On the way to continuous growth – the role of entrepreneurial management

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Abstract
In recent years, firm growth has been recognized as an important topic. Yet, studying growth is a chal- langing task. In result, existing studies on growth largely ignore the internal processes of growth. In this paper, we discuss the phenomenon of continuous growth based on a longitudinal, in-depth case study of a successful Swedish IT-consultancy. We analyze the internal processes of pursuing a strategy of continuous growth and illustrate the complexity of these internal processes and the interrelatedness of the different factors important for growth.

INTRODUCTION
The importance of business growth for economic welfare and job creation is widely accepted. This makes it even more important to realize that business growth is not the norm. Rather, most firms are founded on a small scale, and, if they survive in the first place, continue to be small – they just never embark on a significant growth trajectory (Aldrich, 1999; Reynolds & White, 1997; Storey, 1994). One important explanation for this is the limited growth potential of the businesses: Many (new) companies pursue imitative business ideas in mature industries, and serve local markets only (Aldrich, 1999; Reynolds, Bygrave & Autio, 2003; Samuelsson, 2001, 2004). In addition, many business founders only have very limited aspiration to grow their firms (e.g. Cliff, 1998). Nevertheless, some – though few – companies manage to grow over extended periods of time, thus displaying continuous growth. Despite the abundant literature on business growth, we know very little about this phenomenon of continuous growth, as it has received little scholarly attention to date. One reason for this might be the gridlock position between the disciplines of entrepreneurship and strategic management. While growth is commonly accepted as the outcome measure of entrepreneurial processes and thus corresponding to performance in strategic management, processes of continuous growth fall outside the prevailing scope of the field of entrepreneurship. In accepting, for example, a definition of entrepreneurship by Bill Gartner (1988; Gartner & Carter, 2003) as the creation or emergence of new organizations, continuous growth processes are not part of the entrepreneurship field. Similarly, continuous growth processes of smaller, entrepreneurial firms fall outside the traditional domain of strategic management, which is mainly concerned with larger and established firms.

Despite the abundance of studies on growth as outcome, existing research on the process of growth – which moreover would attempt to grasp the complexities of business growth – is very limited.
Instead, the majority of studies on business growth treats growth as a ‘stable’ phenomenon (in the sense that factors predicting growth are implicitly assumed not to change over time, such as the growth aspiration of the founder(s)). In addition, these studies cover rather limited time spans, despite the fact that the phenomenon of growth needs to be studied longitudinally by definition, as growth occurs over time (e.g. Delmar, 1997). Aiming to overcome some of these limitations, this paper sets out to explore entrepreneurial, strategic and organizing practices that might be relevant for sustaining business growth over time.

The remainder of this paper is structured as follows. In the next section, the literature relevant for generating an understanding of continuous business growth will be reviewed. Then, methodological considerations will be made before presenting an in-depth case study of a continuously growing company. After the discussion of this case, conclusions and implications will be derived in the last section.

THEORETICAL BACKGROUND

Even though not all growth is entrepreneurial (Davidsson, 2004), continuous business growth necessarily requires entrepreneurial activities. In addition, strategic and organizing practices are important to build the organization and its future. Three bodies of literature can therefore be identified which could help to sketch the phenomenon of continuous business growth. These are 1) the literature on business growth in general, mostly linked to the entrepreneurship field; 2) the literature on business life-cycles or stages which mainly derives from the organization studies field; and 3) the corporate entrepreneurship literature, which draws heavily on both, the strategic management and the entrepreneurship field. These literatures will be briefly reviewed in the following to delineate what they have to say about continuous business growth.

Entrepreneurship literature on business growth

As some scholars hold that “growth is the very essence of entrepreneurship” (Sexton, 1997: 97), it appears logical to include entrepreneurship literature into this review, despite the main interest of the entrepreneurship field in new and young firms. The predominant interest of entrepreneurship literature on business growth appears to be identifying factors which might predict future growth. While a large number of studies have been conducted on the growth of young and small firms, we still know surprisingly little about the phenomenon. Different more or less comprehensive reviews have been presented of the area, which typically draw the conclusion that only a fragmented picture of business growth can be drawn from the studies (for example, Davidsson, Achtenhagen & Naldi, 2007). The fragmentation of the business growth literature is i.a. due to different theoretical perspectives; empirical contexts; choice, operationalization, and measurement of growth variables; as well as the complexity of the phenomenon of business growth itself. Despite this, there appears to be evidence that the owner-manager’s growth motivation, vision and goals have direct effects on the company’s growth (Baum & Locke, 2004; Baum, Locke & Kirkpatrick, 1998; Delmar & Wiklund, 2003; Kolvereid & Bullvåg, 1996; Wiklund, 2001; Wiklund & Shepherd, 2003). Based on an extensive compilation of UK-based studies, Storey (1994) provides evidence for influence in the categories ‘the entrepreneur’, ‘the firm’, and ‘strategy’ on business growth. Regarding the first category, he finds that a majority of studies found that for motivation, education, management experience, number of founders and functional skills the influence on growth was positive. Unemployment as start-up
reason was mostly negatively associated with growth, whereas for prior self-employment, ethnicity, training, age, prior sector experience and gender the evidence was mixed or most studies suggested they had no effect on growth. For the second category, the compiled evidence suggests that firm age and size, sectoral affiliation, legal form and location are all systematically related to growth. As regards size all studies found a significant effect – but, probably as a consequence of the specific growth measure employed, the sign varies. For the third category, evidence is much less conclusive than for the company variables. For variables that were included in five or more studies a relatively consistent positive effect was found for technological sophistication, market positioning, and new product introduction. In individual studies several other strategy variables were also shown to be influential but collectively the evidence was weak, mixed, or the factor had been included in too few studies for any conclusions to be drawn.

In total, these studies provide us with some indication of factors which might be relevant to foster (initial) business growth. However, as the studies usually cover very limited time spans and are typically based on new or young firms, the factors might not be stable in importance over time.

Is continuous business growth necessarily entrepreneurial? Some companies might achieve substantial expansion based on merger and acquisition activities, rather than on internal, organic growth. However, in the longer run these companies will have to complement the external growth with internal growth to avoid resource depletion. Thus, they will have to develop new economic activities (such as new products, technologies and/or markets), which is at the very heart of entrepreneurship (Low & MacMillan, 1988; Shane & Venkataraman, 2000; Stevenson & Jarillo, 1990). In continuously growing companies, the challenge then lies in maintaining an entrepreneurial spirit which stimulates the development of such new economic activities over longer periods of time.

Life-cycle and stage models

As pointed out above, not many studies in the entrepreneurship field take the process of growth into consideration. Much of the literature concerned with processes of growth is presented in the form of life-cycle or stage models (Van de Ven & Poole, 1995). Well-known models have been proposed for example by Greiner (1972), Churchill and Lewis (1983), Quinn and Cameron (1983), Scott and Bruce (1987), Kazanjian (1988), and many more. These models attempt to provide a more dynamic view on the development of organizations and their growth (cf. Aldrich, 1999: 196-201). The phases proposed in the different life-cycle and stage models are often similar, even though they differ in level of detail, number of stages, and issues identified as relevant.

Probably the most well-known stage model, which at the same time is based on sustained business growth over a longer time-frame, is that by Greiner (1972). He proposes that organizations move through five distinct phases of growth characterized by a certain management style and organizing principles, which each end with a managerial crisis. These crises must be solved before growth can continue, making each phase not only the outcome of the previous stage, but also the cause of the next phase.

The model begins with the founding of a company, which searches for a suitable product-market combination. This entrepreneurial phase is based on informal and frequent communication between the CEO and employees, and the control of activities derives from immediate market-feedback. As the organization grows and thus the scale of production increases, greater knowledge about manufacturing (effi-
ciency) is required, and the increased number of employees requires more formal management practices. According to Greiner this is when a leadership crisis occurs, in which new managers might have to join the company, who – in accordance with the founder(s) – can pull the organization together. If companies survived this first crisis by taking on board capable managers they would embark on a period of sustained growth. According to the author, at this stage a functional organizational structure would be introduced and job assignments would become more specialized. Communication becomes more formal and less personal, and a hierarchy of positions and titles develops. Though these steps are meant to channel energies into growth, they eventually become inappropriate for a larger and more complex organization. Especially lower level employees find themselves restricted by the centralization, leading to a crisis due to demands for greater autonomy.

Those companies surviving this crisis will, according to Greiner, have introduced a higher level of delegation, despite the challenge that lower-level managers might not be used to decision-making and top-level managers might not be willing to give up responsibilities. However, the next growth phase is based on the successful implementation of decentralized organizing principles. This liberates top managers from operational involvement, who can then focus on pursuing further growth, e.g. by making acquisitions, which can be operated alongside the other decentralized units. This stage is characterized by increased employee motivation as well as acquisitions, but top management might eventually sense that they are losing control over the diversified company. Thus, the following crisis occurs when management attempts to regain control by coordinating the activities more tightly. The fourth phase is then characterized by the use of formal systems for achieving better coordination, and formal planning systems are introduced. While Greiner suggests planning to be centralized in headquarters, daily operating decisions would remain decentralized. The driving force for growth in this phase is the more efficient allocation of resources. However, gradually a lack of trust might emerge between staff and line, and between headquarters and the decentralized units. This leads to yet another crisis, which according to Greiner (1972) would lead to more collaboration, if passed successfully.

This model by Greiner (1972), as well as some of the other life-cycle and stage models, enlightens us about a number of organizing and strategic issues relevant for achieving continuous growth, as well as typical challenges which companies might face. Thus, it is indeed a helpful literature for gaining a better understanding of continuous growth processes. However, while these models are on the one hand intuitively appealing as they accurately point at the gradual nature of firm development, the suggested uniform path of growth is rather deterministic (e.g., Fombrun & Wally, 1989). Typically, these models assume that companies pass through all the stages of the life cycle and that there would be an optimal organizational configuration for each stage (cf. Wiklund, 1998). In reality, different companies might experiment with different organizing principles and strategic practices within the same stage, and these are not be accounted for. A further point of criticism is that the models oversimplify the nature of the role of the entrepreneur or entrepreneurial team. Their motivation, decisions, and actions have a great impact on the growth process, but are hardly considered in these models. The models also imply that managerial action should be narrowly prescribed if growth is to occur (Tang, Jones & Forrester, 1997). Despite these and further points of criticism, enhanced knowledge of the process of (continuous) growth could make entrepreneurs aware of possible challenges, crises and solutions. One recent research effort to overcome some
of the shortcomings of earlier stage models is Garnsey’s (1998) attempt to extend Penrose’s work – which was mainly concerned with established companies – to early growth. Garnsey explicitly discusses growth reversal or stability as common growth paths. Unfortunately, even though she acknowledges that it would be important to understand the micro-processes of growth (1998: 551), she remains at a rather abstract level, which limits the practical relevance of her findings.

**Corporate entrepreneurship**

As pointed out above, continuous business growth requires continuous entrepreneurial activities, which falls also into the area of corporate entrepreneurship. In the strategic management literature, three different types of corporate entrepreneurship are typically discussed (Stopford & Baden-Fuller, 1994: 521). The first type concerns the creating of new businesses within an existing organization, and is typically referred to as internal corporate venturing (e.g. Burgelman, 1983), or sometimes intrapreneurship. Much of the early discussion in this type relates to diversification through internal development (e.g. Burgelman, 1983b). The second type is focusing on rejuvenating mature businesses, and is in the strategic management literature often discussed as strategic renewal (e.g. Chakravarthy & Doz, 1992). The third type, based on a Schumpeterian logic, includes businesses that change the rules of competition in their industries (Stevenson & Gumpert, 1995). Stopford and Baden-Fuller (1994:523-4) identify as common attributes of the different types of (corporate) entrepreneurship proactiveness, aspirations beyond current capability, team-orientation, a learning capability as well as a capability to resolve dilemmas. Here, dilemmas refer to challenges which appear impossible to surmount, but which can lead to innovation in the market when combining what had been regarded as opposing poles.

One of the early scholars stressing the relevance of entrepreneurship at a company-level was Howard Stevenson who views entrepreneurship as an “approach to management that we define as: the pursuit of opportunity without regard to resources currently controlled” (Stevenson, 1983: 10). According to him, entrepreneurial value-creating processes can take place in any type of organization (Brown et al., 2001). Stevenson postulates a bipolar perspective between promoters and trustees. Promoters lie on the entrepreneurial side of the spectrum, as they pursue and exploit opportunities regardless of the resources controlled. Also, a promoter “feels confident of his or her ability to seize opportunity” (Stevenson & Gumpert, 1985: 86). On the opposing pole, trustees are characterized by administrative management behaviour and by a wishful inclination to remain adhering to the status quo (Stevenson & Gumpert, 1985). For a trustee, “predictability fosters effective management of existing resources while unpredictability endangers them” (Stevenson & Gumpert, 1985: 86). Furthering this entrepreneurial management behaviour explanation of promoters and trustees, Stevenson explains eight dimensions which serve as assessment criteria for developing an empirical scale. The dimensions are: Strategic Orientation, Commitment to Opportunity, Commitment of Resources, Control of Resources, Management Structure, Reward Philosophy, Entrepreneurial Culture, and Growth Orientation (Stevenson, 1983; Stevenson & Gumpert, 1985; Stevenson & Jarillo-Mossi, 1986; 1990). **Strategic orientation** describes what factors drive the firm’s formulation of strategy (Stevenson, 1983). Promoters are driven by those opportunities that are created by the external environment. The resources necessary to exploit these opportunities are thought about after the opportunity is discovered. A trustee’s focus is on the resources already controlled by the firm. Opportunity
is then searched for in regard to these resources. A promoter is “action oriented and able to **commit** and decommit to the action rapidly” (Brown et al., 2001: 955). The contrasting trustee is “analysis oriented and as a result of multiple decision constituents, negotiated strategies, and an eye toward risk reduction, their behaviour tends to be slow and inflexible” (Brown et al., 2001: 955). An entrepreneurial management (promoter) perspective on **commitment to resources** is that of multi-staged commitment with minimal commitment throughout those stages (Stevenson, 1983). An administrative management (trustee) perspective on commitment to resources is an analytical process, when finally making a pursuit decision; resources are committed heavily and at the beginning of pursuit (Stevenson, 1983). For a promoter: “all they need from a resource is the ability to use it” (Stevenson, 1983: 15). Entrepreneurs tend to choose resources wisely depending on their overall need for employment. Trustees would rather own and control their resources (Brown et al., 2001). An entrepreneurial **management structure** could be characterized as organic, and tends to be flat and informal in communication styles. Employees in this organization desire independence and are unconstrained from administration allowing them to create and seek opportunity (Stevenson, 1983; Brown et al. 2001). An administrative management structure is organized more formal and hierarchical. Authority and responsibilities are clearly defined facilitating company control (Stevenson, 1983). Entrepreneurially managed firms are “focused on the creation and harvesting of value” (Stevenson, 1983: 18). Because of this focus, promoter firms compensate and **reward** based upon value creation (Stevenson, 1983; Brown et al., 2001). Administratively managed organizations compensate in respect to the amount of responsibility or control an individual procures (Stevenson, 1983). Promoters for the most part feel unconstrained while opportunity seeking. This creates a **culture** where ideas, creativity, and experimentation is valued and emphasized (Brown et al., 2001). Trustees are constrained by the resources that they have under control. Therefore, an administratively managed firm that begins from a constrained opportunity base will discover less opportunity. Stevenson and Gumpert’s (1985) definition of an opportunity clarifies the need to satisfy the criterion of growth and self efficacy. Characterizing promoter and trustee self efficacy behaviour in relation to **growth**, it could be reasonably assumed that a promoter would favour rapid firm growth and firmly believe that it could be attained while trustees would favour slower, eventual firm growth due to their comfort maintaining the status quo (Brown et al., 2001). Within this framework, continuous business growth would then mainly be a result of promoter behaviour.

Such entrepreneurial behaviour on company-level has in recent years been investigated as **entrepreneurial orientation**. Much of this research has been based on Miller’s (1983) work, in which he suggests that a company’s degree of entrepreneurship is displayed by the extent to which it innovates, takes risks, and acts proactively: “An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch.” Miller (1983) has also developed a scale to empirically measure these dimensions. This instrument has later been extended and refined by Covin and Slevin (1986; 1989). In further developing the original measure, Covin and Slevin theorized that the three dimensions of entrepreneurship orientation, namely innovation, proactiveness, and risk taking, acted together to “comprise a basic unidimensional strategic orientation” and therefore should be aggregated together when conducting research in the field of entrepreneurship (Covin & Slevin, 1989: 79). The scales are by now widely used in the entrepreneurship field. Already in 1998, Wiklund identified twelve studies based on these instruments. Nonethe-
less, researchers still disagree on how to label the scale and what type of concept it really represents, as for example the items represent a combination of past behaviours and current attitudes (cf. Brown & Davidsson, 1998; Wiklund, 1998). The company-level focus of the entrepreneurial orientation (EO) concept acknowledges that there are usually several actors within and outside a company which have an impact on the outcomes of entrepreneurial behaviour. While most of the studies on EO are conducted by scholars in the entrepreneurship field, they draw heavily on insights from adjacent fields, such as strategic management and organization studies. Two further dimensions, competitive aggressiveness and autonomy were added to the scale by Lumpkin and Dess (1996; 1997). Miller as well as Covin and Slevin had argued that the dimensions of EO should co-vary, meaning that a firm should score equally on all dimensions. Thus, if a company scores highly on one dimension, it would naturally score highly also on the others. Lumpkin and Dess instead contend that the dimensions do not necessarily co-vary and therefore should be modelled in combination, as multidimensional EO. Adding competitive aggressiveness and autonomy to the original three dimensions, Lumpkin and Dess argue that, while all five are necessary to understand the entrepreneurship process, the combination will depend on the type of entrepreneurial opportunity pursued.

**Box 1: The dimensions of entrepreneurial orientation**

*Innovativeness* reflects a “firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Dess & Lumpkin, 1996: 142). Kimberly (1981) states that innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin & Dess, 1996). Rauch et al. (2004: 165) describe innovativeness as the “predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes”.

*Risk-taking* refers to a “firm’s willingness to seize a venture opportunity even though it does not know whether the venture will be successful and to act boldly without knowing the consequences” (Dess & Lumpkin, 2005: 152). There are three categories of risk: business, financial, and personal. Business risk “involves venturing into the unknown without knowing the probability of success” (Dess & Lumpkin, 2005: 152). Financial risk pertains to a company’s propensity to take on debt or allocate resources in order to grow. Personal risk refers to the “risks that an executive assumes in taking a stand in favour of a strategic course of action” (Dess & Lumpkin, 2005: 152).


*Competitive Aggressiveness* refers to how “firms relate to competitors, that is, how firms respond to trends and demand that already exist in the market place” as well as “to a firm’s responsiveness directed toward achieving a competitive advantage” (Lumpkin & Dess, 1996: 148).
Autonomy means having the ability and motivation to self-direct the pursuit of opportunity. Specifically applied to an organizational context, autonomy is action taken free from organizational constraints (Lumpkin & Dess, 1996).

Unfortunately, much discussion of the EO concept circles around issues of scale operationalization and performance impact, while the content-side of the different dimensions of entrepreneurial orientation still leaves much room for exploration. Thus, while intuitively one would expect that those companies which display continuous growth might have a rather high entrepreneurial orientation, no studies have been conducted that could confirm or disprove this assumption. Most studies do, in fact, not take into consideration longer-term effects of entrepreneurial orientation on growth and/or performance. And there are even overall mixed opinions on the relationship between entrepreneurial orientation and performance. For example, Zahra et al. (1999) suggest that there is substantial evidence for a link between EO and performance and that firms with EO achieve in fact superior performance. In contrast, a recent meta-analysis of 37 empirical studies (Rauch et al., 2004) shows EO only to be moderately linked to performance. In addition, it has been shown that the different sub-dimensions of EO may have differential effects on firm performance (Lumpkin & Dess, 2001). Wiklund and Shepherd (2005) were also able to demonstrate that the effect of EO - in this case on an index combining growth and financial performance - is moderated by environmental dynamism and capital availability. Thus, while we might expect that a company displaying the different dimensions of EO might foster continuous growth, this needs further exploration.

METHOD

To explore strategic, organizing and entrepreneurial practices fostering continuous growth, we have conducted a single in-depth case study with a continuously growing European IT consulting company which we have followed for almost one decade. As processes of continuous growth are still poorly understood, a research method inspired by inductive inquiry appears suitable (cf. Glaser & Strauss, 1967). Such a method allows new theoretical insights based on the thorough examination of relevant data which is analyzed in a continuous process of going back and forth between data and theory (Eisenhardt, 1989). The case is based on a total of 55 personal interviews (of 1-2 hours duration each) conducted since 1999 to follow the practices and challenges of continuous growth.

Usual criteria to ensure the quality of the research design were followed: Construct validity was achieved by using multiple sources of data. Namely, interviews were conducted with people at different levels of the company (from top management to fairly new employees), and were triangulated with internal and external company documentation (cf. Denzin & Lincoln, 1998; Schwandt, 1997). Reliability was ensured by using an interview pro-forma and by recording the interviews (Silverman, 1993). Internal validity does not apply for exploratory studies (Yin, 1989: 40). As this study is based on a single in-depth case study, external validity cannot be established in its traditional meaning. Rather, the focus is on establishing analytical generalizability, for which the investigators strive to generalize a particular set of results to some broader growth theory (Yin, 1989: 43-4).
CASE STUDY

ITM is a Swedish IT consulting firm that was founded in 1984. The initial business idea was to start a local provincial company which would deliver information systems to other provincial small and medium-sized companies. Today, the company is active in consulting, implementing and servicing information systems, information technology and information systems development. ITM’s major customer consists of small and medium-sized companies in the Nordic countries. The founding team of three people is still active in the company today, even though a new CEO has taken over the lead from them. ITM is an astonishing case to study, as it has grown since its foundation and unlike most of its competitors the company has shown continuous growth before, during and after the New Economy bubble. In this difficult time for the IT industry, ITM managed to increase its turnover to more than 1.4 bln SEK in 2007, now employing around 1000 people. The company appears on various lists of the fastest growing companies in Europe and the Nordic countries.

The idea of the former CEO (one of the founders) was to maintain very entrepreneurial units, glued together by a strong company culture. After a number of years of successful (mainly organic) growth, the growth strategy became more pronounced and more focused on growth by acquisition (see Figure 1 below). Three main pillars were – and still are – communicated as the key to success, namely entrepreneurship, profitability, and growth.

![Growth epochs](image)

<table>
<thead>
<tr>
<th>Volume growth</th>
<th>Quality growth</th>
<th>Market growth</th>
<th>People growth</th>
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<td></td>
<td>• Be leading IT company in the region by focusing on competence, quality and volume</td>
<td>• Be leading IT partner in the Nordics to SMEs</td>
<td>• Team-based structure, organized around customers</td>
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<tr>
<td>• Establish strong local position</td>
<td>• Organic vs. acquired growth: 70/30</td>
<td>Vision to grow by 50% p.a. is communicated</td>
<td>• Focus on new market drivers and business models</td>
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<tr>
<td>• Continuous dev. in areas of competence</td>
<td>• &quot;ITM has not been founded to maximize profits&quot;</td>
<td>• CEO in 1996: &quot;Now shall we grow&quot;</td>
<td>• Trend: prioritize profitability over growth</td>
</tr>
<tr>
<td>• 50 employees in 5 years</td>
<td>• Entrepreneurial units, strong culture</td>
<td>• Person hired to drive growth process (1996)</td>
<td>• Aim: grow by 30% p.a.</td>
</tr>
<tr>
<td>• &quot;ITM has not been founded to maximize profits&quot;</td>
<td>• No explicit growth strategy, growth happens due to sporadic events</td>
<td>• Organic vs. acquired growth: 50/50</td>
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Figure 1: Epochs of growth at ITM

After the company’s foundation (in 1984) the aim was to reach a size which legitimized the company in its markets. This purely quantitative aim should be reached within five years. The second stage (1988-1993) was built around the idea that quality was key. In this period, ITM survived the first recession, unlike many of its competitors. The company tried to continue with its work as before, but to focus on customer relations. The tough situation brought together the around 100 employees of that time to create a special spirit among those. After that, ITM embarked on a more pronounced growth journey, following the aim of becoming the leading IT company in the Nordic countries. While earlier 70% of the growth had been organic, now 50% of the growth was achieved by acquisitions. Organic growth happened mainly by recruiting university graduates as well as through the employees’ personal networks. Hiring people known by employees was seen to improve the chance that their values match those desired by the company. The reasons behind growth by acquisition were twofold: first, it was considered better to expand to new locations as it would take too long to build up a subsidiary with 10-20 employees. Second, it was considered faster to buy in new competences than to develop them organically. ITM always takes over a majority of a target, which is paid for by own capital as well as profit-splitting for a number of (usually 2-3) years. Usually, the targets have a size of 10-20 people. The newly acquired companies are expected to adapt the ITM culture, they receive an introduction to ITM, as well as the possibility to spend some time in the headquarters. Cultural fit is seen as a crucial success factor to integration. Also, only financially stable companies are acquired. The criteria to evaluate acquisition targets include not only shared cultural values, but also long-term relationships, competence widening, as well as local closeness. There is no further integration process. Due to the high level of decentralization, the units can organize as they wish. However, the pace of growth reached now implies that the employees now feel much less as part of the ‘ITM family’. Thus, it has been recognized that more focus needs to be put on culture-building. This challenge has been taken up in the fourth stage (since 2001), in which i.a. two people were employed to work with vision and culture related issues. The idea is to develop and spread culture in the company. In 1999, coaching became key, which means that the team leader shall develop and support the team members. To support this idea, a new structure was introduced which had more focus on teams. All employees are now members of a team. Each team consists of 2-10 people. Whenever the team grows beyond this size, it must split into two, with the idea to maintain self-management and development. Each team forms a subsidiary; and subsidiaries with joint activities build the five different business areas. In order to coordinate the different business areas as well as to create a forum to exchange ideas and information, these are represented in a business area council.

ITM faces a fast changing environment: “This industry is not the same two quarters in a row, thus we have to win all the time” (Team manager, ITM). This is one of the reasons why individual initiative and closeness to the customers are stressed as very important by top management. Top management sees their role in taking away hindrances for new ideas, so that ‘they only need to honk the horn and drive’. Yet, the level of decentralization is directly linked to the level of performance. All teams have challenging
performance targets – however, they are part of developing these targets in a sophisticated process. Still, many consultants feel that the resulting billability demands put a lot of stress on them, as little time is left during regular work hours to further develop ideas. Many employees perceive that creative thinking and idea generation is taking place mostly during weekends.

It is believed by the management that responding to market drivers would be more important than to coordinate activities internally. “The industry changes so quickly that we don’t have time to coordinate our activities” (Manager, ITM). It is considered better that people from three different teams visit a potential customer without knowing of each other than if nobody would visit them. The internal conflicts this might create are considered less important than the response to the market: “While this can lead to conflicts between the different subsidiaries, the important issue is the driving force forwards, the driving to the market” (Vice CEO). Yet, other decisions are taken centrally, for example introducing a bonus system. The bonus system was seen as an important aspect that employees were willing to go the extra mile. As little coordination of activities takes place, it can happen that different teams work at the same client without knowing of each other. While top management is aware of this situation and sees this as one of the backdrops of having a dualistic organization, the customer satisfaction index clearly shows that customers are unhappy about this situation. “We see in our customer survey what they think about us. They think that the individual consultants are very competent, and the individual teams. But it is bad if more teams are at the same client at the same time. We don’t even have coordination for five Öre. This is where we have our lack and where the growing up hurts, and the organizational structures we have with the individual responsibility to work profitably” (CEO, smaller subsidiary). Here, the constant explaining of the existing structure, as well as fostering the possibility to voice conflicts are seen as crucial practices.

In addition, competition and cooperation co-exist. “What we discover is that the subsidiaries send internal bills to each other. As the business of so many subsidiaries is rather closely related, one tries to do as much as possible alone, without asking other subsidiaries for help. But then, there is no cross-fertilization between the subsidiaries, but that must be based on personal initiative. If we ask the headquarters for help with something, then we will receive a bill for that. As soon as we have asked for some hours of help” (Team leader). Another employee is just as critical: “Something which really hinders this culture is the issue about internal billing, as this is something really common. We call that ‘funny money’, as that is exactly what it is: we increase the turnover of the subsidiary without actually earning a single crown on that, as we just transfer money among each other. Not a single Öre goes to ITM, I mean, it doesn’t give any contribution to the end result”. ITM is in a knowledge-intensive industry, and knowledge is seen as the key to continuous growth and development. Though, transferring knowledge between the different units is considered very difficult. The culture is considered too strong that top management could demand this transfer to take place. “This is the price we have to pay, we can say, for being so decentralized. Had we been a centralized organization, the question would have been different (…). But here it is possible, and it emerges. I can only say (…) we don’t have an effective means of knowledge sharing. We try, and we try to create forums for that, but it doesn’t work effectively” (Head business area). The reluctance to cooperate is also interpreted as the creation of boundaries within the firm. “We are very bad in exploiting each others competences. (…) Then this creates boundaries within the organization, as we are not one company altogether, but we all have our own issues to care about” (consultant). “That each subsidiary can
decide itself and drive its process, leads to the building up of boundaries, (...) we don’t let each other in within the organization, as these boundaries exist” (consultant).

As a knowledge-based company, ITM acknowledges that its employees are most important for the company. The individual is considered more important than the team, the team more important than the subsidiary, the subsidiary more important than the business area, and the business area more important than the firm. It is stated, that the employees are more important than existing customers, and those more important than new customers. For the management, this policy is seen to be working successfully, reflected in the low personnel turnover rate. This focus on building the organization bottom-up includes the problem of double work and difficult sharing of knowledge, which is considered acceptable to maintain the individual and the team as the focus of action. Yet, this practice leads to a loss of control in the sense that many employees do not really know what their colleagues are doing, and have the impression of a rather high level of chaos. Due to the fast pace of growth, it has become normal not to know everybody one meets in the hallway; instead, the intranet and internal mail system is stated to have taken over a big role in coordinating. A lack of forums to exchange knowledge and joint activities was one of the issues that have been recognized as problematic in recent years. The focus on individuals also leads to internal ‘races’ in product development, which sometimes leads to lower product quality. Also, as freedom was given to the different subsidiaries as to how to organize the unit, no guidelines for organizing exist. In consequence, different subsidiaries might not resemble each other much. The focus on individuals is perceived to be in tension with the demands on growth and profitability put on the subsidiaries: “Of course, it sounds great to talk about this, that people come first and stuff. But then do we have economic aims, and then it is customers first. If the company wants to make a profit and continue to grow, customers are what counts” (Consultant, smaller subsidiary). Especially in the smaller units, this tension poses a major challenge, as the acquisition of new customers is prioritized higher than employees in order to fulfill growth targets. The focus on individuals also translates to marketing activities. In annual reports and other company brochures, a number of photographs of employees can be found. The aim is to bring across a picture of personality, and to reduce the focus on technical aspects: “We are not only a bunch of zeros and ones who sit here… [in] large rooms full of computers and hack. …unfortunately, quite a number of people has this image of ITM” (Interview Head of Marketing, ITM). As individuals are seen as the ‘building blocks’ of the organization, information and communication as well as individual initiative are more consistently put into focus. ITM has the policy not to lay off staff. This helps individuals to cope with the pressure put on them. Also, mistakes can be made, if learning results from them. When someone does not fit a job or cannot fulfill the requirements, they will receive a different place within the company, leading to a high level of job security. “This includes that we have a very different attitude within the company, as both the boss and the employee know that no matter how much we yell and scream at each other, or even threaten each other that it is never meant that seriously that it could lead to being kicked out. This leads to a very open relationship from both sides. The bosses dare to be tougher with the employees, but the employees also know that there is nothing to read between the lines regarding that if I don’t manage I will be kicked out. There is a security. This is similar in all subsidiaries” (Interview Head of business area).

The focus put on the importance of individuals in the organization is reflected in the attempt not to make decisions top-down. While decision-making is delegated to the subsidiary level, this is only the case
as long as profitability is maintained. Thus, as long as they are working profitably, the different units can do what they want and how they want to do it. But, the company does not want to support ‘bleeding’ units, and every subsidiary has the target to grow by 20% annually. Should this target not be reached, the reasons for it are investigated. This might lead to a redistribution of resources, and closing down of certain activities. Similarly, on the individual level all consultants are responsible to maintain their billability at 75%.

Above, the importance of culture for the company has been mentioned. It is stated to be important that all decisions taken are coherent with the company’s values. “It isn’t something we just bring up in meetings and kick offs that we have a good culture. (…) We have a people-based culture which is the most important pillar together with some other pillars and those live in symbiosis with us. We never take a business decision without cultural values being reflected in them. It is not in the way that first we take the business decision and then we put culture into it with some kind of veto rights, but rather all models we develop here in the company have culture in them, in all decision-making steps” (Member managing board). The rule to bring up cultural and value issues in at least one issue during every meeting has been established. The fast growth pace has led to higher complexity, and the question of how culture can be nurtured further. The CEO describes the company’s culture as the main coordination tool and as what triggers loyalty and motivation, as well as what makes the company unique: the ‘right’ culture attracts the ‘right’ type of employees as well as the ‘right’ customers. Employees are asked to take their stance regarding the culture: “If we don’t sympathize with the corporate culture can and shall we work somewhere else” (‘Our Culture’, Internal brochure). ITM faces a similar problem as many consulting firms in which staff works mostly at the clients’ – how to create a feeling of togetherness, if people do not see each other often, and do not share the same office space. One way of dealing with this issue is the annual prize given to someone who has contributed well to spreading culture within the organization. As the speed of new recruitments for organic growth and of growth by acquisition has increased, it has become impossible to meet everybody in the organization. Thus, instead the focus is put on the own team and the immediate surroundings. This makes networking more and more difficult, as the knowledge about ‘who knows what’ is increasingly limited. This is a danger to a knowledge-intensive company, as information and knowledge is not shared to a high degree, even though some attempts to share knowledge in project data bases have been made. The different offices provide a source of identification for the employees. “The office is rather small and we know each other very well here, and it feels a bit like home. That is both good and bad. It can be too much like home. It can be too many flowers and own pictures on the walls and that might turn into a disadvantage, as actually nobody should be sitting here during the week days. All consultants should be out at the client’s, so normally it should be completely empty here during the day. That would be ideal, as we should be at the client’s all the time” (consultant, smaller subsidiary).

For some time, employees in newly acquired companies received the booklet ‘Our Culture’, and that was it. No further effort was put into integration. As the booklet contains a strong message of ‘this is how things are done around here’, it was often interpreted as being contradictory with the demand of decentralization and self-initiatives. The CEO wants to meet as many new employees as possible and talk to them directly about cultural values, but the fast growth rate has made this practice very difficult. Thus, some years ago critical voices maintained that ‘culture’ was mostly a marketing tool to bring across a cer-
tain image of the company, rather than being something shared. A big difference in the level of culture was sensed in different subsidiaries; the oldest subsidiaries, which are also the ones closest the first office, feel a stronger cultural integration than those further away or more newly acquired. In order to reverse this trend, more focus was put on integrating newly acquired units and to increase the exchange between units, for example through shared directorships.

DISCUSSION

ITM has by no means an easy time in managing the different, and sometimes opposing demands which characterize its continuous growth path. Yet, top management considers the deriving tensions as worthwhile in keeping the organizing on its toes, rather than running the risk of triggering a sense of infallibility. The idea is that the organizational structure provided should function as an infrastructure that supports and facilitates bottom-up initiatives. As the idea of bottom-up organizing has been extensively communicated, it is now difficult to take decisions centrally without putting into question the cultural values. “One of the basic pillars in all this is that much of the power and many of the things being done come from bottom up. In every market the different subsidiaries are active in, different driving forces emerge. We are more used to issues that emerge bottom-up than top-down. This makes it very difficult to do things jointly within the ITM Group. It is always as if there was someone somewhere who didn’t think it was a good idea and would do it their own way anyhow. Something as easy as choosing a joint mail system. Well, this culture just doesn’t exist, a culture to take on decisions that were made top-down” (Team leader, Headquarters).

CONCLUSIONS AND IMPLICATIONS

What can we learn from this case regarding continuous business growth? Relating back to the literature reviewed above, it became evident that the attributes of corporate entrepreneurship as suggested by Stopford and Baden-Fuller (1994: 523-4) almost perfectly fit what characterizes practices at ITM. These were entrepreneurial proactivity, aspirations beyond current capability, team-orientation, a learning capability, and especially a capability to handle dilemmas.

Related to this capability is one of the most intriguing findings from the case, namely that continuous growth was clearly based on a behaviour which is counter to what Stevenson’s concept of entrepreneurial management of promoters versus trustees would suggest. ITM is not located at either one of the poles of entrepreneurial behaviour or administrative behaviour. And it is not either located anywhere in between. Rather, ITM manages to combine aspects of both poles at the same time – exactly by displaying the capability to handle dilemmas which Stopford and Baden-Fuller (1994) had pointed out as relevant for corporate entrepreneurship, but which has been largely ignored by subsequent studies of corporate entrepreneurship.

In practice, this means that ITM focuses on pursuing opportunities while at the same time carefully managing resources. The focus on pursuing opportunities becomes evident for example by attempts to foster the ability to recognize opportunities, by increasing the desire of individuals to pursue opportunities by balancing risks and rewards (thereby keeping entrepreneurs in the company), by providing employees the chance to get real-time market input (mainly by being at the client’s most of the time) as well
as by making people responsible for reaching targets (through their billability rates). The focus on managing resources becomes evident for example by allowing people to act on and fulfill responsibilities, a focus on teams, by pursuing long-term profitability goals, and by allocating resources to balance new and existing activities.

The case illustrated how as a company grows it has to develop structures, systems and practices that are required to handle growth and increased complexity. It has been suggested previously that organizations periodically re-invent themselves by adopting of new strategies and structures, which may mean destroying previous strategies and structures (Tushman & O'Reilly, 1996) – and this might in fact be crucial for achieving continuous growth. To achieve continuous growth, Tushman and O'Reilly (1996: 8) believe that “to remain successful over long periods, managers and organizations must be ambidextrous – able to implement both incremental (evolutionary) and revolutionary change”. Even these authors appear to point at the capability to manage dilemmas.

What are some practical implications which could be derived from this study? Firstly, continuous growth might be facilitated by trying to maintain tensions rather than to overcome them (for example corporate culture vs subcultures). Secondly, counterintuitively it might be wise to keep people to a certain degree uncomfortable, as the wish to pursue opportunities might increase with dissatisfaction with current state. Thirdly, continuous growth might be fostered if stabilizing factors are overcome; examples could be to maintain certain inefficiencies and lack of coordination. Fourthly, it appears to be important to emphasize individuals in the company, for example by fostering their sense of responsibility, belonging and identity.

**REFERENCE LIST**


