
High-Growth Ventures: Work of Competent Entrepreneurs or Lucky Guys

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Abstract

This paper deals with competences, which are needed by entrepreneurs in order to successfully run a growing business. According to traditional paradigm, entrepreneurial competences can be whether inherited or learned or a combination of both. Although extensive research evidence has been available on different scopes of entrepreneurship in growing businesses, not much has been discovered about peculiarities in the entrepreneurial competences which has attracted a certain degree of both professional and research interest in the past decade or so. Furthermore, practically nothing was said and written on dilemma, whether entrepreneurial competences are inherited or can be learned.

This qualitative research was conducted. Data collection was based on semi-structured personal interviews with the 23 entrepreneurs, preferably establishers/owners of businesses. Ten perceived competences were recognized from literature survey and entrepreneurs were asked to rank them from a given list. Results show that understanding customer needs is the most perceived skill, followed by persevering, creative thinking, storytelling and building trust. The findings will influence the future thinking on renewal of graduate and undergraduate curricula in the particular business school focused mainly on entrepreneurship.

Keywords: Entrepreneurship, Entrepreneurial Competences, Growth, Learning, Curricula Development



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Introduction

Studies, which focus only on small firms reveal a lack of attention to the issue of administrative, organizational, and managerial development. Small and medium sized companies now account for the majority of employment in the private sector. Given that the growth and development of small firms is regarded as fundamental for providing economic growth, prosperity, and employment, maximizing the development of competence through appropriate training, in order to optimize growth potential is of crucial importance. Therefore, one of the primary components of a small firm success is managerial and entrepreneurial competences of the owner – manager (Banfield et al., 1996).

Entrepreneurs are pioneers in innovation of new products/services, they create new processes, open new markets, or organize new industries. Recent dramatic changes in the global environment suggest that successful entrepreneurs need to master three key strategies: (1) develop a clear vision; (2) manage cash creatively or learn to “bootstrap”; and (3) be able to persuade others to commit to the venture using social skills (Brush, 2008).

Since the early days of strategic management, research scientists and managers have tried to find general rules for developing successful business strategies. Many articles have been published based on studies that explore research questions like why some competitors are more profitable than others or what are successful strategies to outperform a competitor. In the beginning of strategic management research, the theoretical background for explaining the strategic behavior of firms and business units was not very sophisticated. Most studies were purely exploratory and, in general, small-scale case studies were the basis to generate assumptions on the origins of business success. A fundamental breakthrough towards a broader theoretical basis for strategic planning was the adoption of concepts and research methods from economic theory in the seventies of the last century as the framework for large-scale empirical research in strategic management and strategic marketing (Grunert and Hildebrandt, 2004).

Small and medium enterprises have begun to play a critical role in international trade. Statistics indicate that they now account for a very substantial proportion of exports from most industrialized nations. But very little is known about the effect of having an international entrepreneurial orientation, or the role of specific strategies associated with this construct, on the foreign performance of such firms (Knight, 2001).

It is not business experience as such which is important but that it is the relative change in experience that truly impacts upon export performance (Majocchi et al., 2005; Rialp et al., 2005).

Are entrepreneurs born or made? There's no single, clear-cut answer to this "chicken - egg question" within academic or business circles. Still, most experts agree that anyone can develop useful traits and hone key skills. One does not have to be a "born entrepreneur" to succeed, but it certainly helps. Innate tendencies seem to make certain people more likely to take risks, more able to identify and act on promising business opportunities, and more open to new experiences. Individuals who do not share these traits can certainly develop them, but they will have to work harder than those for whom such traits come naturally (Shane, 2008). He adds that the tendency toward entrepreneurship is about 48 percent "heritable," meaning influenced by genetic factors. However, this doesn't mean that people born without a family history or natural tendency toward entrepreneurship should shelve their dreams and stay in their cubicles.

Longtime entrepreneurship consultant John J. Rooney (Shane, 2008) agrees: "In my experience working with hundreds of entrepreneurs and teaching on the faculty's entrepreneur program, it is clear that much of entrepreneurship can be successfully learned. People who get formal training are much more likely to succeed than those who fly by the seat of their pants. Rooney continues "I've seen students do very well even if they don't have the flamboyant personality that we expect from entrepreneurs. They can learn how to sell even if they are uncomfortable with it or have cultural challenges," he says.

The main motivation to pursue this research was an ambition to get a more insight view on required competences for sustainable business growth from the viewpoint of classroom teaching on the college level. The research in the past has been conducted more in the fields of »hard« aspects such as finance, investments, capital requirements etc. The objective of this study is to determine the needed skills as they are perceived by entrepreneurs to be successful in order to be built-in into the curricula of the business school program. The paper develops its structure as follows: after the introduction, the theoretical framework is set in order to build the main proposition of the study. Methodology and sampling which is of qualitative nature is explained after. Results are presented both in qualitative and quantitative manner. The paper is finished with discussion and possible implications for further research, and training and consulting facilitation of growing businesses.

Literature Review

Firm growth is in most cases perceived as a good way to pursue and is very commonly used as a measure of success. Firms which grow without first securing high levels of profitability tend to be less successful in subsequent periods compared to firms that first secure high profitability at low growth. The profitable low growth firms are more likely to reach the desirable state of high growth and high profitability. In addition, they have a decreased risk of ending up performing poorly on both performance dimensions compared with firms starting from a high growth, low profitability configuration (Davidsson et al., 2009). There are four types of factors of a firm growth: (1) individual entrepreneur characteristics; (2) firm characteristics; (3) relational factors (such as social networks or value chains); and (4) contextual factors (such as the business environment) (Nichter and Goldmark, 2009). It seems evident that much of what we consider "entrepreneurial" activity is intentionally planned behavior.

A tremendous emphasis is given on the business plan in virtually every academic and practical treatment on starting a new business. Promoting entrepreneurial intentions by promoting public perceptions of feasibility and desirability is not just desirable but is also thoroughly feasible (Krueger et al., 2000). Entrepreneurs of small organizations describe growth differently (Casso, 2005). Growth strategy of these organizations is a function of industry structure and performance, entrepreneurial motivation, attitude, and competence of the entrepreneurs in strategy planning. Two major patterns are emerging. In "relationship-based strategy" entrepreneurial vision towards strengthening relationship is the basis for growth planning. Trust, cooperation, community, and society benefits are important dimensions. In "technology-based strategy" the entrepreneurs choose technology to achieve excellence in product and process performance, and need investment and risk bearing capability (Majumdar, 2010).

Theories on firm growth suggest that managers should resolve sequential crises at key stages. Explicit in these models is the accumulation of resources, including knowledge, which must be applied in order to create new structures and systems in order to overcome the crises at each stage. Knowledge becomes not only a resource, but an activity which provides an alternative perspective on growth models (MacPherson, 2005 and 2007).

Small and medium enterprises are increasingly dependent on external technical competences because the process which generates new technologies is becoming more complex. However, before having access to the knowledge hired, small and medium enterprises need to develop and structure their own capacities. One way to achieve this goal is to employ technically qualified working-force (Bougrain and Haudeville, 2002). Small and medium enterprises show several weaknesses in technological development. This introduces opportunities for public intervention aimed at sustaining technological development, especially through technology transfer processes (Wareham and Gerrits, 1999). Although the need for this kind of action is widely accepted, how to implement, it is still unclear, as regards both the choice of potential beneficiaries and the actual implementation of the transfer process (Buratti and Penco, 2002).

Certain tensions exist in young and growing technology-based firms between (1) increasing technological opportunities for further growth and (2) the costs of developing these opportunities. Tensions between technological opportunities and the costs of technological development in young technology-based firms are created due to both the advances in science and technology and the firms' growth process itself (Saemundsson, 2005). Human capital development catalyzes both the external absorption and the internal emergence of new competences. However, process-focused strategies are a double-edged sword: they facilitate the acquisition and incorporation of external insights but may bound internal capability development (Branzei and Vertinsky, 2006).

In addition, human capital of founder's figures prominently in explaining the firms' start-up size (Colombo et al., 2004). Entrepreneurs' years of university education in economic and managerial fields and to a smaller extent in scientific and technical fields positively affect growth while education in other fields does not. Prior work experience in the same industry of the new firm is positively associated with growth while prior work experience in other industries is not. Furthermore, it is the technical work experience of entrepreneurs as opposed to their commercial work experience that determines growth. There are synergistic gains from the combination of the complementary capabilities of entrepreneurs relating to (1) economic-managerial and scientific-technical education and (2) technical and commercial industry-specific work experiences (Colombo and Grilli, 2005; Westerlund and Svahn, 2008).

Entrepreneurship research is engaged in an intense debate about the value of business planning. Empirical findings have been fragmented and contradictory. However, results indicate that planning is beneficial, yet contextual factors such as newness of the firms and the cultural environment of firms significantly impact the growth. A dynamic approach that combines planning and learning is proposed (Brinkmann et al., 2010). A firm's entrepreneurial intensity is influenced by the nature of its strategic management practices and by its competitive strategy. Moreover, it is important to note the greater impact of the competitive strategy compared to the strategic practices on the degree of entrepreneurship. From the point of view of the strategy, firms competing by means of an innovation-based differentiation are more entrepreneurial, compared to the rest (Entrialgo et al., 2008).

The relationship between entrepreneurial strategy making and performance is moderated by both environmental factors and firm competences. Entrepreneurial strategy has a positive relationship with performance when the environment is highly uncertain and when the firm has strong marketing competences (Lee et al., 2005). Different diversification strategies are distinguished and related to the business life cycle and corporate strategies. This is the process of the systematic identification and assessment of diversification opportunities within a diversified firm. It describes how the diversification opportunities can be gradually filtered out through increasingly detailed assessments (Lichtenhalter, 2005).

Small and medium enterprises seeking growth are best served by selecting and entering growth markets and industries. On the other hand, if strong positive cash flows are the primary objective, attention to combinations of resources is more important. Entrepreneurs having a strong business and managerial background, and industry experience will need less formalized systems, while those entrepreneurs with weaker managerial resources might benefit from more formalized procedures and skilled staff (Brush and Chaganti, 1999). Key features of competence-based marketing are: the

alignment of supplier's competencies with the customer's business processes, the communication of supplier's competencies, and the delivery of competencies to the buyer's business processes (Zerbini et al., 2007).

Alliances continue to be fostered by the transition to a knowledge-based and information technology-driven economy where cooperation delivers superior value to single-company competitors (Contractor and Lorange, 2002). Strategic alliances are increasingly gaining favor over go-it-alone strategies for organizations to achieve fast and economic growth. »Soft« elements such as trust are important for alliance success, but not sufficient. Also »hard« elements such as strategic compatibility and appropriate governance mechanisms have an important influence on alliance success. Careful strategic planning and good partnership preparation are essential for alliance success, but the full value of an alliance has to be developed as it evolves (Hoffman and Schlosser, 2001). In addition, learning-related activities would generate some positive influence on specific inter-firm partnerships (Johnson and Sohi, 2003). Vision and entrepreneurial managerial style should be considered as variables contributing to the performance of partnering companies (Spence et al., 2008). Partnership and networks has been more and more understood also as an upgraded traditional supplier-buyer relationship (Živković et al., 2010).

Existing approaches at explaining accelerated internationalization of born global firms are incomplete as they do not capture the learning that is undertaken by these firms and their founders prior to the firm's legal establishment. A set of dynamic capabilities that are built and nurtured by internationally oriented entrepreneurial founders enable these firms to develop cutting-edge knowledge intensive products, paving the way for their accelerated market entry (Weerawardena et al., 2007).

Based on the literature survey a research proposition was developed covering the main expected competencies for business growth as perceived from entrepreneurs. Among other, ten competences postulate the framework for successful business growth. Those are (1) understanding customer needs (Golfetto and Gibbert, 2006; Möller, 2006; Zerbini et al., 2007), (2) superiority in technology (Bougrain and Haudeveille, 2002; Buratti and Penco, 2002), (3) creative thinking (Szulanski and Jensen, 2008), (4) building trust (Johnson and Sohi, 2003), (5) team building (Spence et al., 2008), (6) thinking strategically (Lee et al., 2005), (7) planning operationally (Brinkmann et al., 2010), (8) executing (Garud and Karnøe, 2003), (9) possessing interpersonal skills (Spence et al., 2008) and (10) nurturing human capital (Branzei and Vertinsky, 2006; Colombo et al., 2004).

Methodology And Sampling

The research has been focused on twenty growing businesses operated by owners/managers. The examined businesses are located in nine different cities/towns in the country. A case study method was used as a qualitative research approach in order to answer the research questions. The research was conducted in autumn 2009. Data collection was based on semi-structured personal interviews with the entrepreneurs. Interview encompassed 15 specific questions for interviewees. One of the reasons for choosing the particular qualitative research is that this appears to be a prevailing methodology in business research on new phenomena worldwide.

However, the non-existence of the data base on growing businesses which would include contact details (i.e. name, phone and address) determined the need for developing a flexible and cost effective methodology which would allow the researchers to identify, reach and communicate with the target population and the adapt the techniques of data collecting to the circumstances found. On the other hand, quantitative approaches would be challenged with conditioning sampling methodology and in terms of potential bias.

The sample was composed out of high growth companies in Slovenia, mainly gazelles (i.e. fastest growing companies as defined by Birch (1987)). From the list, 45 of them were chosen on opportunistic approach basis. The "Gazelle of the year" award has been an ongoing project in Slovenia for several years and candidates for different prize-categories earn a substantial focus from the media. From those publicly revealed impressions about "who may be an appropriate participant for the study" a list of target entrepreneurs to be addresses was pulled together. Entrepreneurs were contacted via e-mail and invited to participate in the research. Although 24 of them replied as willing to participate, 4

interviews were not carried out because of limited stay of interviewers group finally, 20 interviews with entrepreneurs were conducted.

The research team was conducted of six MBA students from Canada and three Slovenian teaching assistants, and who formed three smaller teams, each composed of two Canadians and one Slovene. All interviews were conducted by teams of three in English. Using English was inevitable and could represent an obstacle as some of the interviewees were not confident in foreign language. However, they were more open when talking to foreigners and didn't have issues with talking about problems and obstacles on their entrepreneurial path. Voice-taping was used to document the data combined with handwritten minutes were taken and the story was transcribed immediately after the interview. In all cases interviews took place at the premises of the company.

The interviews took place at various times of the day, during the working days and normal office hours. Entrepreneurs proposed a day and time of the interview, so they were not disturbed by other obligations. It is believed the timing and place of the interview did not influence on the readiness and openness to reveal data and information. Basic demographic data about the research sample has been collected and are summarized in the table 1.

Table 1
Data about research sample

Stage of Development	Number in sample	Average time in business	Average number of employees	Average revenue in Eur
Start-up <3 years	3	1.8 years	15	1.1 m
Growth 3-9 years	4	7.0 years	62	11.9 m
Mature 10+ years	13	23.0 years	110	30.9 m
	20			

Source: Own research, 2009

Results

Ten by entrepreneurs potentially perceived competences were recognized from literature review and entrepreneurs were asked to rank them from the proposed list. Entrepreneurs were asked to rank the five competences from the list from 1 as the most important to 5 as still important. They only ranked top five most important competences out of ten offered from the list. When ranked first, a competency is awarded 5 points, if mentioned as ranked 6th or later, it is scored with no points at all. The total number of points is calculated as the sum of allocated points in all the surveyed companies. Thus, the theoretical maximum of number of points is five times number of firms (23), which makes 115 points per listed competence. Results ranking competencies are presented in table 2.

Table 2
Ranking from given list of perceived skills

Sr. No	Competence	Points
1.	Understanding Customer Needs	91
2.	Persevering	46
3.	Creative thinking	41
4.	Story telling	41
5.	Building trust	28
6.	Team building	21

7.	Thinking strategically	14
8.	Planning operationally	8
9.	Executing	7
10.	Possessing interpersonal skills	6

Source: Own research, 2009

If the results in the table 2 are compared with the ones listed in the main paper proposition it can be observed that eight out of ten competencies proposed upon the literature survey confirmed to be true by perception of the interviewed entrepreneurs. Surprisingly, superiority in technology and nurturing human capital turned up not to be confirmed. Mostly technology competences would be expected to be more exposed considering technical background of the majority of respondents. Instead of those two preserving and storytelling were inserted on the list and even ranked second and fourth position. Thus, the proposition can be regarded as mostly confirmed.

In order to emphasize the recognized competencies, several citations by interviewed study participants were chosen to emphasize the importance of the revealed results:

- Understanding customer needs: "You can only come to clients with proposal, if you hear what they are saying and prepare proposal they want (AP)¹".
- Persevering: Entrepreneurs, we have to be persistent, even when we have problems, it would be easier to go on a break, but you have to deal with problems and go on: "You need to be in love with what are you doing first and persistence simply comes," says PV2. BŠ2 adds: "People tell me that I have changed over last ten years, I have become even more persistent. My management team is even more persistent, they are on business trips all year round and they have been working for this company from eight to fifteen years. This is not a short-term business".
- Creative thinking: "My opinion is that it is impossible to start a new business and be successful without innovative product, however creativeness is crucially important in all times (MČ)²".
- Story telling: "Important customer from Germany, who has 25 years of experience in this specific industry, visited us and asked us very complicated questions. He realized that we understand the field as well or better than multinational companies and that was a big breakthrough for us. I can say that we sold our story (RU2)".
- Building trust: "Clients don't prefer radical ideas, when we come to very conservative client, we need his trust, otherwise we won't be able to sell him new and great idea (AP)."
- Team building: "It is crucial to build team and network. We were three partners that established this company and there was and is great chemistry between us (AP)."
- Thinking strategically: "Entrepreneur needs to know exactly the strengths of his product and its advantages comparing with competitors, if not, he can't expect the company to survive or even grow (MČ)."
- Planning operationally: Entrepreneur ČJ² used words of Eisenhower who said: "Just a plan is nothing, planning is essential! And we are planning, if you are planning, you can adapt to new situation on a market."
- Executing: "When we were gaining seed/venture capital, I taught that this is the most difficult part of the business, however now I see that managing high growth business is far more difficult," says DR3 DR continues: "Many people can prepare marketing plan, but few are able to develop product, sell it and execute this marketing plan."
- Possessing interpersonal skills: "If I were a mentor to a young entrepreneur, I would recommend to him to share his ideas and problems with friends and even competitors, because he needs to know that he is not the only person in the world with problems. Networking is very important or even of crucial importance when starting a business." (JS³)

We expected that it will be difficult for entrepreneurs to rank competences, following quote confirms our expectations: "It is difficult to rate, if you don't listen, you won't be able to propose and to sell

¹ AP - founder of marketing communication company.

² ČJ- founder and director, company is developing and providing Enterprise Content Management solutions

³ J- founder and partner in Web design and development company

anything, if you want to sell it for good price, you need good negotiation skills in persuading what you have done, without strategic thinking you are just executing something someone else says, you have to be creative thinking because you have to better than the others, I would give to all of them 5 points”(AP).

Conclusions

While it is difficult to generalize from case study research, the outcomes of this study show how particular competences are important in establishing the basics of sustainable growth of a company. It can be observed that processes are not linear and sequential. Issues, such as leadership, coordination, control, delegation, and collaboration as typical managerial tasks are not solved but are repeating problems that require managers and entrepreneurs to conceptualize, how these issues will be addressed within the enterprise. Why a particular issue is given attention at a particular time depends on how entrepreneurs make sense of them. The expressed competences (such as alertness to the market and the internal organizational issues of the company) are both the result of how past solutions to problems and challenges were applied, and the nature of conceptualization of current and future activity, which can be mainly regarded as a personal entrepreneurial characteristic of an individual.

That is, in these cases, organizational growth is ultimately dependent on response to the problem of not-knowing-how. The inability to utilize competences from within available resources may trigger a search for alternatives which often means a shift from knowledge exploitation to knowledge exploration. Thus, identifying and classifying knowledge resources are active processes, but they are also experimental, improvised and negotiated practices. Entrepreneurs perform them intentionality and rationality.

The highlight of this research is that individuals through their day-to-day activities provide forces for change which is an ambition for growth. They provide a link between the practices of strategizing and structures of organizing. It is possible to expose how company's innovation and growth is partly structural, partly social, and partly intentional. The recommendations of entrepreneurs are influenced both by historical experiences and their role within a real-life business practice. As such, attention to “stage of growth” is less important than sensitivity to specific social contexts, and particularly to the social structures and relations that define possibilities for growth.

The application of this research is mainly in support provision for growing companies. Understanding support as both, consultation, and training, this should be re-conceptualized within the forced change of structure of strategizing against particular growth objectives, both within external social context and internal organizational challenges. Thus, no such thing as generalized programs can be applied but tailor-made applications of idiosyncratic particles of body of knowledge composed and re-conceptualized on the basis of on-going research of perceived needed competences for company's growth.

However, faculty's curricula need to be refreshed and adapted to new and changing needs. Suppliers of educational and training programs will have to develop programs to satisfy the needs of the participants. High level of satisfaction will be achieved by delivering courses in a manner that participants will be able to draw direct impact for their daily operations in their companies thus, making their business results visible and measurable on a shorter run. The basic logic, although difficult to be measured, is simple: well-designed educational and training programs should have direct impact on the business success of the company. This impact will be multiplied in a stronger desire of entrepreneurs to educate themselves, together with increased funds coming from increased profits that companies will be prepared to invest in training and education.

In GEA College – Faculty of entrepreneurship, we have systematically approached the curricula renewal and one of the steps done was also in-depth interviews with successful entrepreneurs in order to define the most important competences for success. According to results the teaching curricula is supposed to be adopted in order to teach or stimulate the development of those competences among students. Data collection was based on semi-structured personal interviews with the entrepreneurs, preferably establishers/owners of businesses. A research proposition was developed, based on the literature survey, covering the main competencies successful entrepreneur should have.

Entrepreneurs ranked proposed competences and results show that understanding customer needs is the most important competence entrepreneur should have. Followed by (2) persevering, (3) creative thinking, (4) storytelling, (5) building trust, (6) team building, (7) thinking strategically, (8) planning operationally, (9) executing, and (10) possessing interpersonal skills.

Young people should be raised in a way that they will be able to develop their own entrepreneurial abilities. They should be able to recognize the opportunities offered by entrepreneurial career and know the procedures to establish their own company. The methods of delivering topics in classrooms should be adapted to reach these objectives. There are many other dilemmas popping out, when talking about teaching entrepreneurship for instance: Which topics should be included in programs for efficient interdisciplinary effect? How to develop new approaches to teaching? Who should teach entrepreneurship (entrepreneurs or professional teachers)? All these questions (and broader ones) should be taken into account when considering further research.

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