is how I could tell the type of machine that we needed and then advised my colleagues accordingly. In mid- 1999 SD's pace in new markets was threatening to strain our production capacity and so I identified two more machines, tested them and I found that they were in good working order. FD did the investment appraisal and we all agreed to buy the machines and our production capacity expanded."*

Focused on driving sales, in 1998, "*SD worked closely with a promotional agency to prepare for a high-profile launch which took place on the 15th of December 1998 at Holiday Inn Mutare,*" said FD. In PD's words, "*This was a watershed event which enjoyed national press coverage. From 1999, we started to print jobs from all over the country.*"

Acquisition of the Salner Exercise Book Printing Machine and the Creation of the Schools Market (2000):

The acquisition of the Salner Machine for exercise book production was confirmed by FD as "*the biggest development in the history of the company.*" The machine extended the company's product portfolio by adding lucrative lines such as exercise books, calendars, posters, examination and executive pads as well as fliers, among others, since "*PD technically adapted the machine to enhance its functional capacity,*" according to FD. A new surge in venture growth was thus set in motion through the creation of a new product market opportunity. The venture later introduced night shifts in the production department as demand exceeded supply and the top management team alternated to manage the night shifts. The workforce increased by eight and this was the highest employment rise in any single year since the company started.

SD had identified the opportunity for diversifying into related products/markets (exercise books) through his direct involvement in and responsibility for, marketing. He employed his specialist skills in marketing and carried out a formal research on the exercise book market. On the strength of this research he submitted a case for in-house exercise book production. PD identified and evaluated the appropriate exercise book printing machine in the print media, showed others and recommended the right machine for purchase. FD took up the idea and costed the proposed investment and anticipated returns using information on market demand from SD and the information on possible production capacity from PD. FD then applied his specialist expertise in finance and costing to technically appraise the investment. He then shared his computations and interpretations with the team and a decision to purchase the machine was made. SD's account captured this development;

> *"In (the year) 2000 I noticed that schools were mushrooming all over the province and that is when we mooted the idea to buy the Salner A4 machine for printing exercise books. I did a thorough research and established that there were over 1200 schools in the*

province and no one else was printing exercise books locally and yet the market was getting bulk supplies from as far as Harare. PD looked for the right machine, assessed and recommended the Salner model for purchase. FD did the cost-benefit analyses from the information we provided. I gave information on forecast demand and competitor prices and PD confirmed the type and quantities of production inputs. He (FD) knew unit costs for inputs off-hand and so he immediately did the project evaluation calculations during our lunch break as we were discussing the subject and we made the decision (to buy) there and then."

After the acquisition of the machine, PD discovered that the machine was being under-utilised as the venture had excess production capacity. This was more obvious to him than any of the other directors who were involved with other responsibilities. He shared his observations with the rest of the team. SD felt challenged and devised strategies to expand markets to exploit the excess production capacity. In his words;

"PD was concerned that he was running the machine well below capacity and he was repeating this over and over again in most of our discussions. It worried me eventually, rather it made me feel guilty because I had long assured my colleagues that we had a waiting market and this was why we had decided to buy the machine. I therefore immediately re-focused my sales team and we started to visit schools. In three months, orders for exercise books began to congest the production line."

So much did SD's new strategy induce a new wave of market demand that PD soon recognised that the production capacity was gradually becoming inadequate. He proposed the idea of a full night shift and FD costed the implications and he recommended a shift of four people during the night, as a full-house shift would have meant us paying idle time for some of the employees in the production chain. This proposal ensured optimal resource utilisation that could have been missed without such input from FD. FD also

summed up the events around the introduction of the night shifts following SD's new initiatives in sales;

> *"SD opened up a floodgate of orders from schools and because PD could not cope, he (PD) came up with the idea of introducing night shifts. PD wanted full night shifts but after I had costed the whole idea, everyone agreed that we could do well with a shift of only four people for profitable runs. It has been easy to manage the night shifts because we (the three directors) rotate to manage these shifts."*

As the trio took voluntary turns to supervise the night shift at no extra cost to the venture, PD summed up the reciprocal undercurrent which urged members to go the extra-mile by saying, "*When contributing to the success of the team, each of us believes that he is not losing out and so the battle is to try and outmatch one's colleagues in terms of personal contribution.*"

In this way, the team introduced exercise book production in the local market thereby opening up an opportunity to exploit first mover advantages. As may be noted from the above, the processes of opportunity identification, evaluation of the idea to buy the machine and considerations for introducing the night shift were circumstances encountered by the team at different stages and which were effectively addressed with specialist input from all the team members. Strikingly, the adoption of advanced and sophisticated management techniques, in a three year-old venture to resolve both management and technical challenges, shows a creative dimension that was only enabled by the pooling of diverse in-house skills, knowledge and competences at different stages as events evolved. This also facilitated fast decision-making and implementation.

The Setting Up of An Agency in Chiredzi (2000):

The establishment of an agency in Chiredzi saw the company's brand assume national recognition by entering the greater south-eastern region of the country. This move represented an innovative dimension in small firm growth generally as Print set up an independently-owned agent which was to trade its products in the South-Eastern region as Lowveld Merchants (Pvt) Ltd. Print facilitated the setting up of the agent's business and provided stock on credit at its own risk. The prospective agent was unknown to the team and did not have a business history. He only held a passionate business idea.

As PD expressed it;

> "*This opportunity to reach this geographical market was also to exploit the under-utilised production potential following the acquisition of the exercise book printing machine and the subsequent introduction of the night shifts.*"

In this initiative the venture team acted creatively as venture capitalists, strategic partners and consultants to an emerging entrepreneur as a way to reach out to new markets and increase sales volumes for growth. Being a team did not stop the move but helped in tightening up systems to reduce the possibility of future losses on the initiative. The decision to implement the move was risky but the exchange of ideas from multiple perspectives and the integration of multi-disciplinary roles facilitated the putting in place of risk-minimising strategies.

The opportunity presented itself when an unknown man from Chiredzi came up with the proposal. SD was quick to see the opportunity positively as he said, "*I started to persuade others to adopt the proposal because this part of the country was in my plans as the next port of call.*"

FD was however cautious because of the apparent risks involved. On the background of his skills, knowledge and competences in finance, FD conducted a scenario planning on the company's cash flow. In his analysis, he aligned himself with the worst case scenario, which reflected a crippling impact on the company's working capital should the prospective and inexperienced agent fail. He explained how his position informed the team's next steps;

"I differed with my colleagues head-on. Firstly, the worst case scenario was highly probable. This was a stranger from nowhere sweet-talking us to part with huge quantities of stocks on credit. Secondly, the man had no experience in our trade. I did my calculations and convinced my colleagues that the probability of a crippling financial loss and a cash-flow hiccup in the adventure was real unless we took tight measures first. However, I agreed with them in principle that the idea made business sense only if we could eliminate the foreseeable risks prior to moving in."

SD explained how the team collaborated in the different specialist areas to reduce the risks associated with setting up and running the agency;

"PD and I conducted a due diligence exercise jointly and so we went to Chiredzi. After our assessment, we also concluded that FD's concerns were worth addressing and we therefore took the necessary steps to reduce the inherent risks first. PD advised the new agent to set up administrative and bookkeeping systems and I coached him on appropriate marketing approaches with emphasis on the direct sales strategy and achieving fast sales from exercise books by targeting schools in order to build a name. FD spent time with the agent giving him guidance on pricing issues and

determining the break-even-volumes which he needed to sell in one month for him to start making a profit."

PD confirmed further measures, which were adopted in line with FD's recommendations;

> *"FD designed some minimum monitoring mechanisms. These included routine monitoring arrangements to ensure the reduction of risks, checks on such matters as debtors' list and analysis of business operations among other things. A strict 30-day credit facility was put in place and this has been honoured since then. SD was to visit the agent twice a month on a surprise basis and also bring back to us a full report on the operations of the agency. These arrangements are still in force and we call the agent here at least four times for performance reviews."*

Such team behaviour represented a creative approach to seizing a '*walk-in*' opportunity for expansion because the use of independent agents as a mode of product distribution and market expansion is more often than not associated with established organisations. Secondly, it is uncommon for a small firm to fully finance the setting up of an independently owned agent. Thirdly and also surprising is that the venture was able to conceive of a unique way to assist an emerging entrepreneur of whom they had no previous knowledge, and who had no trade references, in a manner that ensured adequate risk management. Fourthly, the team created an independently owned venture as a way to reach new markets and grow. It may be noted that the team exchanged diverse perspectives, knowledge and information in order to evaluate an opportunity and complemented roles to minimise inherent risks and thus resolved the dilemma of entrepreneurial growth and risk management in a creative manner.

Problems along The Way and Consolidation of Growth (Year 2001 -2002):

In February 2001, the company acquired an A3 printing machine and as per established practice, PD identified and assessed the machine and FD evaluated the proposed acquisition before the team made the decision to buy the machine. In the same year (2001), the team capitalised on PD and FD's networks to minimise the impact of problems, which surfaced in production. The entire printing industry experienced severe shortages of imported production paper, spares and other material inputs because of foreign currency shortages, which had become a national problem. Because of that, many printing companies had closed down and a good number of them had scaled down their operations. PD explained how member networks have since been rescuing the team as;

> *"FD's cousin who works in South Africa has been sending imported material like spirits, benzene, bond paper, acetate toner, gloss ink, ivory board, magnetic ink, security paper (for cheque-book printing) and other specialised paper which has kept us running."*

Later in the year (2001) there was a major six-month breakdown of the Guillotine machine, which was bought in 1999. As the production supervisor confirmed;

> *"Once in a while we had minor technical problems but the only major one was in 2001 when the Guillotine machine broke down for six weeks but PD quickly sub-contracted our work to his friends in other companies."*

Because of his technical background, one of PD's major contributions has been in adapting and servicing production machines. According to PD, machines have to be adapted to enable them to print specific jobs;

"Most printing jobs are not standard and I had to be inventive all the time for us to do extra-ordinary jobs. If SD brought an order, I could not easily say "No" because that would discourage his efforts. I have adapted almost every machine in here. I have designed many tools after which I have sent the designs to the machinists. You can see that junk of home-made tools in that corner."

FD also confirmed that;

"PD was born an inventor. He has modified most of our machines several times to enhance their capacity and their functions. He has designed new work tools to do certain orders such as wedding bells and calendars that usually have unique features and may need customising. When we bought the exercise book machine, he modified the gears to do a double job per run after I had advised him that our profit margin was thin and we could reduce costs drastically if only we could cut the machine run time. When SD got a difficult order from Holiday Inn he also designed a dyer-cutting machine and a perforator since we did not have both tools. He sent the designs to Precision (mechanical engineers) who machined the tools."

The factory was also littered with a rich collection of the improvised tools which had been crafted or designed in-house and which were either occasionally in use or had been used before. FD explained PD's contributions in minimising production fluctuations by servicing machines in-house;

"PD services the machines regularly and we do not have to hire expensive people from outside for that. Technicians from outside can stop production for long periods of time just to clock in more service hours! It is rare for PD to spend a full day servicing a machine unless it is a problem of spares. The machine idle time here has been very negligible and that is why I classify the cost item under 'Miscellaneous Expenditure' in our books of accounts."

The year 2002 was uncharacteristically uneventful, with PD, SD and FD, as before, still complementing to manage the three functional areas of production, sales and finance and administration respectively and further consolidating the company's position across markets in a wide range of product lines. SD described in summary terms that, "*2002 was an excellent year in terms of business growth as sales shot to a record high in real terms*".

The Team Social Context:

The Print team can be described as one of equals cohesively bound by social, business and religious bonds. Every morning all the three directors assemble together with all the employees for prayers before any work begins. The members call and refer to each other affectionately as '*mukoma*' (brother). It was observed that they substitute for each other spontaneously when the other is not there. In terms of the team's equality in status, FD echoed the sentiments of the entire team when he said,

> *"There is equality and democracy here. No one is on top of the other. We have no hierarchy. Decision-making authority by even any one of us is not limited when the situation demands. Normally we routinely consult each other in decision-making and oneness takes us through."*

The three share the same office. Conspicuous is the absence of status symbols within the team's work environment. The three are equipped with similar furniture and all report to work in smart casual as if to emphasise the aspect of team equality, which is unequivocally confirmed by their equal shareholdings. Any two of the three can authorise a bank transaction jointly.

Sharing the same office, the team actively interacts on both routine and strategic matters on an on-going basis. This is so much the case that most of the decisions made, including those of strategic nature, go unrecorded, as

would inevitably have been the case with top management meetings. The only trace of such decisions having ever been made is by way of anecdotes in well-archived transactional records and human memory. All the three were observed exchanging ideas on how to creatively adapt products and some of the machines, how they could attack new markets or how they could handle customer concerns. Occasionally, it was also observed, they met with customers together.

Through such interaction, members reviewed departmental performance once per week and exploited forces of team cohesion and peer pressure to keep member drive for performance high. One such intra-team discussion captured during the study exposed how the team capitalised on these social forces within a culture of openness to objectively evaluate peer performance;

> PD: (quizzing SD) "*I have noticed that your current report reflects that you did not visit some of the big prospects which you had promised us according to your plan of last week because St. Michael's High School and Timber Kings are missing in your report. Have there been any problems?*"

> SD: "*You are right on that. We failed to see them both but we certainly replaced the two with Bonda Mission and Mutare Millers, as we could not secure firm appointments with those initial targets. In fact there are about seven names we missed in terms of our original plan but we replaced them all and added about two more as extras. You may also have noticed that our actual sales from new customers exceeded the target we all agreed on last month! We expected you to query it that is why we made up for that in the figures.*"

> PD: "*Really? I had not realised that. You seem to know the gun I was carrying for you! You demanded that I increase production of commercial stationery a fortnight ago. Didn't you?*"

Such reviews touched all departments including production and finance, a practice that helped to maintain fiscal discipline and targets in all departments well co-ordinated.

CHAPTER 8

THE ROLE OF THE VENTURE TEAM IN GROWTH: A CASE STUDY OF INSURANCE

Introduction:

This is a case study of Insurance, an insurance venture, which tracks the emerging issues in the creation and growth of the venture and how the venture team made sense of and responded to these issues. These events took place between 1996 and mid-2003. The report comes out of data collected through interviews, written records and, to an extent, observation during a six-week in-company study during the year 2003.

The case first explores the processes of assembling the founding team; the development of business plans; raising initial capital; market penetration; and the early processes of institutionalisation. This is followed by an account of the team generating social forces for competitive activity in selling; organisational growth by acquisition; the development of the farm insurance portfolio which is followed by an aggressive refocus to commercial and industrial insurance in anticipation of heavy losses in farm insurance. After this are details of how the team weathered huge claims on the farming portfolio; the processes of new product development; other developments; and the social context before a chronology of events table is presented.

Note:

The terms '*venture team*' and '*top team*' are used interchangeably in this report. The word '*venture*' and '*company*' are also used interchangeably when referring to Insurance. In all cases the words are used clearly as to what is being referred to. Such alternations are usually hard to avoid as they are influenced by usage context and moreover, the other terms are rare in common usage.

Company Background:

Insurance is a 100% locally-owned short-term insurance company founded in 1998 by a team of two black men and two white men who had worked together for over eight years at AIG, another short-term insurance company. Centre, a black man by then 47, *"initially came up with the idea to set up a growing short-term insurance company," (Centre)* during his four-year study and working stay in Germany (1990-1994), he personally confirmed. He only started to consider the idea seriously towards the end of 1996 and the team was assembled in December 1996. An associate of the Institute of Insurance, by 1998 Centre had 23 years of experience in the insurance industry, four of which had been spent in Germany (studying insurance and working in the insurance industry). He had special capabilities in new product development as well as a good knowledge of insurance operational systems. Centre held a first degree in economics, a diploma in management and another diploma in short-term insurance and re-insurance.

Chartered, another black man by then aged 34, was a chartered secretary with 12 years experience in insurance as an accountant. He had a fair knowledge of information technology based on previous experience. He was *"exceptionally good at maintaining strict financial discipline within the team when everyone else appeared quite unconcerned about expenditure,"* observed the Operations Assistant. The Claims Assistant described marketer, a white man of 46, as *"technically knowledgeable in insurance and a man of good connections."* He was also an Associate of the Institute of Insurance who, for two years running, had been the president of the same institute. He had 23 years experience in the insurance industry where he had handled all classes of insurance business including farm, industrial and commercial insurance. Engineer, by then aged 39 and also a white man, held a first degree in engineering and had 17 years of insurance experience as a risk assessor.

Engineer left Insurance at the beginning of June 2001 and Marketer left in January 2002, following the split of the team over a failed hostile takeover bid

by the lead institutional investor. Centre and Chartered continued to manage the organisation at the top after these departures for some time. Marketer was replaced in the last quarter of the year 2002, by an assistant manager of operations, appointed in 1999 through Chartered's connections (to assist Marketer). The assistant manager of operations joined after he was jointly persuaded by Chartered and Centre. A manager, a qualified engineer with insurance experience, filled engineer's position in 2001. The latter was the manager of engineering at the time of this study.

At the time of the study, the top team comprised Centre as both the leader and the director of new business development and new product development. Chartered was the finance director and he was also in charge of human resources, administration, company secretarial services and management information systems (MIS).

This study is particularly interested in the role of Centre, Chartered, Engineer and Marketer as the venture team.

The share capital structure had FML as the single largest investor, with 45% equity stake. Middle management and employees held 15% and the venture team held 40%. The company's portfolio covers agricultural insurance, motor vehicle insurance, marine hull/cargo insurance, personal short-term insurance, commercial and industrial insurance. As of April 2003, farm insurance was contributing 60% whilst the combined commercial and industrial insurance portfolios were contributing the remainder to the gross monthly revenues. By the end of the year 2002, Insurance was the market leader in farm insurance countrywide. By the end of the year 2002, the company was number 4 out of 15 short-term insurance companies in terms of sales and asset base. With an employment level of 113, within this figure are the three top managers and 18 middle managers. Below, Table 11 reflects key statistical performance data for the company.

Table 11

Insurance: Performance Statistics.

(Sales in US$m)

Year	Sales	Employment Level
1998	30.1	26
1999	40.88	41
2000	80.97	67
2001	110.11	83
2002	150.12	113

The company's head office is in Harare, Zimbabwe's national capital. Insurance operates only in Zimbabwe and has two branches in the cities of Bulawayo and Mutare and a third one in the town of Masvingo. Plans were afoot to open up another branch in the town of Gweru in the year 2003 as well as to set up operations in neighbouring Mozambique during the course of the year 2004.

Industry Context:

Short-term insurance products run for a period of 12 months. By April 2003, there were 15 players in a highly competitive market as most of the companies offered standard and undifferentiated products. Relationship management with brokers is a critical success factor in an industry in which insurance brokers link customers to the business in the majority of cases. From the mid-1990's the financial sector was deregulated to allow indigenous players for the first time since the country's independence from British colonialism in 1980. Insurance was the second such company in the insurance industry in which all the other 14 were foreign-controlled and white-managed. Insurance emerged when the market was sceptical about indigenous entrepreneurship in general and even more so about indigenous insurance.

From 1999, there were socio-political disturbances on the farms. The national land reforms then had the large-scale commercial farmers replaced by the small- scale farmers whose insurance needs were different from those of the previous farmers. Criminals took advantage of the transitional disturbances. This heightened during the end of 2000 until early 2002 and insurance claims on stolen and vandalised farm property rose drastically. Insurance remained in farm insurance throughout that period though many of the established competitors had quit farm insurance during this period of time. The venture enjoyed first mover advantages when the situation normalised in the year 2002.

One of the critical success factors in the industry is relationship with brokers;

> *"We do not deal directly with the market. Professional brokers have the time to attend to customers. There is an interface of brokers, sole agents and multiple agents between the customer and us. Most brokers operate under independent licensing. Sole agents (brokers) operate exclusively under the licence of the insurance company engaging them and this practice is rare in this industry because brokers want the freedom to spread their opportunities by dealing with several insurers without restriction..,"* explained the Manager, Commercial and Industrial.

Table 12 is the chronology of events.

Table 12

The Chronology of Events

1994-1996------- Marketer remotely considers venturing into insurance.

Dec 1996-------Assembling team and concept development.

Feb-March 1997------ First search for capital finance.

Sept 1997-----Start-Up aborted.

Oct 1997-Jan 1998---- Second search for capital.

April 1998---Board of directors appointed.

May 1998---Insurance commences trading.

May 1999----Bulawayo branch opened.

July 1999------Acquisition of AIG farm portfolio.

July 2000--- Agricultural and Commercial & Industrial split into two unit.

October 2001-----Acquisition of Unit professional indemnity portfolio.

Feb 2001-----Mutare branch opened.

September 2001------Masvingo branch opened.

2001-2002-----Farm crises.

January 2002-----FML pulls out as shareholder and two team members leave.

March 2003----Masvingo branch opened; another to be opened in Gweru and plans for going into Mozambique in 2004 afoot.

Assembling the Team (December 1996):

Centre, the idea initiator, thought of assembling a team of multi-disciplinary experts as the only way to realise the idea of setting up a short-term insurance company;

> *"As my vision was big, I thought of who I needed as part of the team. Insurance is an extremely complicated business. You need people with diverse skills. It is totally, totally impossible for one person to set up such a business. It is impossible."*

Centre elaborated on the list of the specialists needed at venture founding and his expected role;

> *" We needed a technical guy to be in charge of MIS (Management Information Systems); we needed a financial expert; we needed a high-profile marketer; we needed an agronomist with an insurance background; we needed an engineer with an insurance background; we needed an underwriter. Though I had underwriting experience, I knew I would not have the time to do all that. I needed to focus on new product development. I first co-opted Marketer who was my boss at AIG where I was a general manager."*

The initial team of two played an important role in attracting other members of the top team and one other middle manager. As Centre put it;

> "*We knew our pattern of personal relationships within AIG and we were aware who, of the two of us, could talk to which individual. The fact that the two of us were already together on the project was particularly important.*"

Chartered also confirmed that, "*Centre talked to me (a black) and Marketer talked to the engineer (that is Engineer), and the manager of management information systems (both whites)*." Of special note is the fact that skilled human capital was attracted by the existence of the initial team in a context in which failure to assemble the initial team could have aborted the venture creation process.

The Development of the Business Concept and the Business Plans:

The development of the business plan was a team process drawing from the team's diversity. As Chartered, the chartered secretary who was responsible

for financial planning and company secretarial services from the pre-organisation stage put it;

> *"Marketer, Centre and Engineer did the business planning proper in terms of the products, market segments and our strategies. Although I assisted with developing the corporate strategies, I translated the business plans into financial strategies and financial plans. Key questions were, 'What resources do we need? How can we even out our cash-flow forecasts so that we will never experience cash deficits especially in the early stages before revenues become steady? What options for raising capital resources do we have?' "*

Centre gave his succinct version of the planning process;

> *"We first agreed on the areas of focus and discussed the core ideas before we split the task in terms of our capabilities. Marketer developed the farm insurance plan. Engineer did the commercial and industrial strategy and I worked on the new product development strategy. Chartered developed the financial plan from the consolidated business plan."*

Chartered explained the role of his specialist background in the process;

> *" I already had a strong background in finance at Zimnat and at AIG (insurance companies) and that helped much. I suggested to my colleagues the various financial options we could possibly pursue to raise capital. After a careful consideration with everyone involved, they took my advice to raise share capital from institutional investors instead of debt capital, which is both expensive and risky. We then walled our story with tangible facts around a model for farm insurance, commercial insurance and industrial insurance."*

Raising Capital (1997-1998):

In raising capital the team was a source of investor confidence. As Chartered explained;

> *"Remember (that) at the beginning, there was no company to talk of, there were no financials to show out. We sold to potential investors a credible story by selling ourselves first as the persons behind the idea. We were selling this project to prospective investors most of whom knew nothing about insurance and therefore they had to be assured that the management team was broad and competent enough to implement the idea. In the project proposal, we had clearly articulated each of the persons involved as a special person in his own right and their role in the project."*

Centre provided the necessary networks to capital as he said, "*I had the platform and I knew whom to contact when we wanted to raise the necessary capital.*" Chartered further explained, "*When we had put our plans together, we started courting selected investors by making joint presentations. In our presentations, I would explain the financial strategy and the others explained the business and operational strategies.*"

According to Centre's version;

> *"Marketer explained the farm insurance strategy and Chartered the financial strategy. Centre explained the new product strategy and Engineer explained how his role was to cross-cut all business portfolios. This was how we had prepared the business plan so each knew his area best."*

Following these joint presentations, a venture capitalist institution, Takura Ventures, expressed interest in providing the necessary initial capital. On the 1st of September 1997, the team comprising Centre, Marketer, Chartered,

Engineer (the venture team) and the manager of MIS and two clerks were in office, preparing to commence trading on the 27th of September 1997.

There was an unfortunate development, as Centre explained;

> *"When we then called up Takura for finance, events were disturbing at the eleventh hour. Rick Phillis, a Briton who was advising Takura Ventures, advised them that they must stop supporting our project citing the unsettled socio-political developments in the country."*

Centre further explained how they re-started the process of searching for capital;

> *"I then came to know that First Mutual Life (FML) (life insurers), were looking for an opportunity to tap into short-term insurance investments such as P.A.C. (personal accident cover). I realised that this was also an opportunity for us to wedge our project into their plans by selling the short-term insurance idea to them. I then met the CEO of FML who was my long-time acquaintance and sold him our idea. He also saw synergy in our proposal from their angle and we were asked to make a presentation to their board."*

FML agreed to come in as the single largest investor on the team's condition that FML would not take up the entire shareholding, then or in the future, as FML were keen to do. Further to that, 40% of the shareholding was to be reserved for the venture team who were expected to pay for the shares over three years out of their annual bonus entitlements. The rest of the shareholding was to be reserved for middle management, employees and other lesser institutional investors.

Market Penetration (April-June, 1998):

Two external factors complicated market entry. According to Chartered;

> *"The industry was going through a period of structural re-organisation; mergers, acquisitions, liquidations and strategic alliance as companies sought to strengthen their competitive muscles with others going extinct. From inception, we had to fight for a position."*

As the underwriting assistant further confirmed;

> *"When we started, the first indigenous insurance firm, Solid Insurance Company, had just collapsed at the age of two (years). The market perception of indigenous insurance companies had thus been dented and this made our experience a tough one."*

Marketer's networks facilitated market penetration;

> "*We got business through relationships as Marketer was well connected across the insurance broking fraternity where he had previously worked in the eighties. Relationships with brokers in this business are always critical. Moreover, most broking firms are still controlled by whites and that is how Marketer came to have the advantage,"* the Claims Assistant confirmed.

Centre explained the conduct of initial marketing activities with him leading the team;

> *"For the first three months, we were going out to brokers as a team. I would say 'you may know these gentlemen already. These people are now Insurance (the new company) and so let's do business.' I was selling what was inside the person. We convinced brokers that we were going to trade differently. When they asked me more*

questions, I would tell them 'You talk to Chartered on that; you talk to Engineer on that.' Business immediately started to flow into our offices through the brokers and we started to recruit."

Giving his own perspective of the marketing activities, Chartered said;

"We started going out marketing as a team. The idea was to profile the company as a whole since we were starting and people derived comfort from meeting us as a team and treated us with more respect than they would have done in the case of any one of us alone. The likely question, 'Who else are the other people in your management?' was never asked because we were all present."

Chartered explained how the surge in early work volumes stressed Marketer, then underwriting, with team mates suggesting solutions;

"I remember one day Marketer saying, 'Gentlemen, do you want to kill me? We all enjoyed the question and we chanted him that popular song, 'Ndiwe wakazvitangira wega!'(It's you who triggered the gun (starting a company), so don't cry foul beloved!). I answered him, 'Recruit!' Marketer then recruited two more underwriters in June 1998 and pressure eased on him."

The team formation is reckoned to have positively influenced market perception in a context in which, "*The market was already mature. In insurance industry we had standard products so we had to build market confidence at a certain threshold first to be accepted as both new and different,* " as the Marketing manager said.

Centre went further to demonstrate how the team was an epitome of a brand of a kind;

"Even if Engineer was later to prove incompetent or lazy, the mere inclusion of an engineer in our team instantly established Insurance

as an insurer of engineering risks in the minds of the brokers when the company was starting. Apart, right from the start, we had members of the affluent white community in the team as a strategic move to access that market and also to profile ourselves as a strong brand in the eyes of the market."

Probed further on Marketer's early role, Centre added;

"Most brokers are still controlled by whites. Marketer connected the company to Hinderson Insurance Brokers where a close and influential friend of his, Maxwell, was working. He also connected us to Insuraserve, a white-managed firm. These were our very first customers. We could not have instantly broken into the "The Big Five (top class brokers) the way we did if we had approached them as individuals or as blacks only."

The Structure of Responsibilities and Processes of Institutionalisation (April 1998 –August 1998):

According to Centre, *"Marketer was technical. His job was to underwrite all classes of business. He managed the operations division which administered farm, commercial and industrial insurance as one unit before we split the division into two at the beginning of the year 2000."* In turn, *"Engineer assessed all engineering risks which cut across all classes of business,"* said the Manager, Commercial and Industrial Unit. Chartered explained his portfolio of responsibilities;

"When we started I was responsible for Finance and Administration, HR (Human Resources) and MIS (Management Information Systems). I was also the company secretary. All this was lumped under corporate services. I was responsible for budget monitoring and the budgets we had done earlier were our operating tool. I validated the pricing structure of all company products. Solid

(Insurance Company) had collapsed because of under- pricing and my role was to check against that here."

As Chartered confirmed, during the initial stages, "*Centre and I focused on building the structures and systems to strengthen our business.*" Centre explained how systems came to be an important issue from the beginning;

> *"We did not want to compromise our vision and we wanted to put the business on a highway for growth as early as possible. The insurance business involves sophisticated processes and sub-processes, the processing of huge amounts of data, which has to be collated and correlated. Any one would have started a company like ours without systems at their own peril."*

Accordingly, the development and installation of the MIS system was one of the first tasks to be finalised soon after start-up. Chartered, who headed MIS, described his role;

> *"When we started, I had long identified the MIS system at PMU (the vendors) and we all agreed to buy it. We already had the MIS manager in our fold to help us implement the system. I gave him the business perspective and he had the technical perspective. I first discussed with all my colleagues what we wanted the system to deliver and I then worked with the MIS manager to develop the system. At different stages, I involved some of them or all of them depending on the settings we were installing. I worked with the MIS manager to load the data into the system until everyone was satisfied that the system had been well-configured."*

Marketer's role demonstrated those instances when Chartered called for the close involvement of another member of the team too;

> *"Marketer worked with the MIS manager to insert schedules into Policymaster (the software). He put the insurance risks into*

classes, sub-classes and risk lines in order to be able to monitor risks in each category and he then coded the classified risks into the computer system. He also did the proof-reading of the insurance documents generated by the computer. The first policy was issued in May 1998 and the directors then studied all reports and the functionalities of the system. The directors then tested the system together before each of them signed a certificate of having conducted the initial reading and the final confirmation of settings," explained the Manager, Commercial and Industrial.

Apart from the installation and development of the MIS system, Chartered and Centre took primary responsibility for developing operational systems, policies and procedures during the early phases;

> *"Centre and I were responsible for the formulation of policies for Accounting, Administration, Operations and Human Resources. We completed most of this task within the first four months of trading. Though it was the two of us who actually drafted these documents as final, Engineer, Marketer and the MIS manager had their input in particular areas. They knew other areas better than we did and so we could not do much without their contributions. They also reviewed our work during the weekly management meetings."* Chartered explained.

The marketing manager, who was working with Engineer then said, "*The engineering risks policy and operational manuals we are using today were the brainchild of Engineer although it was Chartered and Marketer who put them into black and white.*"

Pushing Sales Growth as Everyone's Responsibility (1999 and Beyond):

As the team came to be recognised in the market, sales growth was accelerated by competitive selling activities within the team. Talking about himself and his colleagues in selling, Centre said, "*I sold and they sold. We*

met every Friday to take stock of individual and team achievements and the sales momentum was always getting higher and higher. There was that pressure on everyone to be on top of the ladder." As a sales assistant confirmed;

> *"These people (the directors) were always talking with each other like brothers. We would find them in the staff canteen together talking business and planning and some times calling any one of us (employees) to their table to give information. We all attended a sales review meeting with them every Friday. At first it was usually Marketer and Engineer who reported good sales but with time, Centre and Marketer were reporting good sales too."*

Chartered confirmed how the momentum for sales generated competitive pressures for enhanced selling activity within the team. "*By the beginning of 1999 we were visible in the marketplace and it was then that Centre and I decided that, 'If Marketer brings in US$1 of new business, let us also bring in US$1 worth of business' and our sales graph steeped. We had our personal ego at stake and so we had to do something about it,*" he said.

Table 13 shows some of the insurance brokers who were connected to the company by the different members of the team over the period 1998-2001, apart from the many other customers connected in the same manner.

Table 13

Insurance Brokers Connected to the Company by the Team (1998-2001)

1998: Insuraserve (Marketer).
1998: First Choice (Engineer).
1999: Isaacs (Centre).
1999: UDC: (Chartered).
1999: Hinderson (Marketer).
1999: Eaton of Young (Engineer).
2000: Marsh (Centre).
2000: Hunt Adams (Chartered).
2000: MIB Glenrand (Marketer).
2001: Alexandar (Centre).
2001: Capitol (Engineer).

Developing the Farm Insurance Portfolio to Market Leadership:

The team complemented roles to build specialist competences in farm insurance and within four years of trading, they had become "*the largest insurers of farm risks in the market*," according to Centre. Marketer was at the centre of managing the farm insurance portfolio directly, because;

> *"He had years of managing farm insurance behind him at AIG. He knew much about the farming risks such as water-logging, new diseases and droughts the different regions of the country were prone to. He advised customers on farm insurance and farm management. He spent time with farmers and belonged to most of their social clubs. He could assess crop risks on the field and leave the farmer with a quote in his hands."*

Engineer's expertise in assessing engineering risks complemented Marketer's capabilities in assessing non-engineering farming risks to build unrivalled organisational capabilities in farm insurance. According to the agronomist, "*Without an engineer we could not have been able to competently calculate engineering risks. Engineer expertly assessed engineering risks in farm insurance and that put us on a strong footing to lead the pack.*" By continuing to draw on Marketer's networks, the venture team employed novel strategies to build market share in farm insurance. He engaged two whites, both of whom were his associates before, one as a consultant and one as a sole agent, with whom the team entered into separate five-year agreements. According to Chartered;

> *"Marketer engaged two whites; one in (the year) 1999 as a sole agent operating under our licence and the other in (the year 2000) as a consultant. Both of them were his long-time friends with whom he had worked in insurance broking. Effectively these people are marketers and they transferred customer relations to our staff. Both are still around in the company and they are well connected to the remaining white farmers and to the (insurance) broking houses too."*

Probed on the significance of the sole agent and the consultant to the venture's business, Chartered added;

> *"They account for over 20% of our gross annual premium revenues and they have offices here. Exclusive agreements of this nature are rare to strike and all it means is that the two's portfolios are a captive market for us, unlike business from most of the brokers who shift customers from one insurance company to the other all the time."*

Capabilities in farm insurance were raised when Centre's idea for them to have an agronomist in-house was implemented with the appointment in 1999, thereby making Insurance "*the only company in the insurance industry with an*

agricultural business unit and an agronomist," as the Operations Assistant Manager boasted. Marketer groomed the agronomist into an agronomist-cum-insurer thereby strengthening Insurance further into a powerhouse of farm insurance. The agronomist acknowledged that;

> *"Most of my knowledge of insurance came from Marketer. He knew a lot about insurance and he taught me insurance before he appointed me as the manager of the agricultural business unit reporting to him. As far as everyone knows, I am the only agronomist in the entire insurance industry and that is our strength in farm insurance."*

On the other hand, Centre focused on;

> *"...research and new product development; coming up with new products which superseded the traditional offers which were undifferentiated and had outlived their market demand with the emergence of the new breed of small-scale commercial farmers who were replacing the large-scale commercial farmers."*

The Acquisitions Of Competitor Portfolios (1999-2001):

The team's capacity to manage diversity in insurance bolstered the team's confidence to seize opportunities otherwise considered by established players as risks to be avoided. This lent credibility to Centre's boastful claim that, "*Where others see threats, we study the situation closely and identify how we, as Insurance, can wedge ourselves in that market profitably.*" As Chartered explained the developments, *"In the year 1999 AIG were going out of farming insurance because of the farm problems. We seized that opportunity and took 90% of their business and our gross monthly premiums grew then by 46%."*

On how the team had considered this to be a lucrative opportunity when other established companies thought otherwise, Centre had this to say;

"We were different. Our team had the capacity to deal with farm insurance from both a cropping to an engineering point of view and that is why Marketer, Engineer and the agronomist had a job here. Remember like I told you last week, I was developing new products and competitors were still struggling to push standardised products which wouldn't sell."

The decision-making process, in which asset quality and the offer price were important considerations, was also accelerated by the fact that the team members readily provided real-time information from multiple sources.

According to Centre;

"Chartered advised the that, as far as he could recall AIG had a debt ratio of 20% of their annual gross revenues against an industry average of 15% and Engineer advised us that AIG had been warned by the Insurance Institute, industry watch-dog against underestimating lightning risks, on modern computerised technology used on farms, by about 8%."

Centre also explained how the valuation and negotiation for the farm insurance portfolio was carried out;

"We appointed two of us, Marketer and Chartered, to do a valuation of the AIG portfolio on offer jointly. Marketer had a good knowledge of farm insurance and was a good negotiator. Chartered had displayed good skills in developing and evaluating financing options when we were considering our capital structure at the beginning. They completed this task in one month. The two had AIG accept quarterly payments of the purchase price over 24 months which translated into paying 55% of the purchase price from the acquired portfolio's 24-month revenue."

Centre explained how the two complemented roles in the opportunity evaluation process;

> *"It worked because they pressed AIG to accept quarterly payments of the purchase price over 24 months which effectively translated into paying 55% of the purchase price from the acquired portfolio's 24-month revenues. The deal sailed through in two months and it had a negligible effect on our cash outflows because the transaction, to a large extent was self-financed."*

Chartered explained how yet another acquisition opportunity was seized;

> *"A major breakthrough came by in 2002 when Unit Insurance stopped issuing professional indemnity policies. Their local offices had a directive from their overseas head office to stop indemnifying professional risks as that class of risks had lately been listed under uninsurable risks by many companies in overseas markets."*

Centre further explained the nature of professional indemnity risks and its impact on the business;

> *"Professional indemnity covers architects, auditors, brokers, lawyers and the like. We saw it as a profitable opportunity and decided to acquire the portfolio. To date, we have never received even a single claim on this class of business. In fact our revenues grew by 8% at the time we took over the portfolio."*

He explained the team's motivation to seize the opportunity;

> *"Engineer could assess and manage risks on civil works and Centre could assess other classes of professional risks, which Engineer could not, because he (Marketer) had done that kind of*

work in Europe. In our considerations we also assessed our market context."

Chartered added that;

"Remember, Centre left Germany in 1994 and when we considered the Unit case he hinted that by then (1994), professional indemnity claims were alarmingly on the increase in Europe. We all concurred that the situation was different in this market because there was no sign that professional indemnity risks were in any way getting out of hand."

In a somewhat similar move, in the same year (2001), the team opened Mutare branch by taking over the failing business of an independent broker. Chartered had a critical role to play in integrating the acquisition into mainstream operations after which Engineer exploited the commercial and industrial opportunities in that market. As the assistant manager in charge of operations confirmed;

"Our marketing manager met with an independent broker in Mutare who wanted to surrender his book. The broker wanted us to employ him for a year as our manager whilst he was transferring his book to us before he could leave the country. We agreed to the idea and he operated both as our manager and as a broker. His was only a case of financial mismanagement as he was at that stage remitting insurance premiums well after the statutory 120 days and he risked losing his brokerage licence."

As the agronomist explained Chartered's specialist role in the process;

" Chartered restructured the finances and in due course, he merged the agent's book with ours. The broker transferred customers from other insurance companies who were dealing with him to our books and this was the advantage we sought. The broker had a good command of the market and the arrangement

worked well until he left after one year. That was the agreed arrangement."

Chartered explained the particular contribution of Engineer and some of the risks met with;

"Engineer developed the commercial and industrial base in that market since Mutare is the national hub for the timber industry. Farm insurance business from timber plantations started to trickle in as well. The greatest hazard in plantation insurance is veld fire which can destroy large tracts of plantations, followed by thefts and wood pests."

Chartered elaborated on how Marketer dealt with the plantations risks;

"Marketer would go for field trips to assess the insurable risks on these timber plantations and give quotations on site. In the writing of insurance policies, Marketer was always particular about excluding the risks of poor plantation management and whenever a claim came in, he knew what records to demand in order to assess whether a claim was not due to poor management, which we do not cover. He also consulted the agronomist in need."

The agronomist elaborated the impact of Marketer's role in risk management;

"This saved us because plantations would have good revenues but are associated with high risks too, especially if specialist skills in farm management are lacking in the insurer. We now have about 15 plantations on our book and they rack in large sums of revenues for us."

Weathering Farm Problems (2000-2001):

At the end of 1999, after a number of initiatives had been taken to grow the farm insurance portfolio, including the acquisition of the AIG portfolio, there were socio-political disturbances on the farms, which rocked farm insurance across the entire industry. The team neutralised the potentially devastating impact of the farm problems by implementing team-based strategies to diversify risk and income; to study the market; to develop new products and to generate effective risk-minimising strategies. The agronomist explained that;

> *"Over the period 1999-2001 we had bad losses in farming due to moral hazards. We had huge claims coming, which climaxed just after what we refer to internally as the 'August incidents (of 2001).'There were rampant thefts of aluminium irrigation pipes as criminals took advantage of the socio-political disturbances and the opening up of the scrap metal market in South Africa. There was an unprecedented incidence of cases of burglary and thefts of farm property."*

Centre explained how the team was unsurprised and had long planned for the eventuality;

> *"This did not catch us unaware because Marketer had suggested that we pull out of farm insurance when the very first minor farm incident was reported in Chinhoyi in 1998 and we seriously considered pulling out of farm insurance at that point. We had seen the writing on the wall."*

Centre further explained the rationale behind their decision;

> *"We noted that we had the capacity to implement strategies to overcome the possibility of meeting with increased farm insurance claims any time in the future because we had specialists in both top and middle management and so we could take advantage of that.*

We shifted our focus to the commercial and industrial market so that should farm insurance claims soar, the commercial and industrial insurance base would subsidise the farming portfolio."

Chartered further explained;

"We then split the Operations Division into two business units at the beginning of (the year) 2000; the Agricultural Business Unit and the Commercial and Industrial Business Unit."

Probed on how the new divisions were managed, Chartered added;

"Marketer, a manager for operations (appointed in 1999) and the agronomist handled the Agricultural Business Unit whilst Engineer, with the assistance of the marketing manager (also appointed in 1999 by way of promotion), managed the Commercial and Industrial business unit because Engineer could assess and advise on engineering risks which dominate commercial and industrial insurance. The Commercial Business Unit underwrites all business which includes industry, schools, cars, houses and belongings and contents."

Interestingly, this shift in strategic focus to commercial and industrial insurance was adopted at a point in time when the incumbent engineering manager (as at the time of this study), an engineer who joined the company in 2001, was laid off at another insurance company. This was "*because in 1999, our new chief executive then decided that industrial insurance was no longer viable because of the shortage of industrial spare parts due to foreign currency shortages and we were later laid off,* " as the current engineering manager said.

The marketing manager explained Engineer's role under the refocus strategy, which was a thrust to deepen the company's diversification strategy;

"From 1999, Engineer took direct responsibility for marketing and, working with the marketing manager, the two developed new strategies to market our commercial and industrial base vigorously. They put themselves close to our brokers and spent more time with them. They organised events. They introduced new products and schemes such as the Zesa Property-Personal Accident Link Cover, which made history in the market. Of course they also involved Centre who was at the centre of new product development. In the end, gross premiums on commercial and industrial insurance rose from 20% in 2000 to 45% by 2002."

One of the earliest successes in pursuit of the shift in strategy was Engineer's District Councils (county councils) Scheme, a concept that Centre developed into a marketable multiple-risk package. As the marketing manager said;

"The package covered property, personal accident, public liability, employee fraud and civil works contracts. We had guaranteed revenues from all the country's district councils and the package is now running in its fourth year of annual renewals."

Engineer focused on developing the commercial and industrial portfolio in anticipation of the farming portfolio experiencing a bad patch;

"Engineer educated brokers of our products and conducted periodic market surveys targeted at brokers to get feedback, and this gave us the raw materials for new product development and to re-formulate marketing strategies. He conducted feasibility studies for all the branches opened before he left and whenever we finally entered a market, we were certain (that) we had opportunities waiting for us," said the operations manager.

As the farm problems intensified in the year 2000, Chartered had a timely contribution to minimise loss;

"Chartered closely studied the MIS reports daily, assessing the business trends and comparing claims honoured by risk category. He suggested that we could reduce the value of potential claims on farm insurance by as much as 35% if we were to exclude the risk of theft of aluminium pipes. We heeded his advice and Marketer immediately issued letters to farmers restricting cover. He excluded political risks and the theft of aluminium pipes. He immediately sent out premium refund cheques related to the unexpired part of the (then) current term of the insurance cover. As Chartered had predicted, this precautionary step saved millions (of dollars)."

In the meantime, Centre was taking every step to ensure that as soon as the farming situation got back to normal, the agricultural portfolio would make good its losses with Insurance as the new market leader in farm insurance;

"I conducted research in different regions of the country. I established that the farming community was getting fragmented with small-scale commercial farmers replacing the large-scale commercial farmers. I discovered that the traditional products were too dear for the emerging market. I set up a team led by the agronomist who went out with brokers and banks into the field to come up with new products for the new market. We were the early bird and we caught the worm."

Centre went further to explain the outcomes of the initiatives;

"We were the first to identify the new market and to develop customised products for them. We came up with many Small Scale Farmers' Schemes such as Zimtobacc that combined traditionally separate insurance products now re-packaged into two-in-one and multiple-link products. These were cheaper from the customer's point of view and cost effective in terms of our marketing, delivery and unit overhead costs and we also got better margins."

Chartered explained that, "*When the farm problems ripped our income, we remained viable because the commercial and industrial portfolio subsidised the farming portfolio. We lost huge sums but we were prepared for it.*" The operations assistant manager confirmed that, *"By the end of (the year) 2002, we had the biggest portfolio of farm insurance in the industry. Our company came up to number four in the industry in terms of assets base, turnover and profitability."*

New Product Development:

From the beginning, Insurance had to be innovative in a market described as;

> "…*dead because all companies offer the same products, with the same features and names. When Insurance came onto the market, the majority of products were already on the market,*" according to the sole agent. These factors posed a threat to both initial market entry and growth especially for a young company. However, for Insurance, "*Innovativeness gave us the competitive edge on the market, with Centre as our pivot in that area. Brokers came enquiring for our products,*" the Sales Assistant confirmed.

New product development was a team-based process though Centre had his own specialist capabilities in that area. He had this to say;

> *"I went to Europe where I studied insurance for four years in Germany. I also worked with the American system of insurance under my previous employers. Insurance has been part of me and I only went to Europe to explore and reinforce in the field. I had an edge over all the folk in the industry. I could discuss certain technical issues to an advanced level of detail. I had the expertise. We therefore had what our competitors did not have. I had my own briefcase full of products and so I blended what I acquired in Europe with the knowledge of my colleagues and we came out tops in new product development."*

Centre then explained the roles of the entire team in new product development;

"I could first come up with my own idea based on my knowledge of the field and the market. However, on several occasions the original ideas were not mine since my colleagues always suggested something for me to work on for their particular market segments. We discussed these issues both informally and formally. I would then do the research and we developed custom-designed schemes in farm insurance where radical changes had shifted the patterns of demand. I would dig deep into my colleagues' brains. I used my technical knowledge to turn the agronomist's knowledge of agriculture into insurance products. Engineer would estimate engineering risks and Marketer estimated farming risks."

Centre went on to explain how the different members of the team spurred new product development in their specialist areas of expertise;

" For farm products I got a great deal of input from Marketer and for commercial and industrial products Engineer provided the core ideas which I only developed. Chartered validated our costings because we did it from an insurance point of view and he did it from an accounting point of view using formulae for standard returns per product. In most cases, Marketer would always act as the devil's advocate, always adding a restrictive clause or two to exclude some risks or advising farmers how they were expected to behave under the respective policy cover."

Centre acknowledged the role of Engineer in developing both products for farm, commercial or industrial insurance;

"Then Engineer advised me on all aspects that were technical from an industrial point of view in terms of inherent risks and their

probabilities and weighting. Engineering cuts across most of our functions because engineering is part and parcel of farming. It is the heart and soul of commercial and industrial insurance where engineering risks are the core business. Engineer advised me on the probabilities of lightning risks on farm equipment such as computers. He could warn me 'Hachibatwe!' (Untouchable because the risks are obvious and uninsurable)! There was no way I could have developed first-rate products effectively without him."

In the end;

"All our products were appealing deviations from the standard product. A standard product was intricately repackaged with a supporting product to make both products reasonably price-competitive. For example, in the Zimtobacc Scheme we had crop cover for tobacco supported by a Personal Accident Cover and it was an instant best-seller on the market. Marketer developed the crop cover and Centre developed the accident cover. Engineer developed the industrial cover. Centre took over to merge the three products into one. Tobacco insurance is generally dear and when we re-packaged the product this way customers shifted their business from competitors to us," the agronomist said.

Centre also confirmed that, "*In the Zimtobacc, Engineer developed the industrial cover. When I had the package put together, Chartered attended to the pricing structure.*"

The company introduced Paprica Schemes (1998); Cotton Schemes (1999); Tobacco Schemes (2000); Soya Beans Schemes (2001); and the Dairy Scheme (2002) and among many other innovative schemes.

Other Developments:

Consistent with the team's approach to seize opportunities considered by other players as risky, they opened branches in Bulawayo and Masvingo in the years 1999 and 2003 respectively. Chartered confirmed that;

> *"Bulawayo and Masvingo are the bastions of agricultural where competitors had pulled out. Demand for the traditional standard insurance products in these markets had waned but we entered those very markets with new products, repackaged for affordability; we entered there with a rare capability to educate the new farmers even on farm management which our competitors could not do."*

Chartered's role as a watchdog over his peers in finance was explained by Centre in terms of organisational outcomes;

> *"Our business has been consistently viable since we started. We never had any stumbling blocks in honouring claims. We have never gone back to our shareholders asking for additional capital. Resources generated from our operations financed all our growth and the opening of new branches. When FML (the lead institutional investor), pulled out last year (2002) after a failed takeover bid, we paid them off, remained viable and we never delayed honouring any single legitimate customer claims. We even paid out the shareholders' dividends in the same month that we paid FML. Chartered has always been particular about financial discipline and operates a well-managed cash-budgeting system. The rest of us are somewhat relaxed in terms of financial discipline but he is different."*

The Social Context:

The character of team relations had two lines to it. Though the four were not all friends but previous workmates, they collaborated and were a behaviourally integrated team at work. This is mirrored in such statements as;

- *"We could see that these people were always talking to each other and I think that helped them to share the problems of running this company,"* said the Claims Assistant.
- *"At work, we had to bury our racial differences and we had to collaborate. We shared the same fate and none of us had a job elsewhere. We all had equal shares in the company and so no one had a better or lesser advantage. We all cooperated in all areas,"* Chartered said.

Outside work, the team's social relationships only followed their racial lines as the sole agent, a white, hinted;

> *"I would rarely deal with Centre and Chartered (blacks). I had more to do with Marketer and Engineer than the other two. In fact we belonged to the same social clubs and we went golfing together."*

Right from the start, Centre, the team leader reported;

> "*Every one had to agree in terms of the vision because it was the team who were going to propel that vision and not any single person. It was impossible to dictate. We were virtually equals and we relied on moral suasion. We all shared one vision 'To be among the top five short-term insurance companies in five years' which we worked for and achieved.*"

In terms of power, as Chartered echoed;

> *"Most decisions were discussed until we reached a consensus. On rare occasions, when things were really difficult to come to agreement, we had a one- man –one- vote system to resolve the matter. Only recently, on the FML take-over bid, which led to their pull-out, did the team divide irreconcilably and the matter had to be resolved by the Board after which Marketer and Engineer opted to leave the organisation. They went away (as) millionaires as they were compensated in terms of the original shareholders agreement."*

By the time this study was conducted plans were afoot to expand into the region.

CHAPTER 9

THE ROLE OF THE VENTURE TEAM IN GROWTH: A CASE STUDY OF RETAIL

Introduction:

Retail is a chain of supermarkets with a total of eight branches in Harare's high-density suburbs and a ninth branch in Chitungwiza at St. Mary's shopping centre. The Adbernie branch (in Harare) was also under renovations for opening in 2003 during the time of the study (with only the butchery wing having been opened by then). A distribution centre, which services the branch network, is also included.

The venture was founded at the beginning of 1996, by BB (52), a white man and MM (48), a black man who first met in 1978 and became friends. BB was previously a career estate manager and MM was a career builder before they teamed up. The two used to meet on common construction projects and that is how they came to know each other and eventually became friends. When they lost their jobs around the same time, they teamed up and tried several other trades together achieving different levels of success, including hunting, butchery and had also once leased a farm. The two founded Retail in 1996 after divesting from the butchery business to rent a small shop at Machipisa Shopping Centre in Harare for selling pots.

They started on a growth note, which plateaued in 1998 after the two had managed to expand the business from a small shop to a supermarket. In that year, they admitted SDR (40), with 15 years of management experience in the industry who also held a first degree in business management, as a co-director. They worked with him to transform Retail into a fast growing venture, opening at least one new branch every other year over the period 1999-2003.

Performance Statistics:

After starting with only two people, the company now employs 146 full-time people (including the directors). They have a pool of temporary and contract workers numbering 87. Below are the key performance statistics:

Table 14

Retail: Performance Figures (US$m)

Year	Sales	Employment level
1996	2	3
1997	5	25
1998	7	27
1999	32	38
2000	67	58
2001	123	72
2002	142	92
2003		233

All figures in Table 14 have been adjusted for inflation.

At the time of study the sales for the year were yet to be ascertained.

The Industry Context:

Retail operated its entire branch network, except one (the St.Mary's branch) in Harare's high-density suburbs. When the company started in 1996, the industry was steadily growing at an annual average of 2%. Over the period 2000-2002, the industry's decline, averaging 3% p.a. mirrored the trends of the national economy. The industry in which the company operates can be broadly divided into three. At the bottom are small corner shop operators who compete on convenience and proximity to the customers though they charge

high prices. Retail began in this category. In the middle are small to medium-sized shops, which established in these markets with the growth of the population around the respective business centres. When Retail transformed into a supermarket in 1997, a year after start-up, it began by competing with players in this category. At the top of the market are the top retailer brands of Spar, OK, TM, Lucky 7 and the Food Chain Group (FCG). From the year 2000, Retail took bold moves to defend their turf and warded off competition from these players who were tracking their market by competing on both price and quality. Table 15 is a chronology of milestone events.

Table 15

Chronology of Milestone Events

- 1996: Retail started operating with pots, then bar-shaped soap; the soap pellets and entered the grocery line one step after the other.
- 1997: transformation of shop into supermarket at Machipisa Shopping Centre.
- 1998-1999: Admission of SDR as part of venture team.
- 1999: Formal management systems developed.
- 1999: St. Marys branch opened.
- 2000: Budiro 1 Branch opened.
- 2001: Glenorah Branch opened.
- 2002: Mufakose branch opened.
- 2002:Budiro 4 Branch Opened.
- 2002: Machipisa branch (main branch) expanded.
- 2002: Willowvale Distribution Centre built and opened.
- 2003: Adbernie branch bought and is under renovations.

Start-Up and Early Roles:

The beginning of Retail was uneventful;

> *"A friend of BB who was working at Treggers Industries (Pvt) Ltd approached BB advising him that there was a good market for 'second best' pots. BB came to me and asked, 'Do you think we can try this (trade)?' I replied that, 'We have already changed trades a number of times together and nothing can now be impossible. We will teach each other until we master the trade as we have always done before,' "* said MM.

MM explained further steps taken to implement the idea;

> *"BB talked to his friend at Treggers and he (the friend) agreed to give us a small credit facility and we then opened a small shop here and things started with only one shelf of pots. We sold the stock of our rented butchery, which was a joint venture (partnership) and that is how we raised the six- month rentals for the shop and we then moved in."*

According to BB, *"When we sold our butchery stock neither of us took away his share as we had agreed and so we used all the US$2050 to pay the six-month rentals and the deposit."*

It happened that, *"We approached the landlord together and he allowed us access before we paid the initial rent as we assured him that we were selling our butchery business so we would pay him as soon as the transaction went through,"* said MM.

In his words, BB said, "*Upon our joint persuasion, in his last words, he said, 'If two men of your age let me down, then who else can the world trust?' and we moved in.*"

Upon start-up the two shared the operational tasks;

> *"We started operating in 1996 without an employee. Every other evening, my friend brought us pots and also collected payments and orders from us. BB operated one till and I operated the other. In the first month BB suggested that we start selling groceries too because people were asking us about different products and we only had pots,"* said MM.

According to BB, *"A major issue was to identify the right stock which would sell fast because we did not have much capital."*

This was a demanding task, which was eased by the fact that the two gathered as much information as possible from customers through parallel activity;

> *"We talked to people and they told us what they wanted to buy from us. BB talked to customers and I also talked to other customers as we operated the two tills. Every evening we put our separate lists together, compared and produced the master list which was only for fast-moving lines,"* said MM.

That kind of collaboration had a quick impact on their business fortunes as they broadened the product lines fast in a manner, which shortened their organisation's learning curve and growth cycle;

> *"We had started with pots on one shelf and then added bar-shaped soap; then soap pellets and entered the grocery line one step after the other. We then introduced Key Bar, Dolphin (washing soap lines). We then introduced 'Upfu' (staple food mealie-meal) called 'Mutswiwa' then 'Tastie' then Sha-Sha Roller Meal from National Foods. 'Chaingoti chauya chotorwa, chauya chotorwa!' (It was like come-go-come -go for all products we had on shelf,"* BB said.

In this manner, the team found themselves in the grocery business sooner than later. The introduction of other stock lines implied that the team had the added responsibility of procuring stock from outside on their own and BB and MM reorganised themselves to cope with the new demands. *"We divided different tasks between ourselves. One would go out to procure stock and the other would remain on the till,"* said MM. Apart from planning, the task of managing finance was also a shared responsibility;

> *"We had a cash safe in the shop and BB kept one key to the safe and I kept the other. We opened an account with Commercial Bank of Zimbabwe and we were joint signatories on that account. When we wanted to make purchases BB would take a signed blank cheque. I also remained with two blank cheques in case some quick supplies came to the shop when BB was not around. It was really a matter of trust which worked between us,"* narrated MM.

Probed on how each member was never found to have misappropriated business funds as each of them kept a number of blank cheques, BB said;

> *"The point is that one's behaviour is also an invitation for similar kind of behaviour from the other and this is always how close relationships have to be managed I suppose. Our agreed plans were the guiding stick and we both acted within certain parameters and mutual expectations."*

BB also explained how they shared some of the administrative roles;

> *"We did our planning for the following day in the evening before we went home; dealing with all payments to be made and how we would divide the following day's tasks between ourselves. MM updated the sales and debtors' registers and I updated the expenditure and creditors. We never had major disagreements on the structure of our planned expenditure because we put the business first. We always negotiated easily between ourselves as*

> *we were used to dealing with each other over a long, long period of both personal and business friendship in our lives."*

As the logistics manager, who was the first employee, confirmed, "*We had good business in 1996 and in 1997 and the directors decided that we must buy bigger premises.*"

In the words of MM;

> *"Most of the time I remained to oversee shop operations and BB handled stock procurement. However, we always dealt with order mix, cash management and administrative responsibilities together. When we realised that our shop had become too small as it was always congested with customers, I suggested to BB that we move to bigger premises."*

BB explained how he identified the premises;

> *"That did not take us long because I spent most of my time on outdoor activities whilst MM was usually in-doors operating the shop. I looked for the premises around Machipisa Shopping Centre and I found a strategic two-storey building. I negotiated with Mr Makomva, the owner, and we entered into agreement and paid US$45 000."*

When they moved premises, according to MM, "*The new place suddenly became too big and we found it was empty. We sat down and planned what we could do with such space.*"

Transformation From A Shop To Departmental Supermarket:

The move to transform the business from a small shop, previously dominated by '*second best pots*', into a self-service multi-departmental supermarket in 1997 marked a dramatic change in the scope and size of business operations. The two directors integrated ideas to nurture the supermarket concept and they eventually divided management responsibilities to cope with the new demands of managing the enlarged scope of operations. To begin with, "*I wanted us to stock the second floor with other household goods such as furniture and electricals. I wanted the 'second best pots' on the first floor,*" said MM.

BB had different ideas;

> *"My idea was for us to convert the ground floor into a grocery shop. I wanted us to scrap the selling of pots altogether. They make little money but take lots of space here. MM had valid reasons against that."*

BB went further to explain MM's contention;

> *"I eventually agreed with his view that if we were to scrap pots we were going to lose our market because people associated us with cheap prices only because of the pots as most of our product lines were not that cheap. He had a valid point because we were buying most of our stock in bits and pieces and we were therefore not that cheap."*

MM explained how BB's other ideas of devoting the ground floor to grocery changed his view of their business. In his words, "*When BB talked of having grocery on the whole of the ground floor, it lit my mind. His ideas and mine put*

together brought to mind this picture of a big, big supermarket and the idea firmed."

Eventually, they settled for the supermarket concept as an amalgam of their individual ideas and the move marked a significant turn in their fortunes. In the supermarket concept, they devoted the second floor to household furniture and electricals such as stoves and fridges and the first floor with household utensil products such as pots, plates and cups; and the ground floor with grocery products. Agreed on the new business concept, the two had to;

> *"...resolve the issue of stock assortments for the different departments as a strategic matter. It was a complex issue because we did not have much knowledge and every other step seemed to create a new set of problems. Moreover, we had just depleted our cash resources upon buying the new premises and we had no credit lines,"* said BB.

As MM explained;

> *"We went back to the drawing board. We arranged that BB would visit the eastern business centres and I would visit the western business centres. We talked to people. I did a lot of 'ghost shopping' just to find out how others had their stock mix, especially on groceries."*

BB explained his role in the eastern areas;

> *"I did much of my homework in the eastern areas and in the city centre. According to our plan, I visited electrical shops like SwitchPoint, Lightbulb and Willights in the city centre. For furniture I visited Pelhams, Homecomfort and Woodmart. I looked out for the latest versions in stock so that we could also begin on a high note. It turned out to be a revealing experience."*

MM also explained how he got ideas from other managers in the wholesale industry;

"I got wonderful ideas from SDR for the supermarket groceries mix. He was then at Jaggers. He helped us with the first assortment of the grocery mix for the supermarket. He became a close friend of BB eventually, as BB dealt with all procurement."

This parallel research activity broadened the range of ideas and also shortened the cycle of events. Once the team became clear of how they needed to tackle the issues of stock mix, the issue of building the supply network came to the fore. They continued to take advantage of the scope for parallel activity to identify sources of credit. Whenever it was necessary, they would team up to meet either suppliers or the bank to convince them through collaborative effort.

BB gave his version of how they dealt with the matter;

"We tasked each other to approach and telephone one set of suppliers whilst the other did the same with yet a different list of suppliers. We were not yet certain which suppliers stocked or supplied what exactly and on what terms. We spent a lot of time on supply and order enquiries and that is why we had to share that responsibility to reduce delays."

MM elaborated on the details;

"I was already making a number of friends in the industry. BB had also built his own circle of mostly white friends in the industry and so when we needed credit to stock the supermarket, we knew who to approach. I sealed credit arrangements with Lever Brothers and Olivine and during the same period BB sealed similar arrangements with Jinga Wholesalers, Agrifoods and Metro Peach, BMC Merchants, Milka Plc and Fine Electricals."

The two had, however, to approach the bank together for an overdraft;

> *"Our property was leasehold and we had no title deeds so it was not that easy to convince the manager to afford us temporary credit as we could not give collateral. We went together so that the manager could take our issue more seriously. This gave each of us the chance to build on each other's answers for a convincing case. The manager allowed us a thirty-day credit facility of US$5 000 and that was a gold mine to us,"* said BB.

As soon as they had set up the supermarket, the two re-organised themselves to take advantage of the available scope for division of labour in order to cope with managing the multi-departmental supermarket.

In relation to how they managed the different departments. MM confirmed that;

> *"I managed the Groceries and the Utensils Division and BB managed the Household Furniture and Electricals Division. We settled for this structure because that was how we had organised ourselves when we went out to find information about trade practices in those sectors in the market. We wanted to make full use of the knowledge each of us had built in these different areas."*

As things worked on the ground, the team benefited from both this kind of arrangement and the capacity to build on each other's ideas in order to build knowledge and competences to cope with the demands of an area in which neither was a specialist. That made their roles critically inseparable. As BB confirmed;

> *"Neither of us was a specialist in this trade, let alone in office work and we needed to exchange ideas to bridge that individual gap. We had two clerks to assist with administration and finance but the two of us dealt with these issues together when it came to decision-*

making. When we wanted to place large orders, the two of us would discuss whom to approach. We always planned the mix of such orders together as each was coming to know certain areas better than the other."

In MM's version;

"I had half-the ideas and he had the other half. Looking at these issues together helped us to break the mountain through the middle. Two issues were particularly hard; financial management and stock management and we resolved them through a collective approach."

Times were especially hard when supplies were occasionally erratic and the team used their collective weight for early deliveries;

"Now and again the industry ran short of critical supplies for different reasons. On such occasions, we confronted our suppliers together for a combined push. It helped especially in cases when suppliers were just hoarding in anticipation of price hikes," said BB.

It is apparent that the process of managing the entire organisation depended much on the team's integration of ideas and collaborative activity to achieve the minimum competence levels to manage growth.

A fortuitous development in 1997 demonstrated the capacity of the team to easily cover geographical markets in order to exploit emerging opportunities. In that year, MM took with him a 900-pot consignment for sale in Gokwe and, for two months, traded in that market as a mobile vendor whilst BB remained behind managing city operations;

"When we entered the market at this business center (Machipisa), I discovered that there was a competitor called Potsworld who was selling pots. I realised that their pots were much cheaper than ours

and so I bought them in large quantities for sale in Gokwe (a cash-rich agricultural rural area). I left BB here and spent some time in Gokwe and we had excellent sales. Actually, I sold about 850 units. Since I opened up that market, we now send two of our employees during the peak harvest season every other year."

Broadening the Management Base as a Spring-Board for Accelerated Growth (1998-1999):

During the second half of 1998, "*sales stagnated and the number of our workforce remained at 27. We could not cope as easily as before and we had to do something about it. The business had grown*," said MM. Matters were helped by the fact that MM was "*quick to recognise the problem early and suggested that we broaden the management capacity,*" as BB confirmed.

According to MM, *"BB suggested that we try SDR together. This man had assisted us a number of times before, with stock mix and credit supplies at Jaggers Wholesalers and we knew that he knew this trade much better than we did.*"

MM explained their situation then further;

"I told BB that we certainly needed to bring in skills in finance and marketing. We were overstocked and the bank statement was coming out as a thick volume and no one reconciled our bank account and our cheques started to bounce. Supplies were cut and creditors would not talk to us. I reminded BB that it was at exactly a similar stage that Chigumba's supermarket had collapsed; having grown too big for him and his son to manage. For a month we were in a real problem until SDR joined us."

At that stage, the team played a critical role in attracting skilled human capital when they agreed to approach SDR together, whom they also admitted as a director and allowed him a 27% equity stake in the company. In SDR's words,

"It took two men to convince me to leave my job as a manager at Jaggers (a leading national wholesaler)."

Upon joining the venture team, SDR appointed an accountant and a personnel manager whom he identified through his industry networks. "*I quickly assessed the situation and appointed an accountant and a personnel manager in March and May 1999 respectively as I knew where to find the right people for the job*," said SDR. Explaining the high level of power that was conferred upon SDR to implement such high-level decisions, MM said "*SDR came in as an equal. Like either of us, he could decide and implement high-powered decisions alone as he saw fit. We encouraged him to proceed with the best and he did exactly that.*"

Apart from these two, one more senior appointment was effected with the entire team collaborating to identify and persuade the candidate for the post of a general manager from outside the organisastion;

> *"After talking to GM (the candidate), my former assistant at Jaggers, on a number of occasions, I could see that I needed my colleagues to give him a different picture. We met him together one day and after a long discussion, he opened up and became positive about the idea and we got him at last. I wanted him to eventually help me in developing systems and in the process of opening new branches and grooming the branch managers,"* SDR said.

These moves built additional management capacity to manage future growth as a chain of new branches was to be opened year after year from thence.

Rebuilding Relationships with Creditors and the Bank (1999):

The inclusion of SDR necessitated the need to redefine the top management roles. SDR joined as a director in charge of marketing and finance. MM became the Operations Director handling human resources and shop

operations. BB took responsibility for merchandising. Although the roles of the team members were so defined, SDR had joined against a background of failing creditor relationships and he had to intervene before BB could subsequently deal with suppliers as part of his official merchandising function. At that stage, there was no way such a role could have been left to BB and MM. In BB's words;

> *"The restoration of relationships with trade creditors was critical for business continuity and our plans to open new branches and when SDR joined us, it was just in time. It certainly was a big relief because MM and I on our own could no longer talk to our creditors. We had issued them with cheques that were bounced back by our bank and so they did not want to listen to our stories. SDR had a good reputation in the industry so these people started to listen."*

About his ability to collaborate with MM and BB at that point SDR said, "*Because of my previous background at Jaggers, I had developed many useful contacts that helped to support our ideas.*" With SDR's involvement, the team renewed credit lines with suppliers such as Jaggers Wholesalers (where SDR had previously worked), Blue Ribbon Foods, Lever Brothers and Bhadhella Wholesalers. The relationship with the bank was also revived in a similar manner and matters were helped by the fact that SDR had strengthened the credibility of the team both because he was a reputable figure and also because he had devised practical strategies to redress operational imbalances of the past.

The relationship with the bank was renewed in the following manner;

> *"When BB and I met the bank manager. I explained to the manager that the company's problems had stemmed from the fact that we had numerous bank transactions and the bank account had not been reconciled with the cashbook (which includes bank transaction register) for quite some time and we were also*

overstocked. I explained my new strategies, including the recruitment of an accountant with effect from 1 March 1999 and also that my new plan was for us to focus on fast-moving lines until we had normalised the situation. Our overdraft was reinstated," SDR said.

Further probed about the role of his colleagues who had failed the supplier relationships, in reviving the same networks BB had this to say;

> *"They gave the background to where we were and why. They knew it better (than me). I gave a pack of tentative solutions. My plans for the future mentioned every one's expected role in areas of our individual strengths. No manager would have believed me telling a story of myself knowing everything, and planning to be everywhere and doing all things at the same time. I stood in only for what they lacked."*

The admission of SDR, whose reputation was high, raised the credibility of the entire team to access credit and broadened the team's supplier network. However, MM and BB still remained relevant to the setting.

Following the resuscitation of credit lines, the supermarket departments were restocked and the venture began to build revenues and institutional capacity to attack new markets. In three months, the employment level rose by 18 as a new wave of growth set in.

Building Competitive Advantage through a Low-Price Strategy:

As the venture had become a departmental supermarket, the Retail team was later to realise that they could not compete in many markets because they only enjoyed a low-price reputation for '*second-best*' pots. They could not open in other areas especially those in which leading brands such as OK, FCG, Spar and TM dominated, because these brands successfully competed on low price. As the logistics manager confirmed, "*Before SDR came in,*

customers were coming to us mainly because our 'second-best' pots were powerful crowd-pullers. On the ground, most of the products were not that cheap." From 1999, the team "*worked hard to build a low price reputation across all our products as the first step to make ourselves competitive. The idea was to build fast sales through thin margins in order to create space for ourselves on the market place*," the logistics manager continued.

In achieving this, the team played a key role. According to SDR;

> *"As soon as we had restored our credit lines I started to work on special offers such as Christmas Specials, Back To School Promotions and Easter with leading suppliers such as Juicy, Vanilla, Olivine and Lever Brothers. Under these schemes, we would buy in bulk to enjoy volume discounts. We approached most of our creditors on this idea and we got great support."*

MM, who was then in charge of operations, added an idea to this. As BB put it;

> *"MM added the idea of own-labels and that is when we started to have the company logo on our products. The timing was perfect because we then started to pass on the benefit of purchase discounts to our customers. So we started the concept of special offers backed with that of own labels and our reputation for low-price quickly cut across the market, so we eventually had most of our stock purchased on those terms and sold at low prices under our own label."*

To implement the concept, the team had to make use of the supplier and bank credit lines, which had been built through the involvement of the team.

The low-price strategy was to have a long-term imprint on the company's fortunes. For instance, from 1999, because of that advantage, Retail could and did open branches in places such as Budiro and Mufakose, where

previously the company had nothing particular to offer. It was the likes of OK and Spar, the traditional retail giants, who dominated in some of the prospective markets. In other places too, smaller players were later to close down as initially happened at Machipisa in 1999 where they bought a competitor's business adjacent to theirs. They renovated the new premises and, in the process, they joined it up with the old shop structure.

As the customer service manager confirmed, "*Our label stood for low price at that point and it soon became popular with the high-density market.*"

It was partly on that strength, that they mooted the idea of setting up a branch at St.Mary's, some thirty kilometres away.

The Opening of St. Mary's Branch (1999):

The opening of St.Mary's branch in November 1999, the second after the Head Office branch at Machipisa, was a milestone development in the company's history. In the general manager's words, "*The move tested a number of our strategies outside the home base. We piloted the new system on the new branch and we learnt much about setting up a new supermarket branch.*"

It all started when;

> *"BB's friend advised him that a Mr. Chigovanyika of St. Mary's Business Centre was selling his business premises and BB believed that it was a good opportunity for us, because, according to him, there were very small operators at the centre,"* said MM.

SDR confessed that;

"I was opposed to the idea to begin with. I advised my colleagues that as far as I knew, St. Mary's has always been a high-crime and low-income suburb. I argued that these could have been the very reasons why Chigovanyika had closed down; having failed to cope with the rampant thefts and lootings. BB, however, advised us that he had good information that the local county council were already surveying the area just across the main road to build a new medium-density suburb and the development was expected to grow the market in the near future."

BB explained how the team had to consider facts around their argument as;

"MM hinted that as far as he had learnt, Chigovanyika's supermarket had failed because he had no systems to manage stock pilferages by customers and employees. MM then pointed out that St. Mary's would be a good opportunity if we had a good operational system to avoid the pilferage risks which had collapsed the Chigovanyika business."

SDR explained how he gave in after the fact-finding survey of the market;

"BB asked that MM and I go together and assess the market. I talked to people and got to know that since Chigovanyika had closed down, shoppers had been travelling twelve kilometers away to the nearest shopping centre. MM assessed the building inside and outside before he came to the conclusion that we had some major renovations to do in converting the once grocery-only supermarket to a departmental supermarket. We also witnessed the upcoming medium density suburb as BB had intimated. In two

> *days, we came to the conclusion that there was a good opportunity for us there. I resolved to speed up the system development process so that we could possibly open a branch shortly since it was also clear that we would meet with an unusually high pilferage rate."*

Notably, this was a context in which the team exploited their differences in perspectives as well as the different information provided by team members to objectively evaluate an opportunity and then implement risk-minimising measures. To that effect, the team split roles. According to BB, "*We had MM lead a massive renovation project and SDR develop the new systems because he had the know-how from Jaggers. Both projects had only three months to be completed.*"

The introduction of operational and accounting systems in Retail was, as the general manager also said, "...*the most important development in the history of the company because we could not open any new branch without these systems*". BB confirmed that;

> *"We had delayed the opening of St. Mary's branch because we did not have proper operational and accounting systems. In fact, we could not open any other branch without systems. We had coped at the main branch because of our on-site involvement and monitoring of activities as two directors. That is different from managing a branch kilometres away."*

Although the introduction and development of operational, accounting and human resources systems were projects led by SDR, the entire team had a critical role in building an original solution adapted from his knowledge of the Jaggers system and BB and MM's familiarity with Retail's operations. As SDR elaborated;

"The two of us were familiar with the Jaggers system which we wanted to adapt into a retail system. BB and MM had a detailed knowledge of how things worked on the ground in Retail. I worked with the general manager to get BB and MM's inputs and then adapted the Jaggers system by building a new retail version which met the specific needs of our organisation."

"*It took us only three months to implement the decision to open up the St.Mary's branch although there were a lot of renovations to be done and systems needed to be developed*," said the general manager. System development, though apparently a once-off activity, was to play an overarching and enabling role in the subsequent opening of branches, which followed. From the year 2000, the history of Retail is traceable largely through the year-on-year processes of opening branches.

The Opening of Budiro 1 Branch (2000):

The opening of the Budiro branch significantly mirrored how the team collaborated in identifying, evaluating and exploiting the opportunities.

The opportunity to open the Budirio 1 branch was identified through BB's networks. According to SDR, "*In October 2000, an acquaintance of BB, Mr Denenga approached BB with the proposal of selling one of his two shops at Budiro 1 to Retail.*"

MM and SDR carried out a joint assessment of the market;

"Talking to people I found that they by-passed the local shops to go shopping in town. I did a snapshot survey of competitors' prices and I understood why people were not doing all their shopping there. A close look around the business centre convinced me that we would quickly enjoy a low price advantage. "

MM gave his version of the experience;

> *"I was happy with the size of the premises but the building structure was too small for our layout model. SDR wanted us to incorporate a school uniform department saying that he had talked to many customers who wanted a retailer for uniforms, as they were having to go into town. That meant that I had to adapt our traditional layout to fit the building or adapt the building to fit the new layout. I chose the latter."*

According to SDR;

> *"I gave MM the idea so that he could work out the shop layout in his renovation map. We both agreed that Budiro was a good opportunity because it fitted well with our strategy of being close to the high-density market."*

MM, a career builder, *"managed a major renovation project at Budiro which we all thought would delay opening but we opened the shop within one month,"* as BB reported.

The task of establishing the branch involved all the three in role-sharing. The team confirmed this;

> *"SDR set up operational systems. He introduced new marketing strategies at this branch, which we eventually adopted for the whole organisation to promote the company. He introduced mobile van advertising within the surrounding suburb and cheering children followed the van. He introduced billboards at every road junction advertising our opening. He had T-shirts and children's gifts for the early shoppers. He organised in-store events. The shop was opened amid pomp and fanfare,"* said the general manager.

After the opening of the Budiro 1, the following branches were opened with the different members identifying the opportunity. The members of the team followed a similar collective approach in setting-up and managing all the other new branches. Statements that confirm this collaboration in the opening of new braches include;

- *"SDR did most of the research and BB obtained stock with SDR's input because he knew what would sell,"* said the special projects officer.
- *"The shop layouts were always done by MM taking into account the departments SDR wanted set up. MM also managed the renovations,"* the Mufakose Branch Manager said.
- *"MM was mainly concerned with shop layout and patterns of goods display,"* the procurement manager said.
- *"SDR researched market needs here and this guided MM's shop layout project,"* said the Glenorah , branch manager.

The human resource function, which was dealt with by MM, was problematic when it came to hiring skilled managers. This was saved by teamwork, as the personnel manager confirmed, "*MM was responsible for recruiting all shop-floor employees but he always asked SDR to appoint managers because SDR had contacts for good branch managers.*"

The branch rollout after Budiro 1 was as follows:

- 2001: Glenorah Branch.
- 2002: Mufakose.
- 2002: Budiro 4.
- 2002: Machipisa.
- 2002: Willowvale Distribution Centre.
- 2003: Adbernie.

Constructing a New Strategy around Cost and Quality:

From the year 2001, the company started to experience a new wave of pressure from competitors who were opening branches in Retail's markets. OK opened at Budiro 1 and Spar and TM opened at Budiro 4 whilst FCG followed them up at Budiro 4. As SDR put it, "*Leaders started to read and follow our markets and we had to change our business policy. We needed to compete on both cost and service to withstand their strength.*" As SDR, who was competent in finance explained, "*The team's low price strategy was not sustainable because the company's cost structure was adverse.*" From another angle, the company had to revisit its service strategy as the leading brands already had an edge on that aspect;

> "*SDR did a survey of the top supermarkets and bench-marked the performance of Retail against these as a yardstick. Our overheads were 18% higher than that of the market leaders as a percentage of sales. He had used the financial accounts of the top four listed retailers to make the comparison and that was indisputable,*" BB further confirmed.

According to SDR;

> *"That meant we could not sustain our traditional low-price strategy in the long-term. In (the year) 2001, we set two targets for ourselves over the next two years. My colleagues had to work hard to reduce the overheads to sales ratio and I worked hard to build a new service structure to maintain the onslaught of new competition."*

MM added his version;

> *"That was a landmark report and it gave us a new performance benchmark just in time to save us from competition. Two issues*

occurred to me. The sales per square metre and sales per employee ratios were my first targets in operations."

BB explained his contribution to building the new strategy;

"As I was responsible for managing the supply chain, I then introduced gain-sharing linkages with suppliers to reduce their costs. Under the gain-sharing linkages, we obtained and sold stock at seasonal discounts. In this case, the discount cost was not borne by us. We sold supplier brands at a discount to the market and the suppliers would subsidise us for the discount margins. Their benefit was the use of our extensive branch network to promote their products and we achieved quick turnover without losing margins. Since 2001, at least one such gain-sharing promotion is running all the time and this translates into big cost savings."

Set on building a new service threshold, SDR confirmed some of his initiatives;

"I had a TCE (Total Customer Experience) target to achieve and all eyes were on me. I introduced the Fruits and Produce Department starting with the Glenorah Branch. I then introduced a free video 'loan' facility on health and food topics to build demand for these products."

The customer services manager confirmed that;

"These video clips tremendously influenced the market demand for healthy foods. We had to expand our Fruits and Produce Departments across our branches. MM had to make forward contract arrangements with farmers during the pre-planting season for assured supplies. The Fruits and Produce Departments were an instant hit and we started to see high-status customers visiting our shops."

A cursory survey of the market established that no player in the market offers free loans or even rented video clips as part of the service and in this manner Retail carved an advantage, which has remained unmatched by competitors. SDR further added another dimension to build and acknowledge customer loyalty. According to the promotions manager, "*SDR had coupons and gift vouchers for regular and high-value customers to ice the cake and his ideas were really practical.*" MM's initiatives to drive down overheard costs were equally ambitious as he matched his step against that of his colleagues. MM said, "*When SDR made one step I chose to make two because sometimes he (SDR) made big leaps,*" The personnel manager summarised MM's maxim focus on cost cutting;

"*To be a high-tech retailer. To replace man with machine. That has always been MM's slogan,*" said the personnel manager.

According to MM, "*I worked with Compulink Technologies to introduce bar-coding in 2001 and that cut our transaction times per customer four-fold.*"

He further shared yet another 2002 initiative to replace man with machine;

> *"After trials at St.Mary's branch, I rolled out the CCTV security system across all branches and the results were visible. We laid off 48 security guards. It was a new concept in this country and other retailers only followed us. I am now working with CABS Building Society on the idea to introduce Electronic Points of Sale right away which has been held back by the forex shortages."*

A survey that was conducted by SDR in 2002 demonstrated that they now lagged behind the market leaders by slightly over six percent on the overheads to sales ratio. On service, SDR admitted;

> *"I did not do a formal survey for service quality but we have encouraging indications of our journey. We now have customers*

across all income brackets. We have held our ground when new competitors attacked our markets and we have forced three competitors to close in (the year) 2002 alone. All in all our sales graph has steeped."

It is apparent the reconfiguration of the strategy into the low-cost and high-service mode benefited from the team's capacity to generate a broad range of ideas and implement them concurrently. As before, the members collaborated with SDR managing marketing and finance, MM managing operations and BB managing merchandising. In spite of this official division of labour, they tapped into the synergies of team collaboration and gave each other the drive to think creatively in order to improve productivity. As MM put it, "*Each branch was opened at a higher level of advantage than the previous one in terms of stock assortment, layout and customer service because we all put our heads together from start to finish.*"

The team explain much of their growth in terms of the processes of peer-coaching and role differentiation over time. According to BB, "*We eventually were seasoned specialists in different areas and we took advantage of that.*" As MM echoed, "*Our plan is now to open in other towns.*"

CHAPTER 10

THE ROLE OF THE TEAM IN VENTURE GROWTH: A CASE STUDY OF BANK

Introduction:

This is a case study of Bank, a team-started merchant bank founded in 1999 initially as a financial advisory institution. The case begins with the introduction of the company's background and the social context in which the venture team operated. This is followed by a brief overview of the operating industry. The history of the company is tracked beginning with the start-up processes demonstrating how the team resolved the challenges they faced in raising human capital, financial capital and market entry. This is then followed by the evolution of the processes of diversification and institutionalisation, both of which came about after the admission of two additional members as part of the venture team. The next phase is about how the team raised capital to transform into a merchant bank, from an advisory institution, and how they set up the appropriate structures and systems ahead of the opening of the bank. The case concludes with the launch of the bank and the further steps taken by the team to strengthen organisational capacity, as well as to further diversify its operations on the continuing advantage of a pre-existing broad management capacity. The case study was conducted over four weeks at the close of the year 2003.

Background:

Scanner and Executor, friends who left their jobs on the same day in October 1999 to set up a merchant bank, founded Bank. In the same month, they started offering financial advisory services to the market as Bank Advisory Services before transforming into Bank Merchant Bank in 2002. During the formative stages, they appointed a personnel manager, an ex-work mate, who

was also a human resources practitioner and a chartered secretary. They also engaged her as a manager in charge of administration and accounts as soon as they commenced business. Scanner (35) was the team leader. He is a chartered accountant who, by the time they started the business, had 11 years experience in the financial advisory services. Executor (32), a holder of an MBA degree, had nine years experience in financial advisory services. The two have a shared professional background, first at Standard Chartered Merchant Bank and then at National Merchant Bank (NMB). Scanner was highly talented at identifying market opportunities whilst Executor was especially talented at executing transactions and was also more knowledgeable about basic taxation (than his colleague).

Whilst working on the documentation to apply for a merchant banking licence and raising capital for the bank, the two decided to trade in advisory services. Trading in advisory services, with which the company started, is a labour-intensive and low capital strategy, as *"one only needs a phone, a fax-line, a laptop and people constitute the major overhead,"* as Scanner confirmed. Financial advisory services include advising customers in transactions such as; mergers, stock listings, company restructures, de-mergers, rights issues, IPO's (Initial Public Share Offers), acquisitions, privatisations and structured finance.

In May 2000, Dealer (32) joined the team as both a co-shareholder and a co-director in charge of treasury and structured finance. Dealer is an economist who, before then, had specialised in treasury and structured finance at NMB. Dealer spearheaded the formation of Treasury Division in 2000. He is the director of Treasury and Structured Finance in the bank. The principal function of this division is to handle foreign and local currency investments on the money markets as well as to structure customised loans for corporate clients. A chartered accountant, Accountant (34), who held a degree in computer science, was also admitted in July 2000 as the fourth member of the venture team responsible for finance and accounting.

By the time Bank transformed from an advisory institution into a merchant bank in January 2002, the team had already built a strong brand. During the time of study in mid-2003, Bank had a diversified structure manned by 76 people. Hierarchically, as of 2003, the top management team had grown from two to four and middle managers from one to 16.

Bank's top management team was a cohesive and highly interactive decision-making social unit. As witnessed during the study, the team interacted actively in person, on the telephone and in social circles. The character of the social context is confirmed by such assertions as;

> *"Our interaction at the top has not changed much from the time we started. In the early days, we met every Thursday and Friday and we shared one office. On Thursdays we would discuss matters of business development and on Fridays we would talk about house-keeping matters. We now officially meet every Monday and Wednesday in the boardroom,"* said Executor.

> As Dealer observed;

> *"Our friendship is criss-crossed at different levels - the social and the professional - as co-shareholders, as co-workers and as friends. Our families know each other and gather for social occasions."*

Power is shared;

> *"Each one of us has a high degree of autonomy in decision-making. The team is the supreme body and so everyone is accountable to the team. Any two of us can sign on the bank account. We resolve conflicts by reference to common goals,"* confirmed Dealer.

Table 16 below summarises Bank's past performance in terms of sales and employment growth.

Table 16
Bank: Performance Statistics
(Sales in US$m)

Year	Sales	Employment Level
1999	6.4	3
2000	23.6	11
2001	32.3	17
2002	54.7	55
2003	80.9	76

Industry Context:

When Bank entered the industry, the size of the market was viewed by traditional players as declining in line with the macro-economic trends. Because of this, Standard Chartered Merchant Bank had just closed down operations whilst NMB was shifting its focus away from merchant banking to commercial banking. The Bank team entered the market against this background and the venture rapidly grew to market leadership in four years in terms of sales, asset base and profitability.

Early Start-up Processes (November 1999-April 2000):

When Scanner thought of leaving his job to venture into merchant banking, he saw the team as an avenue for growth and invited Executor to join him as an equal partner. Because they neither had the capital nor the banking licence to launch the intended merchant bank outright, Scanner and Executor considered two options open to them due to their level of skills in advisory services.

As Executor put it;

> *"When we left NMB, we sat down to consider two options since we had no capital. The first option was for us to apply for a merchant banking licence prior to launching the bank. This was the route previously followed by all the other players who came before us. Both NMB Bank and Trust Merchant Bank started as teams. Alternatively, we could offer advisory services whilst preparing the documentation for licensing. We, however, settled for the second option to allow us time to raise capital. This option was also appealing because offering advisory services does not need one to hold a banking licence."*

Because the team possessed similar skills in advisory services, it provided the venture with the capacity to start-up in a manner that defied precedence by circumventing regulatory constraints to exploit the identified market opportunities. Scanner also explained how the team formation was unavoidable as the team provided the threshold capacity to start-up the venture in view of the complex nature of advisory services and the multi-disciplinary nature of merchant banking;

> *"None of us could have started a similar company on their own as merchant banking is complex and needs people with multi-disciplinary skills. We have areas such as international trade and finance, treasury and corporate banking and these are key areas that demand high skills,"* noted Scanner.

Apart from the team forming the core human base, they proved an attraction to additional human capital as the first employee, who joined them in the pre-organisation phase, did so on the basis of her faith in the team's collective capabilities, rather than any one of them, as known to her.

In the words of the Personnel manager;

> *"I agreed to leave my job with them on the same day because I had witnessed them do advisory transactions together when we were at NMB. These included the privatisation and the re-capitalisation of Commercial Bank of Zimbabwe in 1997 and an IPO for Econet in 1999. I knew that the company would grow as long as both of the two were going for it. I knew that I had good prospects of career growth because the company would grow."*

Whilst Scanner and Executor concentrated on the core tasks of creating the market and developing advisory products, the manager filled a void in administration, which could otherwise have been difficult to fill since the possibility of the manager joining either of them alone was unlikely. She performed the roles of a company secretary, personal assistant (P.A), administrator and bookkeeper. Member networks enabled the team to raise initial resources as Scanner's brother assisted them with setting up the basic infrastructure. According to Scanner, "*To begin with, there was no money and everything was borrowed including telephone lines, stationery and the office. We borrowed all these from my brother.*" With the office infrastructure in place, the team then started targeting their joint network contacts to ease market penetration as they took advantage of the market's high regard for the work they had previously done jointly in advisory services. As testified by Executor;

> *"We started by approaching people who knew us as most of the top companies already knew us. Scanner and I had structured and executed deals for the likes of the T.A. Group of Companies, Commercial Bank of Zimbabwe, Delta Corporation and Econet Wireless. We approached them together and we were commissioned to do work for T.A. in 1999 and for Econet and Delta at the beginning of (the year) 2000. What also encouraged*

customers to support us was that, although we had parted with our previous employer, the two of us were together in the new company."

Scanner explained how he would concentrate on marketing whilst Executor executed deals, a step which took place after the two would have jointly structured the transactions;

"I did most of the footwork in marketing, identified opportunities and talked to target clients. We structured all advisory deals together. Executor executed these transactions. If I were alone, I could have spent 70% of the time convincing the market and the other 30% on execution."

The team thus enabled the division of labour within the venture from the beginning, which broadened the institutional capacity to conduct an increased number of transactions per period of time, which neither of the two, alone, could have accomplished. Executor confirmed that the basis of such division of labour was that, "*Scanner has a nose for good deals whilst I am good at execution.*" Scanner explained how they exploited their collective capacity for role differentiation and division of labour within the team in order to identify a significant number of market opportunities quickly as he primarily focused on the task himself;

"I spent a good part of my time scanning the business print media for developments inside the big companies because that is my talent. I read company balance sheets and calculated accounting ratios searching for any opportunities to restructure capital, to list the company on the stock exchange, to de-merge groups or anything else we could get involved in."

Scanner added further how opportunities were quickly identified;

> *"That paid off quickly when we secured the deal to restructure the capital of African Distillers in (the month of) November, 1999. I soon learnt of Delta's plans to introduce an employee share option scheme and I phoned the MD and we arranged for a meeting. We went together with Executor for the meeting and we got the mandate to underwrite the transactions."*

Executor explained his complementary role in marketing to convince customers and his hands-on involvement with the transaction execution process;

> *"Scanner would talk to prospects first but when negotiations really firmed around big deals we would go together. The idea was for me also to explain to clients other aspects of the different proposals that I knew better than my colleague, especially matters to do with the law. During these meetings, I learnt of clients' preferences in terms of how the deal was to be structured and executed."*

Executor added thus;

> *" I always captured detailed notes of all the key issues whenever Scanner and the client did most of the talking and we used these notes when (we were) back in the office structuring the deal. Between the period of December 1998 and April 1999, some of the transactions we did included work for customers like Calex, Alison Motors, Kimsons Cigarettes and Clan Haulage."*

The team drew upon joint credibility and networks to borrow balance sheets so that Bank could underwrite advisory transactions because they had no capital but needed a balance sheet to back up their tenders;

"In order to underwrite advisory transactions, the practice is that we must back up our tender with a matching balance sheet but we had no balance sheet and so when clients demanded our balance sheet we would approach other institutions such as NMB and Standard Chartered Bank and ask for their balance sheet. They entrusted us with their balance sheet because they knew of the work we had done before we started our own company. In fact, the two of us had done the NMB stock-exchange listing itself before we left them to form our own company," said Scanner.

As the company started trading, prudent income and expenditure control was necessary, as they had no slack resources. Tight fiscal discipline was facilitated by the fact that the two had to plan jointly and co-authorise every item of expenditure. As the personnel manager explained;

"We just started by making payments for purchases against the cheques collected from customers for services rendered with Scanner and Executor agreeing on all payments to be made on the basis of the income and expenditure reports generated from my P.C (personal computer) which I distributed to each of them regularly. They signed all cheques jointly. They prioritised key assets and we started to buy important items like computers, calculators and stationery."

Admission of Dealer and Accountant: Diversification and Establishment of Accounting Function (2000):

In April 2000, six months after start-up, Scanner and Executor admitted Dealer, an ex-workmate and a friend, who immediately started to set up Treasury Division as soon as he joined them. By the year 2003, that division was leading all the bank's three profit centres in terms of revenue generation.

As Executor confirmed;

> *"We took in Dealer so that he could set up the treasury and structured finance because Scanner and I had never handled treasury and structured finance before. The move was one of our earliest steps to build the team and the structures around our idea to establish the merchant bank eventually."*

The admission of Dealer strengthened the team's capacity to recognise and exploit new opportunities as Dealer quickly spotted a hitherto hidden opportunity for income generation from money market investments;

> "*Scanner and Executor had already built much cash volumes which lay idle and I started to invest the funds on the money market as a way to earn the company additional interest income,*" Dealer said.

Dealer went on to assert his specialist contribution upon joining the team;

> *"Because of my treasury background, I developed my own plan to activate the (then) dormant asset management arm by recruiting only one dealer to begin with. Asset management became a significant source of revenue at a time when we were building capital for the bank."*

The admission of Dealer enabled the implementation of a diversification strategy, which was achievable through role differentiation to multiply revenue streams. Apart from the direct cash investments onto the money market by Dealer, the team capitalised on his competences in structuring packaged loan facilities, on one hand, and the joint networks of Scanner and Executor, on the other hand, to structure and then deliver products the organisation could not otherwise have delivered for want of both a licence and adequate capital. Dealer described how this was achieved in one typical Cottco transaction;

"In (the year 2000) Cottco (a corporate buyer of cotton and a supplier of cotton-growing inputs) wanted a loan of US$10m to finance the procurement of agricultural inputs on behalf of farmers. I structured a packaged loan scheme under which Cottco would supply cotton seed and pesticides to farmers and the farmers would pay back Cottco through crop produce deliveries and in turn Cottco would then repay the bank."

As a manager in treasury confirmed;

"We approached Trust Merchant Bank with the Cottco proposal for them to provide the funding under a collaborative deal in view of our licencing and capital limitations as we had neither the legal authority nor the financial capacity to underwrite the transaction."

Dealer explained how it was possible to engage the collaboration of competitors with relative ease;

"Scanner and Executor were already well known and respected within these institutions and therefore Trust agreed to enter into the arrangement with us. We earned the commission for our role in initiating and developing the concept and they got the interest for lending their funds."

An extract from Bank's 2001 prospectus, produced towards the launch of the bank, also confirmed some of Dealer's further contributions in structuring the packaged loan facilities which were then delivered through his colleagues' networks;

"Dealer played a significant role in funding the country's leading companies in different industries, including mining, cotton-growing and manufacturing, through structured products. Through various structures, he facilitated the provision of well over US$50 million to

these sectors in the year 2000," reads the Bank's 2001 prospectus for a private placement confirmed.

As Dealer focused on asset management and developing structured loan packages, Scanner and Executor continued to concentrate on developing and delivering innovative advisory products. As Executor confirmed;

> *"Our growth has been driven by the scope of our innovation in new product development. Dealer has structured new products in structured finance whilst at the same time we structured advisory services products. Scanner and I would first put our ideas together and we sold valuable suggestions to different customers. In the end, we had an average of 40% to 45% of our advisory transactions coming from unsolicited transactions. These are transactions which involve us approaching a client with an idea to reorganise their business in a situation in which we act as the ones who initiate the idea rather than waiting for the client to approach us with a specific request first."*

In the real process of structuring advisory deals, Scanner and Dealer have developed into complementary specialists whose work is perfected by joint involvement in crafting and delivering advisory deals on the basis of best fit to achieve high-levels of innovations. Scanner confirmed his colleague's competences;

> *"Executor knows some areas better than I do and vice versa. He knows taxation and can integrate legal and regulatory issues with our work. He knows much about the Competition Act and the requirements of the Competition Commission, which are core in transactions to merging companies. He knows the regulatory requirements in different industries such as what would apply if we*

are recapitalising an insurance company as was the case with Minet Insurance and Zimnat."

One of the earliest serving clerks in advisory services also confirmed;

> *"When we did the Intermarket transaction to consolidate a discount house, a building society and an insurance company into one holding company, Scanner dealt with an unusual number of four approvals from different authorities - the Reserve Bank; the Competition Commission; the Commissioner of Insurance and the Registrar of Banks."*

Scanner gave another example when Executor's role reflected his specialist competences;

> *"Executor also knows the stock exchange regulations very well. The stock-exchange requirements are at his fingertips and when we are listing or delisting a company that is his area. This is the brokerage function. In the case of the Astra de-merger transaction he handled that area since we were unbundling the company and delisting it on the stock exchange and then re-listing the subsidiaries separately."*

Executor explained Scanner's areas of relative strength in advisory transactions, apart from opportunity identification;

> *"He is good in restructuring the capital and share swaps which involve shareholders of different companies exchanging shares. He did the Dairy Board Employee Share Option Scheme, which is now used by many companies as a model. The Cains IPO was a problem because the company was technically insolvent but he separated the company into two; a solvent one and a bankrupt one. We then floated shares of the solvent company and the IPO was oversubscribed. Scanner deals with corporate governance matters*

> *that always complicate transactions to re-organise most companies. He also does due diligence searches on companies and company directors."*

Over the year 2000, because of teamwork, Bank did "*more advisory transactions than all the banks put together,*" confirmed Scanner. The substantial increase in the portfolio of funds held in trust for advisory transactions prompted Dealer to recognise yet another opportunity to generate interest income;

> *"As the size of advisory transactions grew, customers would deposit large sums of money with Scanner and Executor as trust money whilst transactions progressed. For public share issues, funds were even massive for big companies such as Zimnat, Fincor, Pascal, Cains and Zimre.Dealer invested the trust funds onto the money market to take advantage of the long waiting periods in between transactions to earn additional revenue."*

In July 2000, nine months after start up, Accountant, a chartered and experienced accountant, was admitted as the fourth and last member of the venture team. The establishment of a multi-disciplinary team was a necessary condition for the bank to be issued with a licence and the enlargement of the team, following the admission of Accountant, as the fourth member facilitated the team to overcome a regulatory hurdle in order to quickly grow by transforming into a bank. According to Scanner;

> *"The need of the accountant was prompted by the need to set up the accounting department in preparation for the opening of the bank. In any case we could not open the bank without the accountant because that would have paralysed us as banking is accounting. I am an accountant myself but I did not have the time to sway from advisory services. Moreover, even the central bank*

could not have granted us a licence without the accountant and so we really needed him for us to become a bank."

The team therefore had an important role to play in establishing the critical institutional legitimacy for Bank to qualify for the banking licence; to co-manage the functions of the bank; and to allow members the time to remain focused on different activities through specialist division of labour.

Accountant explained how he soon started to complement his colleagues who were mainly involved with income-generating activities;

"When I joined in July 2000, I took over the accounting functions and those of the company secretary from the personnel manager."

Whilst Scanner, Executor and Dealer remained focused on developing and delivering products onto the market-place, Accountant was setting up the accounting department as well as developing appropriate systems in anticipation of the future requirements of the bank. As Executor confirmed;

"Accountant set up the accounting division as it is structured today and he introduced sophisticated accounting systems and formal budgeting processes in the year 2000. He worked on the Y2K project in the process."

Further Growth and Moves to Transform into Bank (2001):

With Accountant managing the newly established accounting department, Scanner and Executor managing advisory services and Dealer managing asset management and structured finance, the team collaborated in managing the venture under a structure of functional specialisation whilst they also collaborated to accelerate further moves to establish the bank. Further, in 2001, with the employment level at 17, Scanner took responsibility for human resources and the personnel manager reported to him.

The year 2001 saw the bank continue trading largely within the routine of team collaboration established in the previous years. Some of the landmark transactions as done by Scanner and Executor in advisory services during the year 2001 included:

- 2001: Commercial Bank of Zimbabwe Limited's rights issue.
- 2001: Astra Limited de-merger into three separate focused companies.
- TEDCO: Conversion of Debentures into Share Capital.
- Shamlock: Raising funds on the foreign market (South Africa).

Dealer also continued to contribute in structured finance and some of the major transactions he handled during the year 2001 included the following:

- Zimasco Foreign Currency Loan to Local Currency Loan Swap.
- ZESA: Structured Finance Package to raise capital for country's power utility.
- Small Scale Farmers Scheme: Loan Scheme for farming syndicates.

In the year 2001, the team relied on the standing top management team as well as the team-level networks to successfully link the venture to sources of capital and they managed to raise the US$900 000 additional capital needed to set up the merchant bank;

> *"When we needed finance to launch the merchant bank, we again approached people who knew us and fielded our four-man team. We approached Zimnat Insurance Company first as Executor and I had once done an IPO for them in the year 2000. We then approached four other institutions, which we had advised in advisory services previously. We went around as a team to present our case for capital to launch the bank and our private placement was over-subscribed after winning the support of Zimnat and three*

other institutional investors. In the end, the share structure comprised of Zimnat (43%), senior management (46%) and other private investors (11%)," Scanner explained.

Accountant, who was also the company secretary, explained how the team raised the other capital through member contributions;

"We had an agreement that bound us all. Every month we remitted a percentage of our individual salaries to an investment fund managed by Fidelity Asset Management. We did this until each had contributed US$103 500 to raise US$414 000 in total, that is when we started to hunt for the other bulk from outside investors."

In the hunt for capital, the team approached potential investors together with each member handling his specialist area, which is how they had prepared the business plans;

"Scanner took care of corporate governance issues. Executor handled issues of capital. I did the bulk of the business modelling and the business strategy and Accountant dwelt on our financial plans."

The Processes of Further Institutionalisation and Formalisation of the Venture ahead of Transformation:

As soon as the licence was granted, the team once more organised themselves to set up the various functional structures of the bank within two months with a view to opening the bank to the public in January 2002. The objective was to broaden the income stream and tighten control systems. Teamwork reduced the activity cycle to seize the waiting opportunities and accelerate growth. Dealer captured some of the core activities;

"As we prepared to launch the bank in 2001, I re-organised the asset management function into Treasury and Structured Finance and recruited eight dealers. Treasury is now the leading division in terms of income generation. Accountant set up International Trade and Finance before he then set up our Back Office for the internal processing of transactions."

In the same year, Dealer, who had previous experience in setting up a core risk management function within a bank known as ALCO (Asset and Liability Management Committee), established the function in Bank. Dealer explained the implications of system development, in particular ALCO, to business growth;

"I personally spearheaded the formation of ALCO in the year 2001 as I already knew that it was a necessary committee for managing operational risks in a bank. Before we obtained the banking licence, I had also led projects to advise Trust Merchant Bank and Metropolitan Bank on the implementation of ALCO in the year 2000 when each of the two banks were in trouble with the central bank because of lapses in risk management practices. I then recruited a general manager for ALCO in November 2001. We could not manage risks related to growth without a robust ALCO system and this is the back-bone of our risk management functions."

The personnel manager explained how the team was so powerful an attraction for industry specialists that it was not difficult to appoint management incumbents;

"As soon as a few people had learnt that Scanner and Executor had started this company, word spread like veld fire and we started to receive applications from experienced people - managers, clerks, dealers and accountants from all over. In the fourth month we had enough people on our list to man the merchant bank and the list of job applicants has been growing," Dealer added.

Probed to account for these events she said, "*The two were known and their combination has always been respected in this market since about 1996 when they were appearing in the press for doing industry-shaking deals.*"

On the other hand, Accountant, who had an intimate knowledge of computers as well, was quick to recognise the shortcomings of the then existing computer system to cope with the anticipated functions and volumes once the bank was opened. He managed the project to upgrade the system. As Scanner confirmed;

> *"In the year 2001, after setting up Back Office, Accountant stress-tested the IT system and identified the capacity limitations of the mini-falcon computer system which we were using, after which he suggested that we move on to Flexcube. We took his advice and let him manage the installation of the Flexcube system which has coped pretty well with our rapid growth."*

Within the two-month period ahead of the opening of the bank, the top management team also divided the task of preparing the bank's policy and procedure manuals for the different functional areas on the basis of best fit and they successfully completed the task in time before the bank opened in January 2002.

> *"We did our procedure manual in two months because we shared the task. Accountant did manuals for Finance and Back Office, I did manuals for Treasury and International and Executor did credit manuals for Corporate Banking. When we later opened the bank in January 2002, we had no glitches in operations because we were well-prepared,"* said Dealer.

Just after the opening of the merchant bank, Scanner managed the project to introduce formal systems in human resources with the support of external

consultants over the period February 2002 to April 2002. He explained how the task was accomplished and the team's involvement;

> *"Last year (2002), I led projects to strengthen our human resources department. We hired Price Waterhouse Coopers to assist us with implementing the Job Evaluation and Grading System, and then the Performance and Reward System. After that was done, the personnel manager and I worked with them to develop the human resource policy and procedure manuals."*

During the course of implementing these initiatives, the entire top management team regularly met with the consultants for work review purposes and wider consultations. "*We would meet with the consultants every Friday as Exco (the executive committee made up of the top team). Our role was mainly consultative and to review work-in-progress,*" said Executor. The personnel manager also acknowledged that, "*...the involvement of all four directors gave the consultants the necessary push for the project to be completed within schedule, in fact a week ahead (of schedule).*"

By the time Bank transformed into a merchant bank in 2002, a full complement of four top managers was in place to manage a diversified business portfolio as well as cope with the further extension of the product lines and the reorganisation of the business which was critical for the organisation to "*offer a wholesome service if we were to compete with traditional players,*" said Dealer. As confirmed by Executor, the divisionalised structure for the bank's diverse product markets created an opportunity for multiple revenue streams as soon as Bank opened to the public;

> *"We have three income generating centres which were all operating on the second of January 2002. We just fitted into the structure without talking about it because each one of us knew where they would fit from the beginning. The revenue centres*

include Corporate Banking and Advisory Services headed by myself; Treasury and Structured Finance headed by Dealer; International Banking that houses International Trade Finance headed by Scanner. Scanner also heads human resources whilst Accountant heads Accounting, ALCO and IT."

The establishment of a constellation of business units that were managed by the venture team has also created cross-selling synergies, which has boosted sales as explained by Dealer;

> *"I refer corporate banking customers to Executor and he refers treasury customers to me. This happens across all the divisions and across all levels of the organisation. A customer may buy treasury bills from me here in treasury but may as well end up with Executor for a foreign currency loan before Scanner might open him a letter of credit. We offer a one-stop service under our structure and this is how we structured our bank following Kadis Investment Bank which I visited in South Africa when I was at NMB."*

As the venture evolved, the team accelerated the pace of sales growth by forging links with the market in parallel. In the words of the personnel manager, "*Scanner would bring in his clients whilst Executor and Dealer also did the same.*" On the other hand, the need to grow sales would occasionally contradict with the need to avoid financial losses and this created challenges that had to be resolved within the multi-division structure under team management. Dealer gave an example of how the team objectively evaluated such contexts to exploit new opportunities whilst avoiding financial risks;

> *"In the year 2002, Executor (in charge of Corporate Banking) won the account of Zesa (the only power utility in the country). Zesa had pressed Executor for a low rate of interest on a US$13 000 loan and he had given in as he saw this as a big catch and argued that*

the low transaction costs on the big loan would offset the discount margin he had allowed them. After looking at the issue from a treasury point of view, I could tell that the cost of funds on the money market was higher than the interest rate Executor had quoted them and I easily convinced my colleagues that it was a loss-making offer. We went out together to re-negotiate the deal with the customer until we finally allowed them a reasonable discount that still left us with a reasonable profit margin. Zesa still took up the deal because in addition to a reasonable discount on the price, I re-structured the loan package such that they would enjoy the option to roll-over the debt after every 30 days."

The multi-division structure also placed new demands in accounting which Accountant had taken steps to contain by setting up a fully-fledged accounting division well before the bank had opened. As he implemented specialist accounting management practices in accounting and finance, Bank has never suffered a deficit position on its closing position on the money market, a rare practice especially with a new bank, thanks to his competences in financial management. As Scanner confirmed;

"We have always been a net-lender and have always had a cash surplus on the money market. Normally, new banks usually fund their daily shortfalls by borrowing on the money market on a short-term basis but we have sustained a surplus position as Accountant manages this area tightly. Remember that poor liquidity management collapsed UM Bank in 1997 and Accountant checks against that here."

In the year 2002, Accountant set up the internal audit department.

Further Initiatives to Diversify:

Over the period 2002-2003, although Bank was delivering a wide spectrum of products, the organisation maintained innovation in advisory work and sustained the company's brand by concluding the following as some of the landmark transactions:

- 2002: Intermarket Restructuring (Consolidation of three separate companies).
- 2002: Developing the Business Model for the Privatisation Agency of Zimbabwe (building the new parastatal).
- 2003: Advised TA Holdings Limited's subsidiary, Cresta Hospitality in the preparation of a comprehensive hotel financial model to enable the subsidiary to consider investing in the region.

In 2003, work to further diversify the different sources of revenue in different geographical and product markets was accomplished fast as the team members worked on different projects simultaneously and on the basis of best fit. As explained by Dealer;

> *"I have just set up a stock brokerage house which functions as a subsidiary of the bank because most of our advisory work involves a brokerage function especially when we take companies to or out of the stock exchange. I have recruited four people including a manager who are working in that subsidiary already. Executor has also finished a project to list our bank on the stock exchange shortly. Already the news of this project has been well received by the market and our customer base has been growing. Executor's stock-exchange initiative has already shored up our brand."*

With the team planning to go regional in 2004, they believe that, "*We are still in the growth mode,*" said Scanner.

CHAPTER 11

CROSS-CASE ANALYSIS

Introduction:

In this chapter, a cross-case analysis is provided on how the case study teams dealt with issues of growth. The analytical framework used here is based on themes identified through the discussion of literature in chapter 3. It is how the teams dealt with these issues, presented by way of cross-case analysis, which is the focus of this chapter. These issues are:

Start-Up and Growth Capital;

Internal Controls;

Opportunities;

External Risks;

and

Human Capital and Delegation.

Following analysis of the case evidence, the issue of opportunities was dealt with in two steps. The first step deals with opportunity evaluation. The second step deals with the detection, creation and exploitation of opportunities.

The chapter, therefore, is organised around how the venture teams dealt with the issues of capital; internal controls; opportunity evaluation; opportunity detection, creation and exploitation; and human capital and delegation. The chapter concludes with a summary of the team-specific competences, which the teams used in dealing with these issues. It is those team-based

competences, which provide the explanation of how venture teams manage venture growth than solo entrepreneurs.

Start-Up and Growth Capital Issues:

Start-up capital and growth capital are issues in venture creation and growth because new ventures as discussed in chapter 3, generally find it difficult to raise financial capital for want of institutional credibility.

In the case of Beaters, the issue of capital was resolved in two steps. In the pre-organisation phase, the two founders made matching contributions to buy a '*porter power,*' a small compressor, two grinders, a spray gun and other important equipment in less than a year. The start-up process would have taken twice as long for any one of the two to raise the amount alone. At start-up, Gz raised an additional US$2 000 from the sale of his car to buy additional assembly line equipment and paid the rent for the first three months from the salary of his full-time job. Mz matched his partner's contributions by channelling his wages to finance accessories and paints for repairs over the same three-month period. Joint contributions therefore doubled the size of available financial resources and halved the time it took to raise the necessary finance.

In the case of Print, the team did not have start-up finance. To finance the initial orders SD connected the company to his network contact in Nyanga and SD and PD activated the same network jointly "*because there were two of us telling the same story in different ways,*" said SD.

PD, SD and FD also pooled US$1800 each to raise US$5400 from their terminal benefits to buy additional production machinery and two vehicles in 1998. The three, SD, PD and FD waived wages to finance orders during the early stages when they had to deal with the issue of working capital shortfalls. For instance, in April 1998 they waived US$450 each to finance the Firstel and Mambo Bookshop orders valued at US$1350 in total.

To raise bank finance to acquire in-house production capacity PD, SD and FD complemented roles to explain their case from different perspectives and to weigh heavily on the bank manager and applied *'chiremerera'* (that is team-weight) in a situation in which according to FD, "*None of us alone could have obtained that loan.*" All had failed to do so on several occasions both individually and as a team.

In the case of Retail, the team had no resources when they discovered the opportunity to start the venture. The team relied on BB's network contacts, which could not have been available to MM if he were venturing alone. The two earned credibility from the landlord who allowed them to occupy the premises on credit on the confidence that, "*If two men of your age let me down .... then who else can the world trust?*" (BB said, citing the landlord). Subsequently, they contributed US$1025 each to raise US$2050 to pay the debt when it was due.

In the case of Insurance, the team had no start-up capital of their own at founding and had to raise it from institutional investors. First, they put together a credible plan to raise finance. Chartered, the financial specialist developed the financial component while Marketer, Engineer and Centre developed the business strategy component of the plan. In the second step, Centre connected the venture to sources of capital through his networks. Finally, they made joint presentations to prospective investors. In the process, different team members explained different aspects of the team's business plan and this helped because, as is reported by Chartered, "*We were selling this project to prospective investors most of whom knew nothing about insurance...*"

The multi-disciplinary composition of the team had a co-branding effect, which raised their credibility with investors. Thus, the presence of an engineer (that is Engineer), an expert in farm insurance (that is Marketer), an expert in finance (that is Chartered) and an expert in new product development (that is Centre), earned investors' confidence in the feasibility of the plan which was only feasible under a functional structure. That was how investors were

"*assured that the management team was broad and competent enough to implement the idea,*" as Chartered said. The team was able to raise the entire start-up capital from institutional investors before the organisation had even come into existence.

In the case of Bank, the team raised US$414 000 from member contributions and US$900 000 from external sources in order to transform Bank from an advisory institution into a merchant bank. Scanner, Dealer, Executor and Accountant contributed US$103 500 each. To raise the other US$900 000 the team relied on team-level networks which were activated through joint activity. To activate the networks, the team used collective credibility which emerged from the fact that; a) investors knew that Bank's competences resided inalienably in the team and that b) the three venture team members complemented specialist roles to articulate their case for capital to prospective investors.

In summary, the team dealt with capital issues using joint contributions, team credibility, a broad personal network base and team-level networks.

Dealing with Internal Control Issues:

The initial absence of control systems and the need for such systems as the venture grows prompts system-related crises in growing ventures, as discussed in Chapter 3.

The types of controls employed in team ventures were found to operate strongly at two levels; controls enforced through the early introduction of systems and controls which emerged as a result of the existence of a team, which are labelled here as non-formal controls. Teams facilitated the early introduction of formal management systems.

In Beaters, the team complemented specialist roles to introduce production systems from the start. The team also exercised dual custodianship over both peer and subordinate work for quality control as either would pick "*one*

mistake, as the other picks (picked) yet a different bloat," according to one of the foreman. This reduced the incidence of financial loss due to re-work because of poor workmanship and induced sales growth as quality work spread through word of mouth. Without qualified estimators, job costing was done jointly to reduce the incidence of financial losses and market failure. Joint custodianship of workshop recruitment similarly checked against artisan recruitment error in a process described by MZ as "*a small but critical part of our job.*" From an analysis of these team situations, it can be inferred that trust and reciprocal forbearance acted as a control systems in the management of the bank account in a case in which either of the two could sign alone on that account. In spite of the existence of that kind of arrangement, there had been no incidence of misappropriation of funds because according to MZ, "*We trust each other and both of us respect that ....*"

In the case of Print, the team complemented specialist roles to develop and introduce systems soon after start-up. FD developed systems in administration and accounting and PD did the same in production; their respective areas of expertise and responsibility. The Print team also employed peer-checking controls with each department under the team's weekly performance reviews. Peer contribution also acted as a yardstick for the other's performance. For instance, SD's input in sales raised PD's drive in production to match his (SD's) contribution and vice versa. That was how PD came up with the nightshift initiative to match SD's refocus on the schools' market. That checked against team member under-performance in marketing and production. Co-custodianship of the bank account was enforced by the fact that any two of the three could sign jointly.

In the case of Insurance, management systems were an issue in that the team could have started "*without systems at our own peril,*" (Centre) because of the sophisticated nature of the trade. Centre, knowledgeable about systems, together with Chartered, developed and introduced policy, procedure and operational manuals, whilst Chartered (with a fair knowledge of MIS systems) led the development and installation of the MIS system at founding. Within the processes, Marketer and Engineer still provided

specialist input to support Chartered and Centre so that they could develop systems for the whole organisation including the areas they had little knowledge of. The team exercised joint custodianship over core assets and processes, and that checked against both financial and market risks. In new product development, for instance, Chartered acted as the pricing watchdog and Marketer checked for technical detail and acted as the devil's advocate. At least two among Chartered, Centre, Marketer and Engineer could sign jointly on the bank account. Peer pressure checked against under-performance, related to slack efforts by individuals, as members used the performance of their peers as benchmarks in marketing. This is evident from Chartered's comment that, *"Centre and I decided that, 'If Marketer brings in US$1 of new business, let us also bring in US$1 worth of business' and our sales graph steeped."*

In the case of Retail, SDR integrated his knowledge of the Jaggers system with the knowledge and ideas of BB and MM on the ground practices in Retail to nurture a new version of a retail system out of a wholesale system. Systems were introduced in the third year of trading because the initial founding team lacked industry-specific knowledge.

The Retail team also implemented non-formal control systems from the beginning. Co-custodianship of core assets and core processes checked against risks in finance and marketing related to the absence of adequate controls. BB could have scrapped the selling of pots if he were alone because they earned the venture low-profit margins. However, in MM's counter-assessment, that would have had an adverse knock-on effect on the entire product range as pots were crowd-pullers and so they agreed to stay the move. Financial losses through low sales per square metre and sales per employee were reduced as SDR, competent in financial assessment, warned MM of this possibility and MM responded by taking corrective measures; an opportunity which he (MM) would have missed if he were alone. Trust-based controls reinforced by reciprocal conduct were also evident in that either would occasionally hold signed blank cheques but neither of the two would misallocate resources as *"... we both acted within certain parameters and*

mutual expectations..," as BB said. Peer pressure also checked against member under-performance by using others' output as performance benchmarks. For example as BB said, *"When SDR made one step I chose to make two..."*

In the case of Bank, the extent to which systems were an issue was dramatised by the fall of UM Bank in 1997 and the ALCO-system related crises met with at two other banks. The Bank team, however, introduced systems before the launch of the merchant bank in their respective areas of specialist expertise. Accountant introduced accounting systems, upgraded the MIS system and did manuals for Finance and Back Office. Dealer introduced ALCO systems and did manuals for Treasury and International Trade and Executor did credit manuals for Corporate Banking.

In the case of Bank, the team also exercised joint custodianship over core assets in a manner, which checked against income leakage and excess expenditure. Thus, Scanner and Executor (were) agreeing on all payments first and co-signing the bank account whilst Accountant, the financial specialist, tightened budgetary and cash-flow management which kept Bank invariably a net-lender on the money market. Dealer, the treasury expert, plugged an income leakage which Scanner and Executor had failed to detect until Dealer started to invest idle cash on the money market, resources built by the other two.

Thus, the team dealt with control issues through the introduction of systems at the venture founding stage or soon after (except in Retail where this was after a crisis), peer reviews, processes of co-custodianship, reciprocity, social facilitation and the obligation imposed by mutual trust.

Dealing with Opportunities: a) Evaluation:

The literature often draws attention to the risk factors of entrepreneurship, as discussed in Chapters 2 and 3, but venture teams demonstrated a high

capacity to evaluate complex and ambiguous opportunities with speed. Competent opportunity evaluation minimised the possibilities that unprofitable opportunities could have been pursued and viable opportunities similarly lost due to incompetent evaluation.

In the case of Print, the team evaluated opportunities whenever they considered a new market opportunity or whenever they considered acquiring a high-value piece of equipment. For instance, when they considered the schools market opportunity and the acquisition of the exercise book printing machine respectively, SD, the marketer, provided information on market demand and competitor prices. PD, the expert in production and print technology, provided information on machine cost, capacity and material inputs. FD, competent in finance and cost-benefit analyses, supplied information on unit prices and did the cost-benefit computations. As a result, the multi-dimensional decision-making process was accomplished in less than an hour.

In the case of Insurance, the team also evaluated opportunities fast whenever they considered acquiring competitor portfolios and opening up new branches. In the AIG acquisition, Engineer, who routinely conducted market research, provided off-hand information on AIG's under-insurance of engineering-related risks. Chartered, from a competent analysis of the company's historical accounts, established key financial performance data such as bad debts and portfolio profitability. In a subsequent due diligence study jointly conducted by Marketer and Chartered, Marketer assessed the portfolio from a farm insurance perspective and Chartered did the same from a financial perspective and they completed the evaluation process within a week.

In the case of Bank, when the team considered the Zesa investment deal, Executor underscored that the venture's association with Zesa (the only national power utility) was important for brand building. Dealer, competent in treasury investments and returns, convinced others that it would be a loss-making transaction at the asking rate. Scanner, most involved with boundary-spanning activities, informed his colleagues that Zesa was about to undertake

a massive rural electrification programme, which made it important for them not to miss the opportunity for a long-term relationship with the corporate client. The team instantly evaluated the opportunity and took a position that avoided both a financial and an opportunity loss.

In the case of Retail, the team integrated diverse information, which was available to the different members whenever they were considering a significant move, such as the opening of a new branch (St. Mary's and Budiro 1 branches for example). In the St. Mary's opportunity, BB supplied the information that competition at the centre was weak and that a middle-income suburb was being developed nearby; SDR provided the information that the opportunity was located in a high-crime and low-income market and MM provided information that he had learnt that it was the absence of operational systems which had failed the previous operator occupying the very same premises which were for sale. In the team's joint missions to assess opportunities to open branches, SDR, the marketing expert, assessed market potential and MM, the specialist in site evaluation and branch physical lay-outs, inspected the location and physical structure of the buildings. These issues were core to the decision-making process.

In short, teams speeded up decision-making under complex and ambiguous contexts.

Dealing with Opportunities: b) Detection, Creation and Exploitation:

Timmons (1984) noted that (market) opportunity windows open and close. Entering the market is generally an issue at start-up for the new venture. The continued loss of market opportunities can lead to a marketing crisis or stagnation in growth. Teams broadened the opportunity window relative to the solo entrepreneur. This was because as an opportunity net, the team identified a broad range of opportunities, created new opportunities, and the team deployed multiple team roles to exploit difficult contexts.

In the case of Print, market entry was an issue because the venture was unknown and had no assets, not even an office. Repositioning the new venture up-market and approaching new geographical markets were also the other marketing issues that the team had to deal with. Each among PD, SD and FD provided multiple network nodes for market entry. To activate these networks, PD and SD executed joint missions for a 'punch' (big impact) for, "*When we approached them as a team, we commanded respect,*" according to PD. This was how the giants like Border Timbers, PG Mutare and Forestry Commission were brought onto the sales book.

In the case of Beaters, Mz and Gz combined their dual personal networks to ease market entry and they provided the threshold artisan base in panel-beating (Gz) and spray-painting (Mz), serial processes which enabled opportunity exploitation and which neither of the two could accomplish alone. The opportunity window was also technically broadened by the fact that the two could work on two vehicles concurrently and that in turn compressed the growth cycle.

In the case of Insurance, the issue of market entry was complicated by the fall of Solid Insurance Company, the only other indigenous insurance company. To resolve the issue and open the window for early growth, Marketer connected the team to his networks in the insurance broking fraternity (Insuraserve and Henderson Insurance Brokers for instance), for points of market entry, and the team jointly activated these networks on the strength of raised credibility. This was because the inclusion of whites in the founding team enabled the team to use networks of Marketer (a white) to access the white controlled market and team members articulated their case for trading from different perspectives. As a result of the team's joint action in marketing, according to Centre, "*Customers treated us with more respect than they would have done....*" *and* "*Business immediately started to flow.*" As a result, they instantly attacked the 'Big Five Brokers', which would not have been possible "*if we had approached them as individuals or as blacks only,*" as Centre said. The team also technically quadrupled the breadth of the opportunity window within any given period by selling in parallel, and that

reduced the growth cycle by a similar margin. For example, in 1999, Centre sold to Isaacs, Chartered sold to UDC, Marketer sold to Henderson and Engineer sold to Eaton and Young.

In the case of Bank, the lack of capital at founding complicated market acceptance. Team-level networks eased market entry since the market was confident in the joint as opposed to individual competences of Scanner and Executor in advisory work. When the venture was established, Scanner, Executor and Dealer, acting as an opportunity net, identified market opportunities in parallel. To convince customer prospects, the team complemented specialist roles to *"explain to clients other aspects of the different proposals..."* as Executor said. To structure and deliver on the clinched deals, the team collaborated on the basis of best fit as Scanner handled governance issues and Executor handled legal and taxation aspects, whilst Dealer handled treasury aspects (for example the Intermarket transactions). To back up their tenders for new business, the team invoked team-level networks to borrow balance sheets from competitors at a time when they did not have one.

In the case of Retail, the team also behaved as an opportunity net. For instance, MM identified Glenorah, SDR identified Adbernie and BB identified St. Mary's opportunities for opening new branches. Similarly, when they transformed from a small shop into a supermarket, as when they started to trade, the team made parallel searches for market demand in household goods (which was done by BB) and grocery goods (which was done by MM). This quickly resolved an important issue related to their individual lack of industry-specific knowledge. The supermarket concept had also been nurtured by integrating MM's ideas for dealing in household goods and BB's ideas for grocery goods; concepts which had not occurred to either of them in the first place. In setting up branches, which were new opportunities for sales growth, they performed a web of concurrent and interdependent roles. In each case, SDR researched market needs, which informed MM on renovating branches and developing interior layouts. BB managed the supply network and procured stocks. SDR also implemented systems and identified branch

managers through his industry connections since MM, who was responsible for human resources, did not have the relevant networks. MM recruited the rest of the staff whilst SDR also conducted branch-opening promotions. Teamwork, therefore, broadened the opportunity window, raised the capacity to exploit market opportunities and reduced the activity cycle.

Beyond opportunity detection, the venture teams nurtured creativity by creating markets of which industry players were apparently unaware. Literally, this was broadening of the market window by pushing forward the frontiers of industry practice.

In the case of Beaters, the team stretched the opportunity window by repairing complex roll-over damages such as those declined by competitors as beyond economic repair. Such work had three stages to it. Firstly, the two would "*combine ----- pictures*" (Mz) in developing the image of how a damaged vehicle would have to look when finished. Secondly, the two would do the repair work jointly to create step-by-step breakthroughs, with each intervening in the process at different points whenever either could perfect the work better than his colleague, or when the other could not proceed. The Tenda, Marondera and Mazarura vehicles are examples. The case vignette on the Mazarura vehicle and the on-site observation demonstrates the team creativity in such roles. In the third stage, they would co-check the quality of the finished vehicle, a process which benefited from the team because Gz, competent in panel beating, checked the panel-beating aspects and Mz, competent in spray-painting, checked the spray-painting aspects of the same job. As a result, they created a captive market for high-profit margin repairs that most competitors could not do.

In the case of Print, the team gave each other ideas on how to adapt machines in order to meet unusual orders, which are common in the industry. PD, the technical expert, would do most of creative work to adapt machines. Forces of peer pressure and social facilitation gave him the urge to adapt the machines creatively in order to exploit market opportunities.

In the case of Insurance, the team broadened the opportunity window by creating new demand through new product development when market demand in agriculture had shifted. Engineer originated most ideas for commercial and industrial products (such as the Zesa Property-Personal Accident Link Cover) and Marketer initiated ideas in farm insurance, while Centre originated new product ideas across the board and then transformed the team's ideas into products. An example is the Zimtobacc product in which Marketer, the expert in farm insurance, developed the crop cover whilst Centre, competent in accident cover, developed the accident cover and Engineer, the expert in industrial insurance, developed the industrial cover. Chartered, competent in finance, determined costs and structured the pricing to exploit cross-product synergies to lower the price for competitive advantage. Centre then merged these three products into one tobacco insurance scheme to create an "*instant best-seller*" (as Agronomist put it) because it was a multiple-risk product and the aggregate price was affordable to the new market, which was otherwise considered to be a *"dead"* market (as the sales assistant described).

In the case of Bank, the industry was going through a cyclical slump and demand was lukewarm. Such a context made it difficult for a new company's products to be accepted by the market. Team members created new demand in different directions. For instance, Executor did the bulk of the Dairy Board Employee Share Option Scheme (an unsolicited deal) that is now used by many companies as a model, and the Cains IPO (an unsolicited deal) because of his specialist competences and the scope for division of labour. Dealer also structured packaged loans because of his specialist competences in that area and the time created by specialist division of labour. In all cases, the team integrated ideas as Scanner advised others, for instance, on governance issues and due diligence searches. Executor advised all on the taxation aspects of the deal-structuring process. Such activity generated multiple innovations at both the team and the individual levels, thereby stretching, the size of the market (as industry-defined) as in the case of unsolicited tenders. As a result, unsolicited transactions accounted for over 45% of advisory transaction revenues and, over the year 2000, which was the

first full year of trading, Bank did *"more advisory transactions than all the banks put together,"* according to Scannner.

In summary, teams dealt with opportunity detection, creation and exploitation by relying on a broad personal network base, covalent networks, team-built institutional credibility, team-based creative/innovative firm behaviour and the team's capacity to reduce the implementation cycle.

Dealing with External Risks:

As highlighted in the section on the team's role in opportunity evaluation, factors that make entrepreneurship a risky process are often articulated in the literature. Teams have a high ability to insulate new ventures from external hazards.

In the case of Beaters, the venture was exposed to market threats because they competed with better-equipped multi-national panel beaters and there was an on-going decline in the rate of road accidents by 37% over the period 2000-2002. The team insulated the venture against these environmental hazards by building quality around the team (as demonstrated under control systems) and complementing specialist roles to do complex jobs which *"need(ed) at least two or three journeymen,"* according to the second foreman. Moreover, Mz, who was good at talking to customers, managed customer relationships whilst Gz, who was good at time management in the workshop management, kept the assembly line work ahead of customer deadlines. Consequently, and in spite of the declining levels of demand in the sector and the environmental threats, the number of vehicles completed increased at a rate of 3 per month on average over the period 2000-2002.

In the case of Print, the team also complemented specialist roles to insulate the venture against financial and marketing risks. In setting up the risky Chiredzi agency, for instance, FD coached the agent in administration, break-even volumes and bookkeeping systems and developed monitoring mechanisms (for example debtors' control returns). SD coached him on

marketing techniques and PD familiarised the agent with the company's product range and industry terms. SD also regularly monitored the agent through fortnightly spot visits.

Print was exposed to environmental risks due to long periods of idle time because of industry-wide material shortages and the fact that the company's machines were all second-hand. PD, who had the technical know-how in machines, identified and technically assessed machines before purchase, repaired and did maintenance work on them once they had started operating whilst SD outsourced scarce material supplies from South Africa through his family networks. PD also outsourced production in need through his industry networks as happened when the Guillotine machine broke down for six weeks. This concentration of team initiatives around production crises diminished idle time which *"is why I classify the cost item under 'Miscellaneous Expenditure' in our books of accounts,"* (FD) though many other companies had succumbed to chronic down times.

In the Insurance case, the team formation also ring-fenced the venture against environmental hazards. This was the case, for example, during the farm crises; the professional indemnity acquisition from Unit Insurance company; the acquisition of the independent insurance agent's financially-troubled portfolio in Mutare; and the opening of the Bulawayo and Masvingo branches. All these were product/geographical markets from which competitors were pulling out because of environmental risks. In insulating the farm insurance portfolio, Engineer assessed and managed engineering-related risks in a case in which such risks were *"part and parcel of farming"* (Engineer). For instance, he cautioned them on uninsurable lightning risks on particular farming technology by warning them *"Hachibatwe!"("Do not insure (because it is) not insurable")* (Engineer) and he also activated industrial insurance which eventually subsidised farm claims losses as planned. Marketer guarded against crop risks because he *"knew much about the farming risks such as water-logging, new diseases and droughts (which) the different regions of the country were prone to"* (Operations Manager) and

restricted cover where necessary. Marketer was also the only one who could distinguish between claims due to poor management and those, which were genuine.

In so doing, he saved the company from huge plantation claims on veld fires and wood diseases. Chartered, because of his competences in financial analysis on claim trends, saved 35% on potential farm claims by excluding risks on aluminium pipe thefts and political risks. Centre did market research to inform new product development by which he quickly detected shifts in demand patterns, developments that drove competitors out of certain markets because they had not been able to track them. As a result, the team weathered the farm crises and became market leaders in farm insurance in their fourth year of trading.

In the case of Retail, the venture was operating in a highly competitive industry fraught with operational risks, which also needed tight systems. This is evident around developments such as at St. Mary's and attacks from supermarket giants such as OK, TM, FCG and Spar. They insulated the venture from the latter threats by orchestrating concurrent activities to nurture and develop a low-cost-high-service strategy. SDR implemented the *'TCE' ('Total Customer Experience')* concept, whilst MM implemented the *'High-Tech Retailer'* concept to cut costs and BB implemented gain-sharing linkages with suppliers to cut costs which all dove-tailed to construct one competitive strategy. In another variation to this, SDR implemented special offer schemes, an idea of his, and augmented this with BB's ideas on gain-sharing linkages. Those linkages, in turn, depended on the networks, which were built through teamwork (refer to section on raising resources). As a result, Retail survived attacks from established competitors and forced other competitors to close-down as happened at Machipisa Shopping Centre.

In the case of Bank, the initial advisory-only structure made the venture vulnerable to established players who had full merchant banking structures in place. In the Cottco farming finance deal, for instance, Dealer, who was competent in structuring packaged loans, structured a packaged loan and

then Scanner and Executor connected the venture to their team-level networks to finance the transaction under a collaborative arrangement. As a result, though they had a lean structure initially, they avoided the loss of opportunities of well over US$50 million in different industries, including mining, cotton-growing and manufacturing, through structured products at a time when their treasury division was not functional. Later, the team enabled a diversification strategy through a process of specialist division of labour, as Executor headed Corporate Banking and Advisory Services; Dealer headed Treasury and Structured Finance and Scanner headed International Banking. This provided a one-stop shop for merchant banking and reduced the loss of potential sales to competitors, which had been previously the case.

In short, the team dealt with external risks through functional specialisation.

Dealing with the Human Capital and Delegation Issues:

New ventures have great difficulty in attracting skilled resources. Because of this, most new ventures suffer a delegation crisis as a result of growth.

Teams provided the initial human resource base, which enabled functional specialisation, based on the principle of specialist division of labour, in the team ventures at founding or soon after.

In the case of Beaters, the nature of the task needed a minimum of three specialists; one for panel beating, the other for spraying–painting and the third for job costing. Neither of the founding team possessed a full set of skills in all these areas and in the case of job costing, none of them was a specialist in that area. To resolve this issue, Gz and Mz complemented roles to bridge each other's individual competence gaps in spray-painting and panel beating respectively. The two jointly costed jobs to overcome each other's lack of specialist knowledge in that area.

As work volumes grew, the two eased congestion in the workshop and in job costing by executing tasks in parallel. They later separated administration and

the workshop operations management between themselves and this avoided yet another looming delegation crisis. As one of the foremen put it, *" Mz now spends more than half of his time in the office .... Gz spends more than half of his time in the workshop."* As neither of the two was a seasoned administrator, employees reckon that their roles in management are inseparable as each one has "*hubofu hwake hunokavhirwa noumwe (own degree of blindness which is made up for by the other),"* observed the Administration manager.

In the case of Print, the issue of raising the threshold human base was critical because at founding the initial business concept was only feasible with three specialists implementing a triangular modus operandi at a time when the team had no resources to hire labour. FD manned the office and faxed orders to Harare where PD attended to orders-in-production. SD was in the field sourcing orders and making deliveries. The re-organisation of the venture six months after start-up exposed the business to a delegation crisis, as there was need for at least three specialists to manage production; administration and finance; and marketing. This was crucial because the organisation was becoming administratively complex following early growth. PD, experienced in production management and print technology, dealt with production, FD, experienced in finance and administration, took up finance and administration and SD, experienced in marketing and sales, dealt with market development. When night shifts were introduced, the issue of delegation emerged regarding how the shift was to be managed. This was resolved by having the three directors alternating roles to manage the shifts.

In the case of Insurance, the issue of raising the threshold human base in management had to be dealt with at start-up since, as reported by Centre "*it was totally, totally impossible*" to implement diversification without a team. In the year 2000, they also needed to deepen the diversification strategy by shifting focus to industrial and commercial insurance and the human base needed had to be broadened. These delegation-related issues were resolved through the processes of specialist division of labour enabled by the team formation. Marketer managed farm insurance; Engineer managed industrial

and commercial insurance and Centre managed new product development whilst Chartered managed corporate services, which housed human resources, MIS, company secretarial services and accounting and finance. The team also attracted skilled human resources, which enabled early delegation. The process of attracting human capital had two stages; identifying and then winning the skilled candidates on board. The MIS manager was connected to Marketer and the operations manager was connected to Chartered through interpersonal relationships. The team, however, jointly activated these network nodes. *"The fact that the two of us were already together on the project was particularly important,"* as Centre said. Chartered and Centre managed to convince the operations manager, an expert in insurance, by talking to him jointly to join the company.

The Retail team also had to deal with the issues of human capital and delegation at founding and as the venture grew. In the early phases, this was compounded by the absence of industry-specific knowledge within the founding team and a wave of early growth. At founding, they only coped by integrating ideas *("I had half the ideas and BB had the other half,"* as MM said.) and by providing double capacity to operate two tills in parallel. A delegation crisis was also later eased by MM managing shop operations, whilst BB went out to source stocks. The venture was exposed to a similar crisis, when they transformed into a supermarket, by dividing roles with SDR managing the Groceries and BB managing the Household Furniture and Electricals Division. The team minimised the impact of a delegation crisis in 1999 by splitting the venture into three divisions, with MM managing operations and human resources, BB managing merchandising and logistics and SDR managing marketing and finance. The team also eased the delegation crises by attracting skilled personnel, which allowed them to delegate. SDR, better networked in the industry than his colleagues, identified the right candidates (the general manager, accountant, personnel and branch managers) and the team jointly attracted some of the specialists such as the general manager.

In the Bank case, a team of two specialists at founding was critical because of the multi-faceted nature of advisory services, which could not be handled by one person and the fact that the team did not have capital and so they opted to implement a low-capital high-intellect strategy. In addition, they had to rely on team-level networks for market entry which could only be activated by them acting jointly.

Upon transforming into a merchant bank, the team divided specialist roles to resolve a delegation crisis. For instance, Accountant managed accounting, Executor managed Corporate Banking and Dealer managed Treasury. The team also attracted skilled personnel to enable early delegation. For example, the personnel manager was attracted to join the team in the pre-organisation phase because of the prospects of career growth on the back because of the venture team formation. The team started to receive applications from many skilled people, who came to learn of the team founding within four months of start-up, which is why appointments such as that of the ALCO general manager was not difficult to effect when it became necessary.

In summary, the team itself made it possible to adopt functional structures at founding and used team-based credibility to hire managers and specialists. This, in turn, facilitated early delegation and further processes of functional specialisation, which facilitated venture growth.

Conclusion of Cross-Case Analysis:

Table 17 below summarises the mechanisms by which the teams were able to deal effectively with growth issues by virtue of being a team.

Table 17
Summary of Team Roles

Growth Issue	Team role
Capital Issues	Joint contributions, credibility, broad networks, covalent networks
Internal controls	Early systems, peer review, co-custody, reciprocity, social facilitation, trust.
Opportunity Evaluation	Speeded up decision-making in complex situations.
Opportunity Detection, Creation and Exploitation	Broad Networks, covalent networks, credibility, creativity/innovativeness, implementation cycle reduction, social facilitation.
External Risks	Insulates risks (risks converted into opportunities (innovative bahaviour).
Human Resources and Delegation	Functional specialisation from founding, early delegation enabled by team credibility.

The venture teams, therefore, enhanced growth in ways, which can be stated as follows:

1. Teams formalised ventures through the adoption of formal systems, functional structures and the delegation of management responsibilities. However, these features and practices of professional management were adopted earlier than normal. Early formalisation

enabled the ventures to deal with growth issues that normally turn into crises, before they actually became crises.

2. Teams compressed the implementation cycles by engaging in concurrent activity. This was facilitated by the use of multiple roles, which broadened the implementation capacity and raised the level of output per period.
3. Teams raised the threshold of firm innovation. The processes of idea integration, which raised the threshold of creativity in idea development in the first place, facilitated this. In the second place, the capacity to use multiple roles in parallel, in series and/or in joint activity made it possible to deliver novel options, which individuals could not have implemented. The use of different team roles, arranged in such an array of possible gestalts, created the notion of an *'integrated action-web,'* a term which will be used in the discussion chapter to mean different patterns of team roles deployed around tasks or processes. Similarly, the notion of the *'integrated idea web'* draws from the similar development of ideas.
4. Teams speeded up decision-making in complex and ambiguous contexts. This helped the ventures to seize market opportunities before such opportunities were lost.
5. Teams acted as self-governance systems. The forces of social control and co-custodianship over processes and assets also served in this function. This facility was used in various ways; such as in opportunity evaluation processes, checking against poor performance by the team members and to protect against misuse of the venture's resources by any one member acting unchecked.
6. The team raised institutional credibility, which made it possible for the new venture to attract resources and customers with relative ease.
7. The team broadened the personal network base and created a team-level network base for access to resources and customers.

It is these findings that are discussed in the next chapter, which also surfaces how this study makes original contributions to knowledge on how team ventures manage to outgrow their solo counterparts in general.

CHAPTER 12

DISCUSSION OF FINDINGS

Introduction:

This chapter discusses the findings, which were established in chapter 11. The objective of the study was to explain how teams manage venture growth better than their solo counterparts.

The contributions of this study are discussed in terms of the team's role in the earlier-than-normal formalisation of their ventures, compression of the implementation cycle, facilitating high levels of innovation, speeding-up complex decision-making processes, raising the venture's institutional credibility and providing a broad network base and acting as a self-governance system. These are the seven themes around which the discussion in this chapter is organised.

Teams Formalised Their Ventures Before the Emergence of Growth Stage Crises:

Venture teams formalised the ventures early through the introduction of systems and through the processes of early delegation (which enhanced the use of functional structures). These two issues will be looked at first because they represent firm behaviours, which are conspicuously uncharacteristic of new ventures (Charan et al., 1980).

i) Early Introduction of Systems:

One unanticipated finding was that teams introduced formal management systems procedures early in the ventures which explains why in four out of the five cases, systems issues did not turn into systems crises as expected in venture growth (Churchill and Lewis, 1983; Charan et al., 1980). Such systems were usually introduced immediately after the venture had emerged

and in one case, Insurance, system development began before the venture emerged. The absence of systems initially and the need for them at a certain stage of venture growth has been held to be one of the major causes of growth crises in new ventures (Duncan and Flamholtz, 1982) to the extent that developing formal systems has been demonstrated empirically (Kimberley, 1979; Mintzberg and Waters, 1982) as a major turning point in venture growth.

This evidence, therefore, contrasts with the stage theory literature (Duncan and Flamholtz 1982; Charan et al., 1980), which argues that the adoption of formal systems in the early phases of the venture's life will be dysfunctional to its performance. What is striking is that the early emergence of systems in the new ventures is explained by the presence of venture teams in each case. Teaming up made systems for mutual accountability imperative (for example in Retail, Bank and Beaters). This enabled specialist division of labour by which different team members focused on different tasks (as in Print, Insurance and Bank) and facilitated specialist idea and role integration (as in Retail and Insurance) to develop complex systems. Another additional explanation was that in four of the ventures (Beaters, Retail, Insurance and Bank), the different teams depended on hired managers, who had competences in particular areas, to complement the teams' development of systems. The availability of such specialist capacity was facilitated by the teams' ability to attract human resources as was explained in the last chapter.

Although explaining the team venture's performance in terms of the teams' early introduction of systems is counter-intuitive, going by the predominant stage crisis theories (Quinn and Cameron, 1983) such systems played an important role in growth. For instance, systems reduced pilferage rates in Retail and gave the venture the capacity to open branches in otherwise high-risk markets. In Bank, prior systems eased the transition from an advisory institution to a merchant bank. Thus, the early introduction of systems enhanced rather than inhibited growth, which is why it provides a valid explanation of team venture growth, which contrasts with the stage-crisis theory prescriptions which suggest otherwise (Charan et al., 1980).

ii) Teams Delegated early and used Functional Structures:

The use of functional structures and delegation of management functions are considered dysfunctional for new ventures (Duncan and Flamholtz, 1982; Kimberley, 1979) but teams used them effectively to minimise growth crises.

Teams delegated management functions earlier than normal for new ventures (Greiner, 1972; Charan et al., 1980). This was an unanticipated finding, the more so given that venture teams start on an unusually broad management base for a new venture. There is evidence in this study suggesting that venture teams used team-based facilities and behaviour to facilitate early delegation.

The venture team attracted human capital. For instance in Bank, the first manager who joined in the pre-organisation phase was attracted to join the venture-in-creation because the team formation gave her the confidence that the planned venture would grow. Secondly, it can be inferred from the evidence that teams delegated early because the team formation provided uniquely adequate mechanisms to control the specialists and to monitor their activities in different functional areas using the capacity of the team. Many entrepreneurs are considered unwilling to delegate partly because they dislike the idea of having managers who may challenge their autonomy, power and independence (Willard et al., 1992; Adizes, 1979; Tashakori, 1980).

The teams could use '*team weight*' to keep expert managers in check by acting as a performance review panel. For instance in Beaters, the '*Monday meetings*' between under-performing line team leaders and the two directors were most dreaded because of their joint presence. In short, teams removed the disincentive for delegation in entrepreneurship.

Because the team members shared power and management responsibilities with others from founding (a kind of lateral delegation), delegating further was not something new to them. They were already mentally pre-disposed to delegating through team entrepreneurship. For instance in Print, SD (director

of marketing in the team) decided alone which markets to approach and the others entrusted him with this high-level decision-making autonomy in the area of marketing, since they too could do the same in their areas of expertise. As Buchele (1967) observed, solo entrepreneurs dislike delegating partly because they have developed a habit of managing alone. A reverse habit applies to venture teams. These teams did not hesitate to add even other venture team members, as in Bank and Retail, when it became necessary. This is delegation at an even higher level than normal.

Although delegating management responsibilities is considered to be inimical to venture growth in terms of the stage crisis literature (Greiner, 1972) early delegation facilitated growth and ensured that delegation issues did not turn into crises. In Retail, the closest there was to such a crisis, the team cut it short by attracting an industry expert to join when the venture was hardly two years old. In the other four cases, the teams dealt with delegation issues before they turned into crises, which eased growth.

Moreover, venture teams set up functional structures at founding and that was not unexpected because their function was to co-manage the venture.

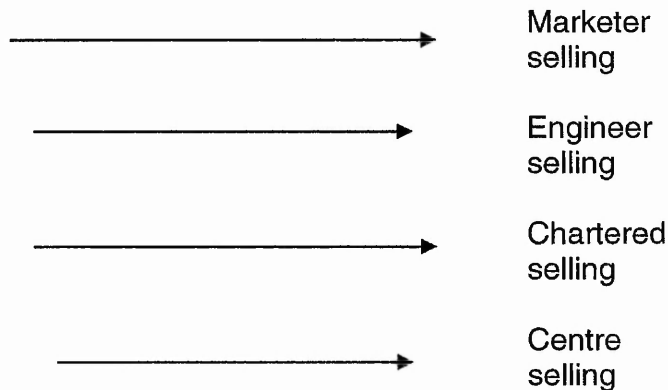
Teams Compressed the Implementation Cycles:

It was established that one explanation for team venture growth is that team members operated in parallel. For example, teams engaged in parallel-selling activity in Insurance and Bank. In Beaters, they worked on different vehicles concurrently. In Retail, they operated two tills simultaneously. Figure 5 below uses the example of Insurance to illustrate this point.

Figure 5

Compressing the Growth Cycle through Parallel Selling

(Output per Period Quadrupled-Cycle Compression)



On the 'x-axis' is the time dimension. The figure above shows activities taking place at the same time.

In Fig 5 the team of A, B, C and D compressed the growth cycle four-fold.

A similar effect resulting from compressing the implementation cycle was achieved when team members engaged in dissimilar tasks on the basis of specialist division of labour. For instance in Bank, Executor and Scanner worked concurrently on different aspects of the deal structuring process. At the same time, Dealer structured packaged loans.

Although this explanation is intuitive and easily observable, the lack of emphasis of this aspect in research is striking. This finding implicitly concurs with previous studies, which have established a positive link between venture team size and venture performance (Teach et al., 1986; Eisenhardt and Schoonhoven, 1990). However, these studies do not show how team size enhances performance, which this study does. Otherwise the sparse research

on venture teams focuses on issues such as team demography (Kamm et al., 1989), team interaction (Lechler, 2001), or team cohesion (Ensley et al., 2002) when in fact some observable explanations on what the team can do (which individuals alone cannot do) was overlooked. Yet, the explanatory power here lies in the fact that the explanation does not come from a detached analysis of representative variables but from observation of team activity itself.

Venture Teams Exhibited a High Capacity for Innovation:

Venture team research appears not to have explored the issues of team innovation. However, in organisational research, studies such as that of Bantel and Jackson (1989) established a positive link between a venture team's demographic diversity and innovation but could not show how this innovation comes about.

This study established that in all the five cases, venture teams generated high levels of innovation through both:

a) Idea-based integration, which emerged out of the team integrating different ideas. An example is the use of team ideas put together in deal-structuring in Bank and in new product development processes in Insurance.

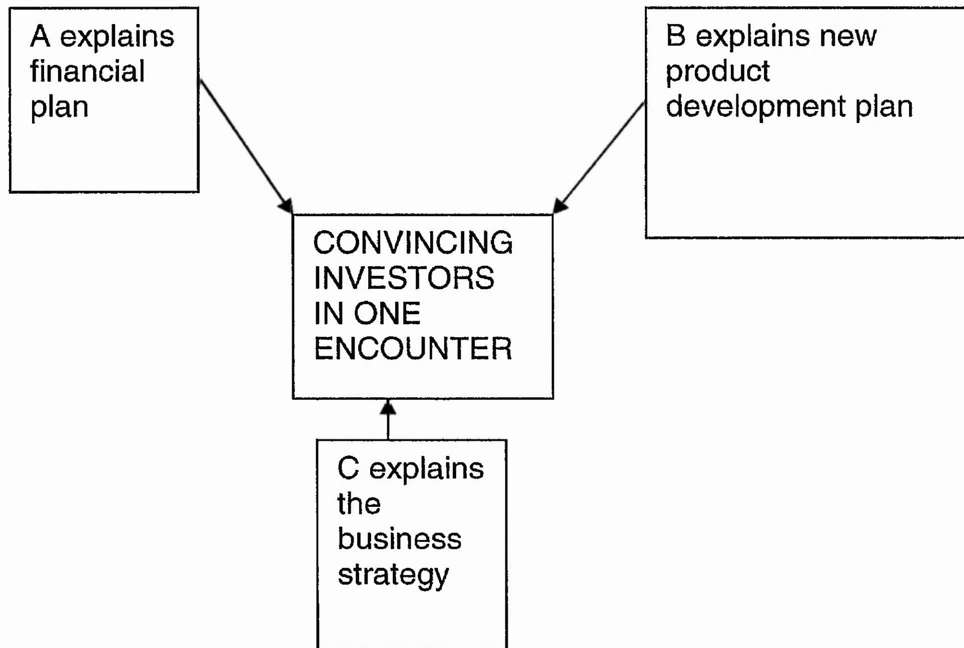
b) Action-web based innovation, which emerged out of the team integrating action around one task. This was more to do with the team being able to '*implement*' rather than '*conceive*' novel options, which individuals could not implement even if they had conceived similar options. For instance in Bank, even if the deal could have been possibly conceived by one person, delivery was impossible without the team's action-web because in implementing the deal, Scanner would deliver on governance matters and Executor on taxation matters.

The two processes enabled teams to convert ambiguous contexts into opportunities by reducing risks, which enabled them to exploit opportunities that were ordinarily out of reach of individual entrepreneurs. Figure 6 illustrates an integrated action web. This diagram is simplified by excluding the idea integration web which preceded and overlays it as the business plans were developed first, by the team integrating ideas, and then the team members integrated roles to explain their business plans to prospective investors as a joint task. The two processes enabled them to raise capital from institutional investors such as banks, many of whom are normally sceptical of and discriminate against new ventures (Stinchcombe, 1965).

Top management team literature (for example Bantel and Jackson, 1989) usually discusses innovation processes in terms of idea integration. Research on cognitive conflict such as that by Jehn et al. (1999) also suggests that the basis of top management team innovation is that teams provide diverse ideas using the facility of team contributions, which individuals do not enjoy. This study, however, shows that explaining teams' capacity for innovation is more complex than that. It demonstrates rather that venture team innovation involves both team idea integration (which enables teams to develop ideas that individuals are limited to develop) and role integration (which enables teams to implement options which individuals cannot) as a complex form of triangulation, which raises the threshold of team innovation.

Figure 6

Integrated Action Web in Convincing Investors Jointly: Brings about Innovative Behaviour (Action Web 2)



The diagram above shows an action-web of a team made up of A, B and C, with each being a specialist in a particular functional area. Each other's role is part of the entire set of roles needed to accomplish one task. Teamwork provides the minimum threshold capacity to raise credibility with investors and secure capital.

In Insurance and Bank such action-webs nurtured creativity in new product development. In Print and Retail they were used to raise credibility to secure funds from the bank without collateral. In Beaters integrated action-webs nurtured creativity in dealing with complex repairs.

The study brings out how innovation was achieved and how it enhanced team venture growth, which is in keeping with the literature (Prahalad and Hamel, 1990) suggesting that innovation gives a firm competitive advantages (Porter,

1980). This is another advantage of venture teams over their solo counterparts.

An interesting finding was that the team spurred creativity through processes of social facilitation (Cottrell, 1968; Zajonc, 1965). The role of social facilitation in innovation is evident only in the case of Print. However, the role of social facilitation in enhancing team performance covered a number of other aspects in other team ventures too. For instance, in the case of Insurance when each team member was motivated to sell by their wish to do better than their peers.

Much of this also resonates well with research on social facilitation which has established that, like ants (Dashiell, 1930), humans achieve greater output when working in teams than working as individuals especially when other co-actors are evaluating them (Zajonc, 1965; Dashiell, 1930).

This evidence for individual-based creativity within a team strengthens rather than weakens team-based explanations for venture growth because the urge for individual creativity in this case is embedded in team social processes. This had not been explored in the handful of studies on venture team social processes (Ensley et al., 2002; Lechler, 2001; Watson et al., 1995). This is not surprising because such studies were limited in their potential to discover new explanations since they were positivist in nature and that prevented the possible emergence of new variables.

The evidence that teams generate social forces which propel individual-based creativity accords well with the social embeddedness perspective as postulated by Granovetter (1985) which posits that entrepreneurship can be inhibited or facilitated by the social processes within which the entrepreneurs operate. In this case, the social processes were facilitating venture growth.

Teams Speeded up Decision-Making in Complex Situations:

This study established that teams make fast decisions in complex and ambiguous situations. This was made possible by the fact that teams integrated ideas and diverse information, which facilitated contributions from the different members. Examples include opportunity evaluation processes in Print, Insurance and Retail. The finding that teams can make fast decisions in complex situations extends the application of the counterintuitive evidence from Eisenhardt's (1989a) study on top management teams to venture teams. Eisenhardt (1989a) found that the fast decision-making top management teams she studied used a lot of timely and relevant information from the team members, which made decision-making fast. The contrary view that teams are slow in making decisions is well anchored in the literature (Schweiger et al., 1986). Mintzberg et al. (1976) also studied 25 decisions and established that discontinuities through intra-team interruptions slowed decision-making.

Whilst it might be true that in straightforward and simple situations individuals may make faster decisions than teams (Jennings and Wattam, 1994), the evidence here suggests that individuals may not be able to decide, or may delay decision-making in complex situations. The findings of this study, therefore, contradict the conventional view that venture teams are slow in decision-making (Vroom and Yetton, 1973). This is significant because it is in the interests of fast decisions that '*a one person at the top*' structure is advocated for in the entrepreneurship literature (Mintzberg 1973; Mintzberg and Waters, 1982). The early rapid growth of Steinberg, a solo entrepreneur's venture, is explained by Mintzberg and Waters (1982) in terms of his capability to make fast decision in all areas. What decision he could not make or which he delayed because the situation was too complex for one person to decide upon is not stated. According to evidence in this study, it is teams rather than individuals who may do this better especially if opportunity contexts are ambiguous. Such decision-making speed was a source of competitive advantage in these ventures (Porter, 1985).

The Team acts as a Self-Governance System:

This study also found that venture teams could act as an effective governance structure, which enhances their competences in dealing with growth issues. As an original contribution, this study established that venture teams can act as an effective self-governance system over the venture team itself and beyond that, over other key stakeholders such as specialist employees. The venture teams achieved this by using team-based mechanisms to control both the team and key stakeholders in manners that enhanced the growth capacity of the firms or their capacity to deal with growth issues.

In the self-regulatory function, it was established that the team used team-based processes and forces such as peer reviews, trust, dual custodianship, social facilitation, reciprocity and cognitive conflict.

A well-documented limitation of outside boards of directors (usually self-selected) is their failure to monitor the solo entrepreneur who usually holds the entire equity stake in the business (Tashakori, 1980). Some evidence (Fiegener et al., 2000) suggests that effective outside boards of directors enhance the ventures' capacity to move to a higher stage of growth. In the current study, venture teams provided the monitoring and control function over top management activities from within rather than from outside, and did that with high levels of power.

Going by the evidence from the five cases, the venture team acting as an internal board of directors demonstrated having more power than a board of outside directors who would have been appointed by the solo entrepreneur and who would normally not be holding equity-backed influence on the management team they are supposed to monitor. Traditionally, outside boards of directors, have been found to be unable to effectively monitor and control the activities of the solo entrepreneur (Tashakori, 1980).

Consistent with social exchange theory (Gouldner, 1970, 1964; Homans, 1961), peer behaviour begets reciprocal conduct by team members based on close relationships, friendship and equality. On the other hand, the solo entrepreneur may similarly not be able to do the same with comparable ease because these social forces emanate from intra-team social processes.

The evidence of the venture team acting as an effective self-regulating or peer control board of directors parallels that of the Grameen Bank micro-finance system. The Grameen Bank group-lending micro-finance scheme has demonstrated the power of teams to control peer behaviour resulting in the borrowing team members repaying loans early (Besley and Coate, 1995) early. These teams have been found to repay bank loans at higher than average rates in the banking industry (Rufasha, 2005), thereby reducing moral hazards (Boyd et al., 1998). This study extends the application of this principle to venture teams in explaining why teams outperform individuals on growth because the teams' social process mechanisms can deal with growth issues more effectively than individuals can using the teams' control mechanisms.

Although there are just a handful of studies on social processes (Lechler, 2001; Ensley et al., 2002), their use as resources for control in task performance is of particular interest because most of the dimensions under that category have not been investigated in past venture team research. For instance, the application of social facilitation (Zajonc, 1965), a function of the team's social processes to team entrepreneurship, in this manner, is new. This study provides some of the answers to the question of whether friendship relations, which often characterise venture teams, would enhance venture performance or not, an issue raised by Francis and Sandberg (2000). In fact, such social forces are a major differentiator for venture teams as teams of friends and equals (Francis and Sandberg, 2000) in which such forces are expected to be strong (Homans, 1961; Gouldner, 1970). Since the venture team's social processes partly explain why teams manage venture growth more effectively than individuals, according to this study, the friendship dimension does have a role in enhancing venture performance.

The Team Raises Credibility to Attract Resources and Customers:

This study established that teams raised institutional credibility, which enhances their capacity to raise capital and human resources and to gain market acceptance whilst still new. This was evident in Retail, Print, Insurance and Bank.

Past research such as that by MacMillan et al. (1985) only suggested that team balance is a major investment criterion for venture capitalists but this study demonstrates how the team attracts these resources and customers. Vesper (1980) noted that the existence of a venture team is evidence that the business idea has passed the initial viability test. Doutriaux (1992) also noted that the venture team formation at start-up is a proxy indicator that the business idea is relatively big. Such work has, however, lacked empirical grounding, thereby leaving a void that this study has partially filled.

Explanations for this that can be drawn from the research evidence herein are that the venture team can:

- Articulate issues from different perspectives (as in Print and Insurance);
- Be trusted for the mere fact that they are a team (as in the case of Retail);
- Be trusted because they are the minimum human base to implement the idea (as in Insurance and Bank);
- Use team weight to convince decision-makers such as customers, investors and banks managers (as in Print).

Previous studies (Pennings, 1980; Carroll and Delacroix, 1982; Delacroix and Carroll, 1983) have focused on validating Stinchcombe's (1965) theory, which

posits that new ventures cannot easily access resources because they lack credibility. Unlike those studies, this study rather prescribes a solution to overcome a new venture's lack of institutional credibility, which is the team-start. Explaining how venture teams can grow new ventures better by the fact that they raise resources using team credibility is also consistent with the resource-based theory of firm growth as posited by Barney (1991), Penrose (1959) and others. The theory holds that firms that have resource advantages over their competitors possess a competitive edge. For this reason, venture teams had competitive advantages (Porter, 1980) over their solo counterparts by and large.

Teams Use a Broad Personal Network Base and Use Team-level Networks:

This study established that teams use both a broad network base and team-level networks.

Consistent with previous research, this study confirmed the role of networks in entrepreneurship (Nahapiet and Ghoshal, 1998; Aldrich and Zimmer, 1986) in building firms' competitive advantage. The study extended knowledge of the behaviour of networks in entrepreneurship from a team perspective and, by so doing, added to theory development in that area. Some authorities contend that entrepreneurs would do best without partners by instead relying on networks (Collins and Moore, 1964; Birley, 1985).

Firstly, in this study, when some members did not have the relevant networks, their partners made up for such shortcomings. In Insurance, for example, only Marketer had customer networks that were available to all the members. In the same case, only Centre had networks to capital markets. In addition, team members connected the respective companies to their networks in parallel in Bank and in Insurance. Previous literature had the individual at the centre of the network process in entrepreneurship (Burt, 1980, 1992; Birley, 1985). In the present study, the team behaved essentially as a '*networked network*' unto itself for the purposes of raising capital. As a compact network itself the team pooled capital resources.

The argument that teams raise resources and customers in this way is explained within social capital theory (Burt, 1980, 1992). Members who are part of a network have access to the resources in the control of their network nodes. All team members have access to each other's resources as pooled capital and also have access to those resources within the control of their colleagues' networks.

Beyond that, this study demonstrated that by using team credibility, venture teams can activate the personal networks of the team members with relative ease. In Bank, Insurance, Print and Retail the individual members' personal networks were activated only with the use of team credibility.

Previous entrepreneurship research on networks (Larson and Starr, 1992; Birley, 1985; Aldrich and Zimmer, 1986) seems to have overlooked the possible inability of the solo entrepreneur to activate his own networks. Even such theoretical work as that of Kamm et al. (1990) and Bird (1989) that argued the case of venture teams as a research agenda missed this point as did the venture team research, which followed their suggestions for research to be conducted in the field (Chandler and Lyon, 2001; Watson et al., 2003). The present study showed that individuals can use their own networks more effectively by being part of a venture team and invoking the team's credibility. This explains why the individual entrepreneur generally has less capacity to grow the venture than the venture team (Cooper and Bruno, 1977; Brockaw, 1993) even where the entrepreneur has a broad personal network around himself.

Thirdly, it was interesting to discover the existence of team-level networks. The researcher termed these '*covalent networks*'; a term that is borrowed from the terminology of chemistry where covalent bonds represent multiple molecules bonded together.

What is peculiar is that such networks fall within the category of what would ordinarily be viewed as redundant or overlapping networks (Burt, 1980, 1992), much discussed in the literature on small groups as unwanted duplications in

relationships (Burt, 1992). Covalent networks, however, cease to be networks once the team disbands and the network contacts view the team (and not the individual members) as the primary network first and foremost. However, there has not been much discussion even within the frequently studied topic of top management teams (Hambrick, 1994) of a team as having a distinct network as a social unit independent of (or over and above) its members.

Thus, this study added its own dimension to the network theory in entrepreneurship as a significant explanation for the superior growth of team ventures generally in that it shows how collective networks contribute to the faster growth of the team venture.

Conclusion:

In conclusion, this study shows that the team venture is an outcome of the entire venture team and not of one individual. The growth achieved by the ventures in this study can only be explained in terms of teamwork. The study demonstrated that venture teams are a reality and that entrepreneurship is indeed a process within which tasks can be divided and organised around the venture team to best advantage when growth is the objective.

Venture teams transcend individual behaviour, and the ways in which they work to achieve venture growth can often only be described as *'innovative firm behaviour'*. On the basis of evidence from this study it may as well be argued that teams and not necessarily individuals are the real heroes of entrepreneurship. They do not just add the sum of their individual potential; they achieve outcomes that are more than the sum of their parts. Remove the team from all the five cases studied here then, there is no business venture and, by implication there is no growth. This is what the researcher set out to understand and the findings were by no means what had been anticipated at the beginning of the study. It was noted in the earliest chapters that there is a dearth of published literature on venture teams, perhaps because of the tradition of studying the traits of heroic individuals in entrepreneurship. Against a background of a growing recognition and interest in team

entrepreneurship, the explanations provided by this study have their own implications for both future entrepreneurship research and practice.

The following chapter draws the conclusion of the study and highlights the respective implications.

CHAPTER 13

CONCLUSION

Introduction:

This study sought to understand the role of venture teams in venture creation and growth, with a particular interest in growth. The idea was to evaluate how the team, as against the solo entrepreneur, can be effective in managing growth. The discussions from the previous chapter are summarised and their implications for research and practice are considered. The issues that are addressed here are that: team ventures transcend the stage crisis models, establish institutional credibility, raise the threshold of innovativeness, speed up decision-making in complex and ambiguous situations and they play a self-governance role. The implications for practice are discussed last.

The following pulls together the evidence in this study, highlighting the areas for further research and finally the implications for entrepreneurs.

The Key Findings:

One of the significant contributions of this study is that team ventures can transcend or minimise stage crises or those growth crises, which may not have been anticipated. This is partly because they have the capacity to formalise the venture, which they do earlier than normal. The processes of formalisation involves the new ventures adopting features such as functional structures at the top, which are based on plural management, delegating management responsibilities to hired managers and the use of formal management systems for such purposes as planning, monitoring, co-ordination and control. Venture teams employed professional management practices and organisational features at venture founding and used them to enhance growth. These venture practices contrast with the predominant models (Charan et al., 1980) of venture growth which suggest that such

professional management practices and organisational features are dysfunctional for new ventures.

The new thinking encouraged by these findings would persuade advisors and practitioners in entrepreneurship not to consciously avoid searching for possible solutions to new venture management problems from the field of professional management on the grounds that such practices are for mature organisations and not new ventures. These findings also suggest that the conceptualisation of entrepreneurship management would continue to be flawed where essential overlaps with professional management are ignored in the interests of emphasising superficial distinctions. The traditional distinction makes researchers hesitate to build theories of entrepreneurship that significantly borrow from organisational research (Dandridge, 1979) and reinforces the view that applying professional management practices to new ventures is inappropriate.

Similarly, this explains why research in entrepreneurship has sought the same answers to the same questions as those answered already by organisational studies. For instance, research on the traits of the manager could have been used to inform researchers on the traits of entrepreneurs because either strand of research has produced similarly inconsistent findings (Gartner, 1988). Organisational research, therefore, could have influenced the direction of entrepreneurship research at an early stage. This is not to say that studies should not be replicated where contexts differ. However, where contexts do not differ in fundamental ways, researchers can more fruitfully pursue unanswered and new questions. The task of managing new ventures, as the findings in this study suggest, is essentially that of managing (Mintzberg, 1973) and useful lessons may be borrowed from earlier research on established organisations, leaving entrepreneurship research to focus on issues that more genuinely relate only to new ventures. This is a new challenge that researchers need to address; the cliché *'small firms are not large firms reduced to scale'* is too simplistic and it should be more seriously qualified.

A view supported by this study is that team ventures do not necessarily follow the crisis-punctuated path; they can take many different trajectories, including that of following the opportunities that the team makes available. Most of the milestone events that chart the evolutionary trajectory of the firm represent opportunity windows (Timmons, 1990) rather than metamorphic management crises (Greiner, 1972; Churchill and Lewis, 1983). The teams transformed those situations that were interpreted by others, including market leaders, as threats into real opportunities for growth as a norm rather than an exception. This study therefore suggests that venture growth research could be based on the identification and creation of opportunities rather than be predominantly based on the problem or stage crisis perspective, which permeates the existing literature. Researchers should extend the range of growth models beyond those that exist to cater for this. This can be done very credibly on the basis of team venture studies. Theory might be built around such concepts as pro-action rather than re-action; such as in introducing professional management systems or opportunity windows instead of merely responding to growth crises, which offer routes to growth. This would be the anti-thesis of the traditional growth theories such as Greiner's (1972). Such changes in the traditional theories of venture growth are credible because none of the five ventures in this study fits the traditional models of venture growth and it is because of this misfit that they grew.

Many previous studies have focused on validating the view that new ventures lack the institutional credibility to access resources, following the seminal contribution of Stinchcombe (1965) to that effect. This study underscored the need for further studies to investigate how teams overcome this '*liability of newness*'. The current study did shed some light on this issue although the study was not exclusively focused on it, thereby making the need for future research in that area compelling.

Another significant contribution of this study is in the area of the emergence and use of networks in entrepreneurship. The study demonstrated that teams rely on the personal networks of their members to access resources and over and above that, they can rely on team-level networks. With team level

networks, the team, and not the individual team members, is the person. As the evidence in the study suggests, none of the venture team members who might have wanted to start each of the new ventures alone would have enjoyed the support of team-level networks as they did, with comparable ease. In other words the team has its network distinct from that of the individual team members. The findings on team networks therefore suggest that teams can use network nodes that are more than the sum of the individual network nodes of the team members because to this sum, they add team-level networks. Such findings might not have been made with the use of the positivist research methods prevalent in past research. The finding that teams create a new hybrid of networks, that is covalent networks, suggests that future research may need to focus on studying entrepreneurship networks from a venture team perspective. This is not because the team just broadens the network base but because it fundamentally varies the pattern of the network structure.

The finding that teams exhibit high levels of innovation shows how teams, and not just heroic individuals, have greater chances for innovation through team entrepreneurship than the individual entrepreneurs do. This finding does not accord well with traditional literature (Reich, 1987) on the solo entrepreneur which has considered that creativity in entrepreneurship is best effected by one person at the top (Mintzberg and Waters, 1982; Kimberley, 1979).

The finding that teams enhanced the creativity of the individuals within the team through social facilitation was interesting. This concept has been usually applied in research dealing with simple tasks such as word association tests (Zajonc, 1965) and its application to team entrepreneurship is new. In this study, venture teams, to regulate their behaviour and to stretch their effort in various activities such as selling and innovation, used social facilitation. Future research might use this evidence as a basis upon which to define a new agenda for team research.

The finding that venture teams speeded up decision-making in complex and ambiguous contexts challenges the conventional literature, which argues that

teams are slow in decision-making. This aspect also emphasises the importance of studying the venture team as a functioning human entity rather than studying either team interaction or demography alone as was the case with previous research as discussed in the last chapter. Fast decisions were a function of the team's stock of knowledge, ideas and information (partly based on demography) and the teams' high levels of both formal and informal interaction (social processes).

Another finding was that teams can act as effective self-governance systems. Evidence has shown that outside boards of directors are ineffective in monitoring and controlling entrepreneurs. The fact that the venture team can provide checks and balances on the team itself shows how social forces can be used in business areas other than micro-finance. In micro-finance, small groups of people borrow from the bank under co-guarantees in favour of each other and invoke social forces, usually team cohesion, to enforce the repayment of individual loans by group members. This study demonstrated that the same principle might apply in a business setting in which the team members both co-own and co-manage the same venture.

This finding was of particular significance in that the researcher subsequently used it to develop a model of financing team ventures rather than individual-based micro-enterprises. The model has engaged key institutional stakeholders and at least one bank and another public funding agent have agreed to finance venture teams under the scheme. The bank that has supported the team entrepreneurship model was already providing micro-finance facilities and has witnessed some of their micro-finance client social groups merging into one business and effectively becoming venture teams. Eventually, such venture teams outgrew the ceiling of the bank's micro-finance facility limits because of their fast growth and the increase in the size of the team ventures' financing requirements. However, this usually occurred at a stage when such teams would not have been stable enough to provide collateral to qualify for the conventional small business loan facilities, which the bank provides. These team ventures were left in a *'no-man's land'* because they neither qualified for micro-finance nor small business finance.

Four pilot venture teams have so far benefited from the scheme under this model.

The researcher's model, based on this team entrepreneurship study, emphasised the role of team dynamics as sufficient surety for the bank. The use of multi-disciplinary competences to enhance venture growth was described using the evidence from two of the cases in this study; Bank and Insurance, which were well-known in the market, with the prior permission of the teams involved. The model also filled a gap in the bank's products, which had earlier resulted in the bank losing some customers to newer competitors. This is the project the researcher will focus on after completing this study. The necessary logistical foundations have already been put in place.

It is also noted that there has been little research on corporate governance in entrepreneurship. The research agenda should be broadened to include this in the context of team ventures. Such research could explore the role of the team as a governance board and the possibility of redefining the role of such boards. For policy-makers and financiers, it would appear that the existence of a team is a better sign of objective and more involved governance within the venture than any self-appointed outside board could be.

Methodological Issues:

This study is based on a limited sample of five case studies, which makes generalisation difficult. Future more positivist research could, however, build on this study to explore the links between particular variables that were found to be potentially important.

As with all case study research, this study does provide a sound basis upon which to make reasonable inferences and claims. The variables that emerged as of importance such as social facilitation, peer controls, trust and the establishment of credibility can be used in other future studies.

Moreover, the study did not establish why some teams grow whilst others do not. It may be that teams that do not grow have failed to use the peculiar strengths of teams, which were used in those ventures that did grow. For instance, those teams, which do not grow, may not be cohesive enough to build team-level networks, since effective use of such networks may depend on team cohesion.

Practical Implications for Entrepreneurs:

A major implication of these findings is that there is need in team ventures to redefine the role of less powerful outside boards of directors, appointed by the owner-managers, which are easily manipulated by the owner-managers who appoint them. Perhaps such outside boards could be confined to advisory and arbitration functions in venture team businesses.

The discovery of *'covalent networks'* has an important implication for the classification of networks in entrepreneurship. Classifying all overlapping networks as redundant is not only wrong, but such classification may also mislead practice. Apparently redundant networks may need to be re-classified into wasteful duplications and covalent networks. This is because in the case of covalent networks, overlapping networks that are natural when team members share some prior association, were still found to be useful to venture growth. If overlapping networks happen to be covalent networks, it is by no means a form of wasteful duplication of member networks. It may therefore be of benefit to the firm if some team members can belong to a covalent network. As evidence in the study pointed out, individual entrepreneurs' businesses may fail to grow because they lack the necessary covalent networks. This could be the reason why star performers in the music industry who part company sometimes have to stage joint shows for a particular audience or even by public demand because they have a covalent network base that perceives them jointly as the *persona.* Entrepreneurs must be aware of the type their networks fall into and invoke it appropriately.

Much earlier research suggests that teams are particularly common in the high-technology sector (Cooper, 1973; Doutriaux, 1992), implying that venture teams might be less important in other industries. None of the cases discussed in this thesis was from the high-technology sector. The five cases were in retailing, panel-beating and spray-painting, banking, printing and insurance. There is no reason to suppose that team ventures are particularly suitable for these five industries and entrepreneurs should consider working in teams irrespective of the industry they are in.

This study demonstrates that teams can work in entrepreneurship and that they can do so with significant success to achieve venture growth.

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