
Beating-the-odds on enterprise growth in peripheral regions

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Abstract: Few academics have the chance to enter a region's innovation system's "sandpit" and "dig" through the multiple layers. This paper with its participatory action research and action learning approach provides such a narrative. There is a lack of research investigating SMEs in the mature phases of growth and more particularly when key decisions are being undertaken. This paper reports on findings of such a study using a macro-meso-micro level ecosystem perspective. Management theory is increasingly accepting that action research does provide appropriate levels of rigour. Vividness of this peripheral systems experience will hopefully encourage others to follow. We find interesting insights along the way including that real change stems from innovation in the SME family leader more than finding triggers in the firm.

Keywords: action learning, action research, savannah, steady growth, clusters, complex adaptive ecosystems.

1 Introduction

You are leading a cluster or a company in a peripheral region and the regional innovation system (RIS) literature identifies your area is fragmented, institutionally locked-in, lacking in innovation capacity and weak in knowledge generation and diffusion (Todtling & Trippl, 2005). Do you throw your hands in the air and give up? Forget your sunk costs and shift to another region? Or stay put and attempt to defy the peripheral RIS odds? Poorly performing industries do not prevent success among individual enterprises and likewise there are numerous real-world examples of great enterprises residing outside metropolitan regions. However, as this study identifies, beating the odds in a peripheral region, is likely to have serious challenges. To embark properly on such an investigation the literature increasingly suggests you need to more fully understand the regional macro-meso-micro level actor engagement embeddedness and complexities (Storbacka, Brodie, Böhmann, Maglio, & Nenonen, 2016).

Although there are specifics to both ecosystems and complex adaptive systems for our purposes we propose a juxtaposition making nomological sense called a complex adaptive ecosystem (CAE). The CAE macro-meso-micro view is important here in trying to unravel the intricacies and machinations of firstly peripheral systems, secondly networks and clusters, and finally enterprise development and growth. The CAE under review is an Australian region called the Central Coast of New South Wales (population of 330,000 and 70 km north of Sydney). The Central Coast conforms well with Todtling and Trippl's (2005) description of a peripheral system, reflecting limitations around innovation system dynamics and economic diversity. Fortunately, there has been attempts through government, university, enterprise and community (Quadruple Helix) (Kriz, Bankins, & Molloy, 2018) to assist and stimulate the Central Coast's innovation capacity. A key component discussed in this research is the formation of a cluster level organisation called Central Coast Industry Connect (CCIC). Such actors and organisations are known to be absent or weak in peripheral regions. The ultimate objective of this paper is to report on six enterprises within CCIC that have been part of a major action learning and action research intervention.

Australia has joined a global "wave" around kick-starting more entrepreneurial start-ups and stimulating and supporting high growth enterprise (HGEs) scale-ups. In recognition of their agility and capacity to outrun others in the African Savannah these fast moving scale-ups are also known as gazelles (Birch, 1987). Use of such metaphor (Oswick & Montgomery, 1999) is advantageous in such discussions and becomes prominent in this study. However, Brown et al. (2017), Shane (2009), Kunkle (2013) and Acs et al. (2008) do warn policy makers about many of their simplistic views of such enterprises and potential for growth. Generic place-based interventions make no sense when all the evidence tells us no two regions are the same (Kriz et al., 2018; Kriz, Molloy, Kriz, & Sonntag, 2016; Todtling & Trippl, 2005) and few have gone beyond the extant place "veneer" to immerse themselves so first-hand into what Kriz et al. (Kriz et al., 2018; 2016) referred to as a regional sandpit.

Using action research (AR) to facilitate action learning (AL), this study adds rich insights into what it really takes to transform peripheral regions. Few to our knowledge—even in the smart specialisation (RIS3) domain (Kriz et al., 2018)—have reported in such a way. It is worth noting AR and AL are related but are also quite different approaches (Pedler & Abbott, 2013). AR is focused on researching the actions and phenomenon with this study

taking a more involved participatory route (Guertler, Kriz, McGregor, Bankins, & Bucolo, 2017). AL focuses on creating a context for social learning through critical self-reflection (Clarke, Thorpe, Anderson, & Gold, 2006). AR is the process wrapped around the AL intervention and is used here to report on peer group activities (R. Brown et al., 2017) with our Central Coast set of focal six companies forming a key part of what we called the Innovation Leaders Forum (ILF). Funded by the State Government of NSW, nine companies were selected in total to participate along with CCIC. The six cases were all family-based firms. Three additional firms were originally recruited as potentially focal participants but as the AL approach shifted (a refocus of the six participant) they became mentor firms instead.

This study focused on understanding, at an enterprise level, how capability of family firms operating in a peripheral region might be developed. This narrower, bottom-up approach allowed for an understanding of micro level (enterprise) activity and how this was influenced by the macro (regional) and meso (cluster) level. In short, contextualizing within the CAE is key but the leader and their day-to-day enterprise behaviours and activities was our primary focus. The objective was to understand if an AL intervention in Australian peripheral region could stimulate and unlock small-to-medium Australian extant capabilities around clusters and key enterprises. We ultimately wanted to see if the Central Coast could stimulate businesses that have passed through the trials and tribulations of their early growth phase (Garnsey, 1998). Which brings us to the overall research question: What can immersion in an Australian peripheral CAE teach us about SME enterprise behaviour and growth?

A notable twist in the intervention was that the AL emphasis was reconfigured to suit more immediate participant needs. The emphasis became more enterprise readiness and survival rather than growth. However, by the end of the study most enterprise leaders had reached a newer level of what Garnsey (1998) called a 'critical juncture' or trigger point (Brown et al, 2017). Interestingly these were not Garnsey's early growth firms but family businesses in what should have been a mature phase. The results are ongoing but what is clear is finding source of real change takes time. The AL process helped considerably in finding the first step in redressing some critical weaknesses in our six enterprises. Their future sustainability seems to rest on such change. The next section starts the journey beginning with a fuller understanding of the CAE and macro-meso-micro approach. The methodology section then provides a more detailed review of the AL and AR rationale. The analysis and discussion section provides details about the interventions and outcomes. The findings and contributions, as mentioned above, offer some interesting twists, before we wrap up the study with the conclusion.

2 Literature review

Brown and Eisenhardt (1997) dispelled important misunderstandings when they explained that an enterprise itself is a complex adaptive system. As systems of enterprises combine into clusters, networks, industries and sectors the permutations and combinations obviously grow. CAEs and their emergence and dynamics are where this journey starts. Figure 1, illustrates the approach we used to investigate the Central Coast CAE. The top-down (macro) literature review process is illustrated along with the bottom up empirical findings focused more on enterprise level participants (micro) and CCIC at the cluster level (meso).

2.1 Macro level - understanding peripheral regions

The deeper and shallower activities of actors and agents combining in non-linear and dynamic ways is rarely going to be properly understood through linear interpretations. Metropolitan, peripheral and old industrial are the three common RIS or CAE variants as classified by Todtling and Trippl (2005). Ultimately as now understood each system has its own subtleties around:

- geography, culture and institutions
- built landscapes and infrastructure
- localised industry and enterprise dynamics
- human capital knowledge generation and absorption.

Another perspective which informs our understanding of regions is the triple/quadruple helix (Kriz et al., 2018). The helix strands incorporate enterprise, universities and government in a similar vein to the RIS. The way such elements combine, particularly around knowledge acquisition, and its development and diffusion, informs our understanding of how a region functions. Compared to peripheral regions, metropolitan regions typically have stronger connectivity between the helix strands and overall a more diverse and richer ecosystem of enterprises, research institutions and collaborative activity.

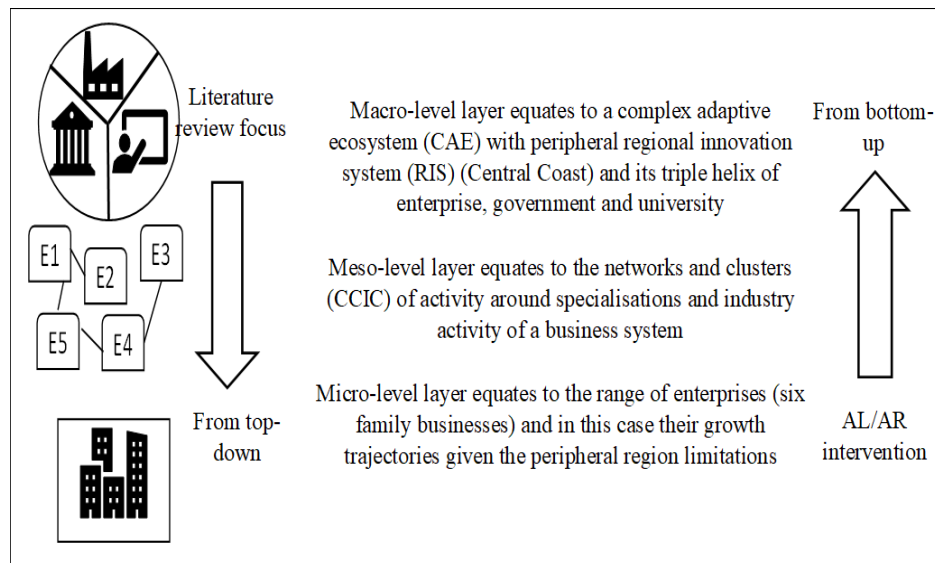


Figure 1: CAE with ingredients at the enterprise/cluster/regional level

Indeed, a typical peripheral region, according to Todtling and Trippl (2005), has an institutional “recipe” of: low level R&D activity with a predominance of product innovation that is incremental in nature; low level university activity; inadequate educational attainment; thin structuring around knowledge services and supports; poor institutional network development and interactivity; poorly developed clustering; and, a predominance of disconnected small to medium enterprises. If we simplistically break down the RIS and triple helix, as in Figure 2, we see that a triple helix plays a significant role in fostering enterprise, clusters and specialization linked to what regional economists increasingly acknowledge is a mix of related and unrelated variety (Asheim, Boschma, & Cooke, 2011). Policies that foster bottom-up activity and a rich ecosystem and recipe for spillover benefits, linked to R&D and entrepreneurial discovery, normally achieve better outcomes.

What this combination does and how it is orchestrated is now the focus of a comprehensive body of literature developing around the regional studies and regional economics. One of the more interesting aspects of this literature is the analysis of the institutions behind successful versus not so successful international business systems. Redding and Witt (2007) suggest there are a range of key systemic factors worth noting that resonate below the RIS and Triple Helix surface layers (Frost & Egri, 1991). Firstly, Redding and Witt note the importance of coordination and the structure and systems underpinning exchanges and behaviour of firms that relate to ownership, networks and management. Secondly, Redding and Witt refer to the order that facilitate the complicated institutional exchanges which focus on important variations between capital, human capital and social capital. Lastly, Redding and Witt highlight cultural aspects that give a business system its meaning with the rationale, identity and authority highlighted around values and socially constructed modes of how business systems operate. A no one-size-fits-all approach, as Todtling and Trippl explained, goes even deeper when illustrated with this view of business system structural realities.

A country like Australia would benefit from steady growth patterns that see companies going up the small to medium trajectory. This seems to be an important benefit of the German approach with middle-level businesses dominating regions. Like Kunkle (2013) found in the US, if you get the formula right, steady-growth means compound benefits for the enterprise, that filter through to respective clusters, networks as well as regions. There are no straight lines for such growth. The incremental compound growth trajectory of the German Mittelstand (Audretsch & Lehmann, 2016) and Hidden Champion (Simon, 2009) conforms well to Collins and Hansen (2011) 10X style outperformers. A lot seems to be made of start-ups and gazelles but the real apex predator in the US and Germany seems to be Kunkle’s rare steady-growth stars that seem to mirror Simon’s Hidden Champion.

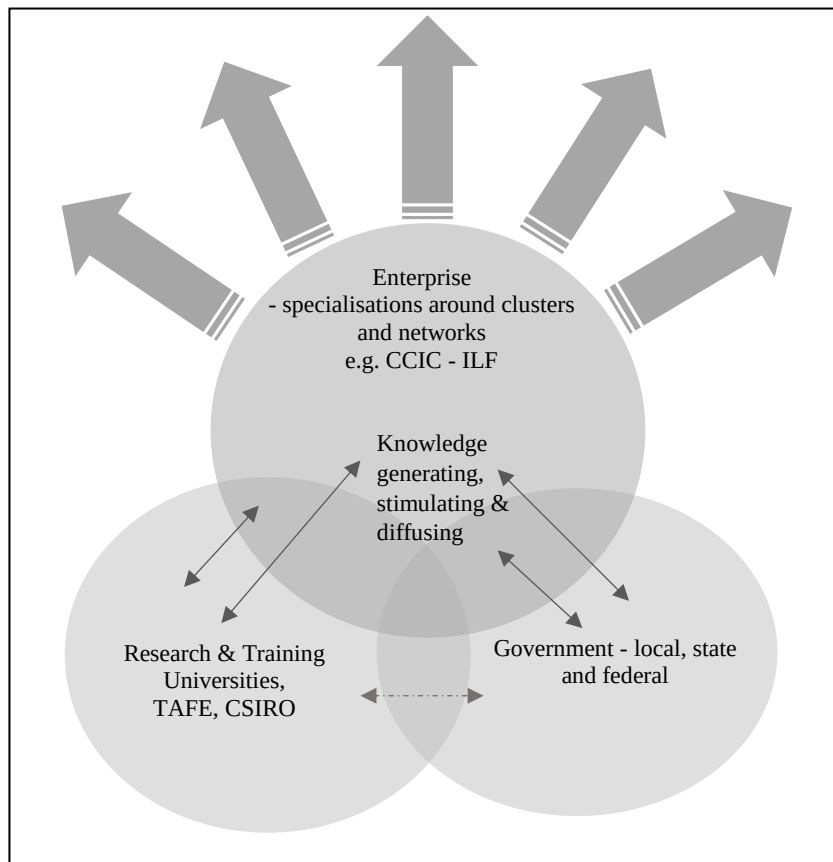


Figure 2: Stimulating enterprise development in a peripheral RIS and Triple Helix

2.2.1 Micro level – understanding growth

Vermeulen and Barkema (2002) observe the relevance of the concepts of pacing, scope and irregularity in the context of growth. At what pace should a firm grow and how can this be achieved in peripheral regions where the odds of success are deemed to be often against you? Simon (2009) and Agenda et al. (Agenda, Dewing, Jones, & McCormick, 2012) investigated some of the high performing firms and concluded that growth varies around a range of choices and contextual contingencies. Elizabeth Garnsey's (1998) *Theory of the Early Growth of the Firm* is adopted here to analyse and discuss growth trajectories and link these to the case firms we examined. Inspired by Edith Penrose's (2009) *Theory of the Growth of the Firm*, Garnsey applies systems thinking to assess the multiple and complex dimensions of early firm growth. Garnsey's Growth Model captures the development processes of a range of enterprises ranging from embryonic growth at one end to firms entering a relatively established growth phase at the other. While Penrose assesses the growth of larger and more established firms, Garnsey (as a former student of Penrose at Cambridge University) examines the embryonic to early growth stages. Garnsey's model

sets the framework for a continued understanding of the growth of the firm beyond the activities and characteristics that Penrose identified.

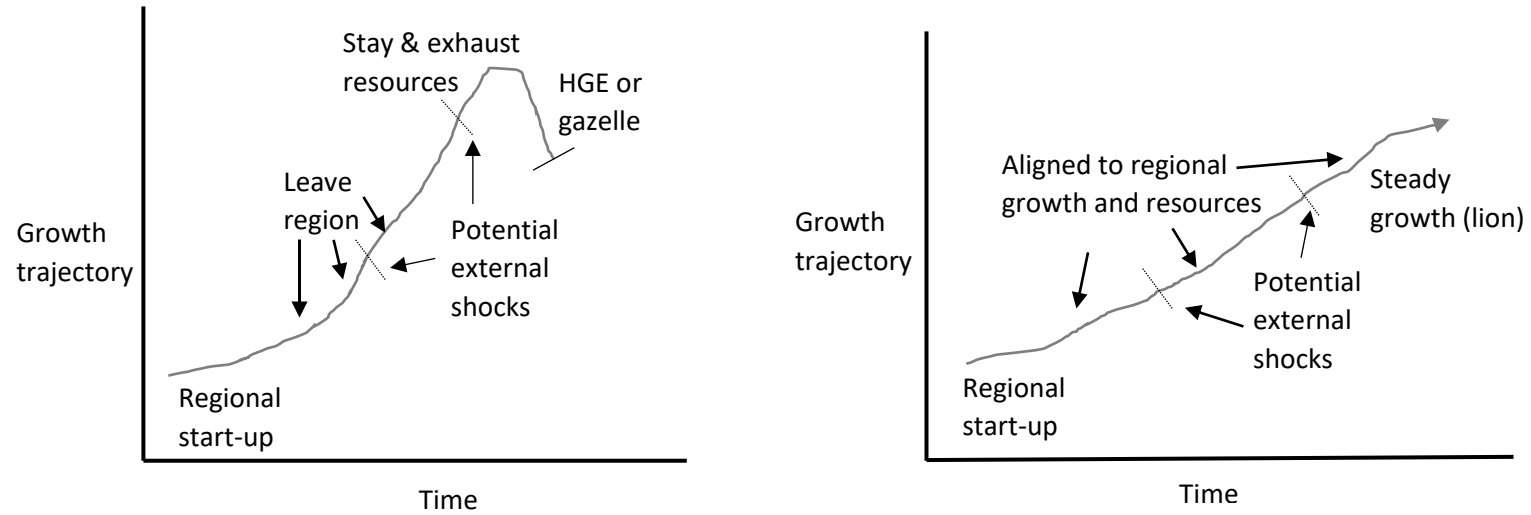
Garnsey (2006) identify five different progressive growth 'phases':

- resource access - early opportunity identification stage and securing critical resources;
- resource mobilisation - moving beyond initial prospecting to a stage of the utilisation of resources that have been secured;
- resource generation - enterprises begin a production cycle which results in learning curves, experiential learning and tacit knowledge, as production activities result in the development of customer and supplier relationships;
- growth reinforcement – momentum behind the growth activities starts to set in with revenues beginning to advance;
- growth reversal - a range of processes can occur which deteriorate the growth prospects of the firm, and growth reinforcement ambitions may be restricted based on a complex range of circumstances underpinning the unique context of the firm.

This analysis also offers 'critical junctures' or key points at which enterprises are set on a developmental trajectory and/or experience a 'shock'. These critical junctures typically accompany a need to make important decisions that shape the future of the firm and shape the unique developmental path that a firm pursues. The more developed firms have such 'trigger' points as Brown et al. (2017) also discuss. Critical junctures may also result in a failure point and reversal to a previous growth period. Figure 3 identifies the two trajectories discussed in this paper. Following Garnsey et al. we suggest that straight paths in a trajectory are not probable. We have depicted the early growth but more importantly the mature trajectory. As identified in the literature for peripheral regions we are agreeing with Brown et al. (2017) that the high growth gazelle pursuit has many myths and a number of potential problems. Many such enterprises will either leave or implode. Our figure looks at the alternative steady-growth approach offered by Kunkle, Simon and in the standard Mittelstand family approach. Obviously, such companies can fail as well, but the growth trajectory is more in line with capacity for matching the growth of the region. The best of these continue compounding their growth. Family firms like Mittelstand are known to be networked and sticky in their regions. They collaborate with the skills and talent and grow with the network.

Garnsey's growth model is not a rigid phase model, from the perspective that each growth phase is not mutually exclusive or linear. Elements characteristic of particular phases may overlap with other phases, and firms may go from resource generation to growth reinforcement and then back to resource generation. The systems thinking approach which recognises the multiple trajectories that a firm may develop while growing, and the reality that failure may be present in multiple forms during an early firm's growth, is clearly illustrated in Garnsey et al. Figure 3 extends this thinking with its comparison of gazelles versus steadier trajectories. The more circumspect growth phase of Hidden Champions that is attuned to Kunkle's steady growth champions is arguably more reminiscent of a lion rather than gazelle. One is the apex predator while the other is prey.

Figure 3: Varying enterprise developmental paths for gazelle v. steady-growth



2.4 Peripheral regions, clusters and understanding growth of scaling-up firms

Most enterprises never reach the later phases of growth or survive to a point where they are considered 'established businesses' under the Penrosian developed growth model. The government sponsors were keen to see whether we could stimulate existing enterprises in such a direction in a peripheral region. The idea was that existing capabilities of such firms are already built compared to start-ups. The six enterprises selected already had these processes in place and resources already deployed. They had existing supplier/customer relationships in place to sustain potential growth. Garnsey's later phases in her model are therefore more relevant to our case data—specifically resource generation, growth reinforcement and growth reversal. Table 1 illustrates the range of key growth phases and in italics and shaded are the growth phases of most relevance to our study. As already identified, note that failure is a possibility between each phase (i.e. column of the table) and firms may move in a non-linear motion between phases (i.e. firms do not necessarily progress from left to right but may go back to an earlier phase).

Table 1: Garnsey's growth model which highlights is relevance in the context of our case firms

Resource access	Resource mobilisation	Resource generation	Growth reinforcement	Growth reversal
Early opportunity identification stage and securing critical resources	Moving beyond initial prospecting to a stage of the utilisation of resources that have been secured	<i>Firms begin a production cycle which results in learning curves, experiential learning and tacit knowledge, as production activities result in the development of customer and supplier relationships</i>	<i>Growth motions set in and revenue may be achieved</i>	<i>Range of processes can occur which deteriorate the growth prospects of the firm, and growth reinforcement ambitions may be restricted based on a complex range of circumstances underpinning the unique context of the firm</i>

While Garnsey does account for revenue growth as one indicator of a firm's growth processes, she holistically accounts for the development of the firm's technological, people and financial resources as critical indicators of the growth of the firm. Generation of knowledge (as a capability which stems from people as a resource), and takes into account relative aspects such as absorptive capacity, cumulative knowledge resources, feedback loops with various agents within the system, and trial and error are all important facets. Knowledge as a capability therefore plays a key role in the development process of the early firm as it carves out a unique growth path. This aligns importantly to Todtling and

Trippl and the Triple Helix and issues in peripheral regions around lack of knowledge generation and exploitation.

3 Case methodology, methods and approach

The original goal of the project was to identify companies on the Central Coast of NSW known for both their business excellence and commitment to their local region. The NSW Government funded the project with the objective of bringing government, industry and research resources together in a targeted way to foster company growth within the Central Coast and CCIC cluster. A panel was constructed of industry, government and university (triple-helix stakeholder) experts to select a range of potential enterprise prospects. A formal invitation was issued to each of the identified nine companies explaining the proposed project and their nomination. Listed in Table 2 are members of actual ILF operational project team including the three key researchers (UV1, UV2 & UV3), the two main industry and government participants (I2 & IG1). Two others (industry and researcher) attended (I3 and UV4) to offer some outside-in insight and feedback.

Table 2: ILF project facilitation team

	Current role	Career background and skills	Role in group
UV1	Academic researcher and facilitator	Prior to academia worked in government, established successful retail organisation and consulted to various organisations.	Primary facilitator with extensive business strategy expertise
UV2	PhD candidate and project manager	Prior to academia, worked in human resource management consulting roles for several multinational organisations.	Facilitator and interviewer with strong HR background
UV3	Academic researcher and facilitator	Prior to academia worked in Central Coast accounting firms. Consults to boards.	Primary provider of financials, facilitator and interviewer
IG1	Government enterprise and industry programs (CCIC Advisory Council)	Strong marketing expertise, supply chain knowledge	Government and industry input and facilitator
I2	Cluster coordinator (Executive officer of CCIC)	Strong manufacturing and operations experience working for large multinationals, highly connected in the region.	Industry advisor
I3	Cluster coordinator (Board of CCIC)	Business development for major cluster in the Hunter region (with direct links to the Central Coast	Ad-hoc attendance and input – outsider view
UV4	Academic researcher and facilitator	Prior to academia worked in marketing and human resource management roles for small and multinational organisations.	Ad-hoc attendance for outside research view

3.1 AL and AR and case development process

The researchers employed an action learning and action research design with a case study methodology. The major AR focus was on reporting on the activities and incorporated the primary data around the cluster (CCIC) and observations of the nine enterprises. AL allowed the research team to delve deeply and observe. Action learning, first presented by Revans in the 1940s, is concerned with how learning and behavioural change can be generated through practice-based reflection (Raelin, 1997). Action learning incorporates core tenants of andragogy, by focusing on important and real issues, which are explored in a social setting. The objective of AL is to encourage individuals to conduct and share honest and critical self-reflection and is an approach tries to solve difficult issues but also “grow” participating individuals (Marquardt & Waddill, 2004).

Clarke, Thorpe, Anderson and Gold (2006) in their AL study noted how contextualised action, critical reflection and social networks are all clearly aligned to the inherent action learning processes adopted by SMEs. These authors also noted that action learning strikes an important balance of informal and formal; by acknowledging the tendency for managers of SMEs to preference informal learning yet still incorporate some formal content. Separating SME managers from their business context, as Clarke et al. identified, and encouraging learning amongst a diverse group of SME participants adds breadth to perspectives. This they found adds to SME manager learning and facilitates a deeper understanding of how daily operational contexts may be constraining strategic thinking (Clarke et al., 2006). Use of AL in this SME study therefore had important empirical support.

AR was also used here as a way of reporting the AL process but also as recognition that the researchers were participants in this active change process. AR is largely underutilized in management studies but is increasingly acknowledged as a way to capture deeper and longitudinal aspects (Guertler et al., 2017). When crafted properly AR adds both relevance and rigor to a study (Kaplan, 1998). Nine companies were included in this overall AR study with six family cases becoming the predominant AL focus. Six cases aligns with recommendations for ‘theoretical sampling’ and ‘theoretical saturation’ (Eisenhardt, 1989). A case study protocol was developed to provide insights with all activities recorded and transcribed. The AR and AL study also incorporated enterprise visits. Triangulation was central with multiple approaches with multiple perspectives from multiple people. Table 2 illustrates how drawing from such views was possible. The project team with researchers and stakeholders were all witnessing the events. One of contributors of the project team was leading the CCIC cluster but there were other important CCIC members who also had key stakeholder positions as well.

Capturing multiple perspectives helped synthesise key insights gathered and clarified information in situations where interviewees accounts were inconsistent. The level of convergence between the researchers and others in the project team was often quite consistent. In some instances, inconsistencies were resolved, however in other situations we recognised the extent to which individuals perceived a common reality from different

perspectives. Figure 3 provides a comprehensive description outlining the key processes for the interviews, cases and surveys undertaken. Triangulation was further achieved through an analysis of data in addition to interviews, and included archival material, company reports, slide presentations, and media documents.

The material gathered was largely qualitative in nature. As highlighted in Table 3, while applying Maxwell's (2009) indicators we sought to ensure that our qualitative approach demonstrated descriptive validity (i.e. how factual was the data we collected), interpretive validity (i.e. to what extent has our approach captured individual interpretations of the events) and theoretical validity (i.e. mechanisms that could be observed that have potential generalisability to other regional contexts). The action learning approach with its ongoing interaction resulted in a change in systems and behaviours for at least five of the six firms identified and CCIC. These changes and their importance are discussed later in the paper.

Table 3: Criteria demonstrating the rigour of the research consistent with a critical realist perspective

Descriptive validity	Quotes, checked our themes and patterns within interviewees as part of an action research approach, development of a case book including historical factual detail accompanying case development
Interpretive validity	Interviewed multiple individuals that had experiences from various areas and levels within the companies; collecting accompanying data helped to provide more clarity where individual's perspectives varied
Theoretical validity	Identifying mechanisms and developing a schema sought to demonstrate a degree of transferability of our findings beyond the context we studied

4 Analysis and discussion

This article is mainly focussing on the enterprises and their growth. Table 4 provides a detailed overview of the six company profiles. Before we investigate these participants in more detail we need to zoom out and briefly review the contextual setting. We are only providing a brief snapshot of the data gathered around the region and the CCIC key cluster.

4.1 The peripheral region and CAE – Central Coast NSW

As identified in the literature review each region is quite unique and needs careful understanding. The Central Coast of NSW has over 335,000 people but with 8.9%

Figure 4: Timeline of preparation, cases and feedback sessions

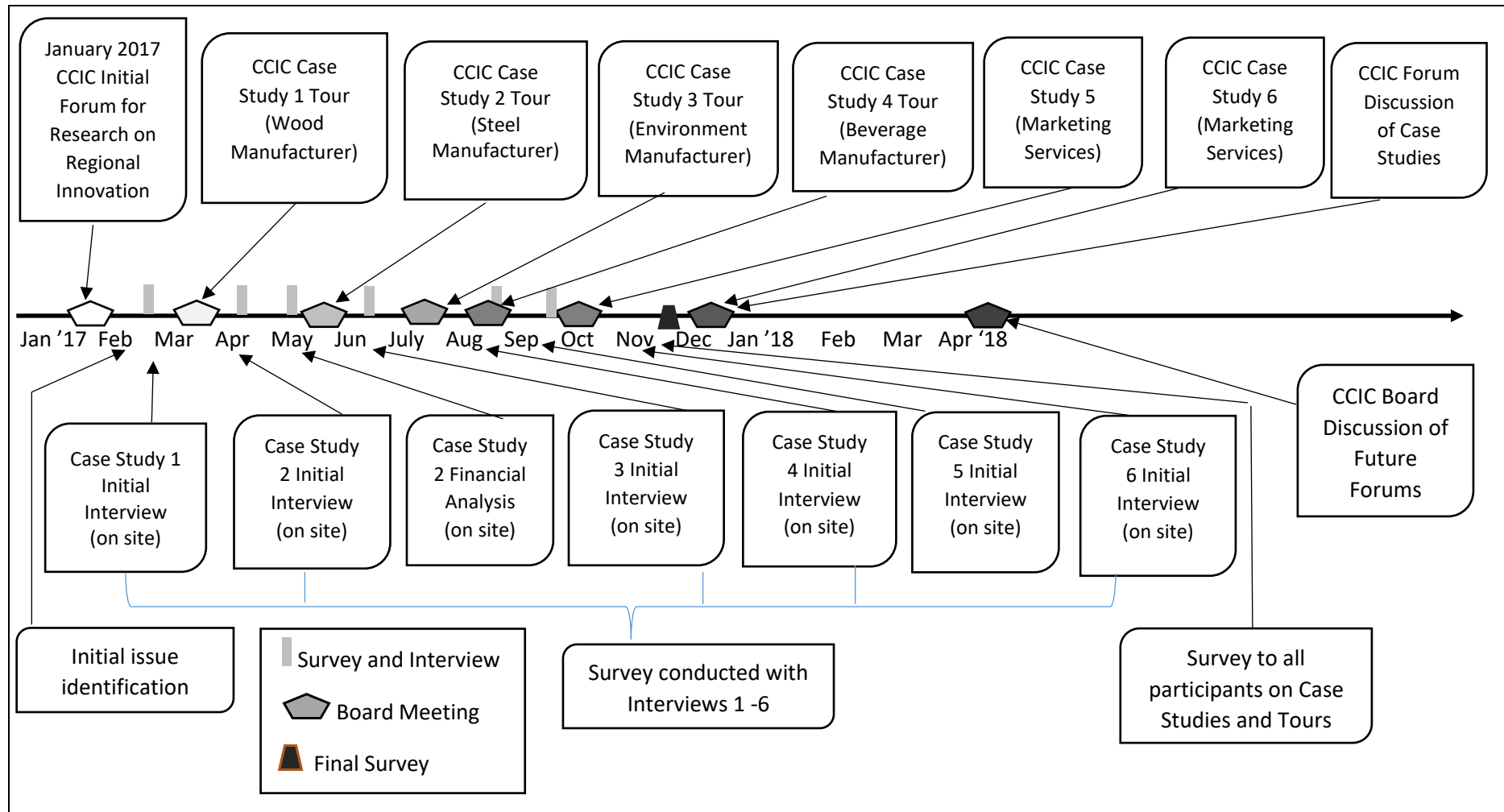


Table 4: Case descriptions

Characteristics	Company A	Company B	Company C	Company D	Company E	Company F
Sector	Manufacturing	Manufacturing	Manufacturing	Transport	Consumer Goods	Professional Services
Sub- Sector	Wood Products	Steel Products	Environmental	Perishable goods	Food & Beverages	Software Services
Partners	N/A	1	1	N/A	3	N/A
Governance Board	Yes	No	No	No	No	No
Employee #	23	9	14	<20	21-200	50-60
SME Classification	Medium	Small	Small	Small	Medium	Medium
Current Business Focus	Survival	Growth	Growth	Survival	Growth	Growth
Growth Rate	Medium	Medium	High	Low	High	High
Previous Experience	High	High	High	Low	Medium	High
Turnover	> \$2m	> \$1.5m	> \$2m	> \$2m	> \$2m	> \$1m
Asset Base	<\$12m	> \$2.5m <\$12m	<\$12m	<\$12m	<\$12m	<\$12m
Business Owner Profile	Leader A	Leader B	Leader C	Leader D	Leader E	Leader F
Age	40 - 50	30 - 40	50 - 60	30 - 40	30 - 40	50 - 60
Minimum Education	Undergraduate Degree	N/A	N/A	N/A	N/A	Degree and Post Graduate Degree
Years of Experience	> 20	> 15	>30	>5	>10	>20

(Australian Bureau of Statistics or ABS - 2016) working outside the area with most travelling daily to Sydney (estimated to be over 25,000 daily commuters). The region does not have its own university but rather a satellite of University of Newcastle. A recent NSW State Government initiative to combine of two local government authorities (LGAs) has been welcomed and supported by key industry stakeholders. This has resulted in the region having one of the largest councils in Australia (Central Coast Council). Economic data from one of Australia's leading regional economic data providers (economy.id.com.au) and the National Institute of Economic and Industry Research (NIEIR) identifies the following. The Central Coast has a GRP of \$12.73 billion made up of 115,000 local jobs but 160,000 employed residents. The vast number of companies in the region are micro and mums-and-dads rather than more entrepreneurial growth seeking ventures.

4.2 The business system – the role of CCIC in nurturing enterprise growth

Central Coast Industry Connect (CCIC) has become a focal point for the industry on the Central Coast. Its role has modified over time from a focus on manufacturing toward a broader industry base. This has enabled CCIC to capture areas like sustainability and social enterprise. Since its inception CCIC has run annual networking events and is an important vehicle and channel for government sponsored manufacturing activities. A sample of the range of the events and activities offered in 2018 are outlined in Table 5. The Board and an Advisory Committee of CCIC is important in directing, developing and diffusing the activities of CCIC. The Chair runs one of larger and more successful businesses on the Central Coast. Another director is a part of the most successful manufacturing bodies in Australia (HunterNet). Another board member is the manager of the NSW Business Chamber Central Coast chapter.

Table 5: Sample of key CCIC 2018 events and activities

Events/Activity	Focus	Triple helix partners
Networking nights (multiple per annum)	Site visits to increase awareness and improve collaboration	Enterprises/government/university
Annual thematic activity	e.g Building a winning organisation	Enterprises/government
University – Business & Law	Student projects	CCIC Board/university
University – Food Science	R&D introductions	CCIC Board/university
Chain of responsibility	Management workshop	Enterprises
Lean thinking workshop	Business process improvement	Enterprises
Lean leadership workshop	Leaders application of process improvement	Enterprises
Various export activities	Export/internationalisation	Enterprises/Industry/Austrade /State Government
Managing growth	Stable performance and cash flow	Enterprises/Finance Industry
Business risk/continuity	Risks/crisis management/succession planning	Enterprises/Finance Industry
Mental Health for business	Education about business owner wellbeing	Enterprises/government/university

Innovation Leaders Forum	Action learning process discussed	Enterprises/industry/university/government
Food Futures Central Coast	Developing food collaboration	Enterprises/industry/university/government
Metrics and visual management	Improving diagnostics for business	Enterprises

4.3 The six enterprises and their growth

4.3.1 Background and process to ILF (support group)

We are reporting mainly on the six family firms in this section. Two of the mentor companies we are not reporting are running at over 20% growth and have been part of an earlier innovation champions program. They were recruited for their known business acumen. The other mentor firm was performing more spasmodically but the leader was highly respected for his manufacturing insights and wisdom. Figure 4 provides timeline for the interventions and follow up surveys. The first meeting in January 2017 identified that there was a range of motives for joining the ILF. This then led to the major revelation that the family firms mostly saw themselves in business survival mode. The screening process leading up to the intervention was expecting that the majority of these participants would be enjoying considerable stability and growth. The majority of the family firms involved had no stated vision, documented strategy or business plan, which was already a concern.

4.3.2 Case material from the ILF around the six participants

Case A: Manufacturer wood products (medium and moderate but consistent growth founded around the mid 80s) – The founder had migrated to Australia and with his spouse had developed ideas of establishing a wood manufacturing venture linked to design. The family member who was jointly organising some of the operations on a day-day level was the representative in the ILF program. She had a tertiary training background and was quite a prominent supporter of regional initiatives and CCIC. This business had grown steadily with a premium and niche position in the Australian market. More recently the family business was suffering from more static sales. Much of the ILF discussions focused on marketing and on a point of difference to reboot market growth. However, the original focus was more targeted at process improvement and internal shop-floor cultural issues. As the ILF discussions progressed the real issues shifted to deeper organisational and leadership aspects.

Case B: Manufacturer of high valued steel parts (small with medium growth founded in the 70s) – This firm had been in the family for three generations with a strong reputation with buyers for prompt responses and high quality. Industry project team members knew the business well and were strong advocates for the business and its systems strengths. The company was particularly proud of its hands-on training record for developing staff. The family members leading the businesses had progressed their way up through predominantly on-the-job training. They regularly attended CCIC events. The ILF identified promptly that the company was exploiting its resources well but was lacking in exploration of its own products and markets. Growth had flattened in the past three years post the mining crash. The company was keen to become a supplier of note with their own manufactured products that were branded. The company had sought advice and hired business development personnel but had virtually given up on such a pathway.

Case C: Manufacturer in the environmental area (small but with strong sales growth and keen on export expansion) – This firm started in 2009 and possesses an interesting leadership model. Like Case B there are two family members responsible for overseeing the day-to-day operations. A growing reputation in R&D with some basic but advancing technologies is helping drive growth. The key participant had had his fair share of exposure to different businesses and trials and tribulations and had become more vocal as a regional advocate and of CCIC. The company was quite differentiated with some fairly unique products. The ILF was challenged with the task of how to solidify the financing for expansion. High value sales were flowing but intermittent making consistent cash flow a real problem. The leader is willing to learn but has strong opinions that are equally well thought through. The problem of trying to be “captain” and “coach” was highlighted in the ILF. The business is active in R&D and hiring people with higher level qualifications.

Case D: Logistics provider in the food industry (small with spasmodic growth with poor cash flow) – This case was selected for various reasons including the potential of its emerging leader. The business has been operating for a decade. The other participants wanted to help this newer arrival to industry. Some of the more experienced “hands” saw themselves reliving phases in their own business development. This ILF representative had an inadvertent but considerable impact on helping bond the the AL set. The leader was managing the business on behalf of the owners (his in-laws) and had turned it into a much more efficient and streamlined organisation. The ILF focused on getting the cash flow constant and seeking out more secure markets. However, as the ILF found out there was a major issue in the ownership and control. The ILF thought control had to be concentrated more in the participant leader’s grasp rather than more removed in-laws.

Case E: A processor in the food and beverage area (medium size with intermittent levels of higher growth) – One of the older family businesses in the group this company was established in the mid 60s. The company origins were in agriculture before diversifying into processing and packaging. The market they operated within is large and dynamic with overseas multinationals present. The company focuses more on fresh and local Australian made advantages. The company has not managed to go to the next level in terms of size and growth with problems also in the family ownership and control. This was the big issue for the ILF in this case as well. How does a family company become more corporate when there are so many different family objectives involved? Important and intricate details were discussed at the site visit with the ILF set—“the ultimate question was about who in the family is putting real skin in the game”. This resonated with the participant leader and his father who was present at the site visit. Family members with tertiary qualifications had moved out of the business.

Case F: A software and service provider (medium size business achieving higher growth) – Founded in the 1990s this family enterprise was in a service industry. The ILF discussion was quite forthright once again. The focus of the company was on pursuing a franchise model. However, the reaction of the ILF group was not supportive. The AL set highlighted potential complications with franchising such a high involvement product. They also challenged the owner about her capacity to pass over control to others. Despite being fairly adamant about the franchise strategy the leader was still keen on feedback. The issue of competent and qualified people in the region with IT programming skills was also identified as a major issue. This brought up why she was running her business on the Central Coast and not in Sydney. The participant leader admitted to largely a lifestyle choice.

The mentor companies (when available for the sessions), and the external stakeholders in the project team, added a range of key insights to the discussions. It is worth noting that the research team added a few academic tools to support some discussions. Nevertheless they were careful not to become too involved and directive. Aspects around ambidexterity (explore and exploit), and other notions around culture and leadership, were intermittently advanced and became the jargon often adopted by the ILF.

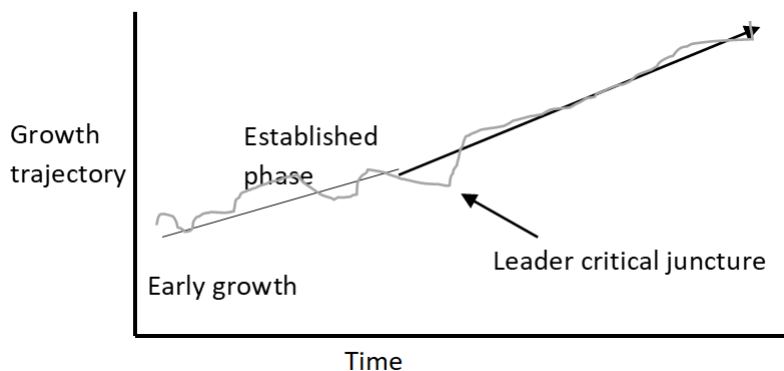
5 Findings and contributions

Participants recognised that the Central Coast region was not functioning to the levels needed to support their businesses fully. This became a key topic of the latter ILF discussions. A “where to from here” discussion was also put forward. It was also noted that CCIC was having its own issues around growth and sustainability. CCIC is now undertaking a review to highlight its regional impact and to try and cement the viability of the cluster. Although the companies involved constituted a minute sample of the Central Coast, the scope and impact of CCIC, as well as the mentor group, the project team, and other ILF members, meant the project had considerable clout. Use of an AL process meant modifications were possible and these were regularly incorporated by the project team.

The first onsite-visit and case study yielded important feedback. It became evident that the group dynamic in meetings was significantly influenced by the case owner personality. The lead researcher (CI) was accordingly asked to “guide” discussions in the ongoing sessions. Ideally AL is about handing over the reins and encouraging self-autonomy. It seemed in this region the participants want more guidance first. Analysis of outcomes at the completion of year 1 (project team discussions) led to two important themes. (1) Building trust with this AL set of SMEs took longer than first anticipated (12 months). (2) Perceived behavioural weaknesses in the family business leaders needed resolving for growth levels to be on the steady-growth incline.

Breaking the current trajectory and engaging new skills, starting with the leaders themselves, was seen by the project team as a key. This was likely to require some to “relinquish some control”. This would mean more trust placed in professional outsiders. Failure before meant there would be a level of trepidation and reluctance. However, other leaders needed the alternative of taking more control. It was at this stage that the project team and the researchers started questioning how far the AL process should go. Some participants had already made considerable change. Case E for example had hired an external consultant with expertise in managing family businesses. Case C had likewise brought in external support and was making important internal advances.

Figure 5: Mature business leader behavioural change



The final report therefore back to the group was undertaken with some trepidation. Sustaining steady-growth, as depicted in Figure 5, was possibly too far a step. What happened in the final debrief meeting was unanticipated. The leader in Case A became quite emotional as she had come to a similar realisation as the project team. She realised that the success of her family business was probably hinging on her taking more ownership of decisions. She had been reluctant for various reasons to do so. The leader representing Case F then openly admitted that the franchise idea was probably a mistake. She had taken the

initiative to shelve the idea and instead hire a business development manager with an intention of possibly sharing ownership in the future.

Case D had also similarly made a radical decision. He had decided to enrol in a Bachelor Program. The ILF had confirmed his prognosis that the business faced more difficulties and a quick turnaround was unlikely at best. He was confident that he had managed to get the business to a solid state. A portion of the business had been sold off and this had helped with immediate cash flows. He was still going to assist the family business on a part time basis. Case B was an exception in this AL set. This leader was choosing the business-as-usual path. The mentors and the project team were prompting that this may not be his best course of action. The AL process used in the study was about a support group was not about becoming overly interventionist. Case D is therefore a “wait and see” outcome.

The complex trajectories around growth have “shone” an important light onto family SMEs and our more mature firms. Garnsey's model (1998) has aided in gaining important insights around the resource constraints. The most important in this study has been the leader's own capacity to grow. We found through the AL and AR process that it takes a special effort to break path dependencies and existing behaviours. Change is never easy particularly after some success. Survival doesn't always provide better learnings. The youthful exuberance of Case E, and varied experiential learning of Case C, identified that a propensity for knowledge is not restricted by “degrees”.

It appears, our participant organisations are a long way still from the apex animal in the Savannah (lions). At least in this trajectory it is possible to build more a straight line incline. The six cases identified that the first step in securing such a trajectory is more to do with change in our leaders themselves. Innovation in personal development seems far more important than innovation in products, processes and business models. Hopefully, the quite abrupt changes our participants have made provides the catalyst required. CCIC is assisting companies but it has its own level of contingencies. As a cluster it seems to be conforming uncannily with prescriptions around peripheral regions.

5 Conclusions

The analogy of a Savannah is a useful way to describe activities in CAEs and the peripheral RIS. The RIS framework is accurate but proves invariably to be an oversimplification of underlying realities. Key aims at the outset were to identify and support potentially higher-performing enterprises. What occurred was a shift to more urgent needs around survival. It was clear through the literature and AL process, that although the Central Coast CAE is not as dynamic, it does not preclude individual companies from succeeding. However, there are handicaps that do seem to make running businesses in such regions more difficult. The CCIC cluster is relatively new and the enterprises lack international exposure. A lack of R&D intensity and investment, as well as injections in research, education and training do not help such regions.

Working closely with enterprises through AL and AR over a 12 month period offers significant benefits over cross-sectional studies. The AL process may be slower but arguably provides much richer and rewarding insights. Several sessions were required over several months to elicit these understandings. The insights around behaviours offered a rare glimpse few get to see. The soft skills of the individual more than the organisation seem the key. Leadership of the family companies seems inextricably linked to how these behaviours exhibit themselves and it is not only early growth firms that face critical junctures. We did not anticipate before embarking on the AR component that this was the platform we would be addressing. Fortunately, the AL component picked this up. The program of research is continuing, but already it is clear, peripheral regions are impacted by weaknesses in knowledge development and human capital resources.

Participants viewed much of their performance as luck and chance when the project commenced. Interestingly most had changed their perspective by the end. Discussions with peers, the insights from cases, and site visits had shifted a lot of the thinking. The mentor companies were beneficial in giving very detailed insights. Ultimately, the AL has shown that beating-the-odds in a peripheral region is probably as much about beating-the-odds in your own growth. Fortunately, most the participants in this case have kick-started quite a new journey, which might just trigger some extraordinary outcomes.

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