

NEWSLETTER - October 3, 2000

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Feature Paper

Organizational Life Cycles in Small Enterprises

This paper was presented by Mike Beverland from the Department of Applied Management, UNITEC: Institute of Technology in Auckland, New Zealand, at the 45th International Conference on Small Business (ICSB) World Conference 2000 at Brisbane, Australia, on June 7-10, 2000.

One of the most common (and perplexing) research questions asked by researchers is, "What causes organizational growth? And, what happens to organizations as they grow?" In answer to these questions several organizational theorists have suggested that organizations go through a series of necessary and predictable life cycles much in the same way that an organism does (13); (15); (16); (20); (24). Central to this theory is the idea that organizations move through a series of phases (31). These phases may be as a result of internal crises (11), a search for new opportunities (5), a response to changes in the industry structure over the product life cycle, or in response to the changing nature of problems confronting an organization (15).

Typically, small businesses fail more often than they succeed. Following a period of dramatic growth in domestic and export sales in the last decade a number of new investors have been attracted to the wine industry in New Zealand (32). Many of these investors are small start-up wineries attracted by images of romance, high returns and a seemingly unlimited growth. Recently, a number of industry spokespeople have commented that the number of wineries will decrease in the years to come (2). A recent study indicated that wineries in New Zealand were predominantly driven by the desire for increased growth and profit (2). As such any business models that can identify how firms grow over time can assist small and medium sized wineries as they age and provide strategies that will enable them to insure against failure.

One popular growth model is organizational life cycles. However, some doubts arise over the validity of life cycle models (17). (17) argued that at best life cycle models can account for some of the explanation of growth at an industry level, however, the existence of a general theory is unlikely. Life cycle models have also been criticized by small business writers for not taking into account the motives of many small business people who may be motivated by factors other than economic or growth based motivations assumed by life cycle theories (22), (19). Life cycle models do traditionally assume that

growth is desired and therefore it may be more appropriate to examine whether life cycles occur in growth oriented firms. The purpose of this paper is to examine whether profit driven wineries progress through a series of distinct life cycle stages.

To read this entire paper on organizational life cycles, visit our Web site at <http://www.sbaer.uca.edu/Research/2000/ICSB/078BEV.PDF>

Tip Of the Week

"Surviving the Static Stage of a Business Life Cycle"

A static stage in small business development may not sound very exciting, but it characterizes the state of most small business. Because, by definition, the static stage is not one that produces results in terms of more start-ups, more jobs or more other benefits, it is often ignored. Growth is a much more attractive stage in those terms, but in many cases it is in the static stage that the growth businesses of the future are to be found. Growth does not often follow immediately after start-up. But even if a static business is not a growth business of the future it can still perform a useful function. Together, static businesses provide significant employment. They also can be an essential part of the social fabric, they can provide choice and diversity, they can provide the necessary infrastructure support for other growth businesses and they can be useful role models. They should not be ignored.

A categorization of static businesses can now be summarized:

- **Survival:** Survival is the stage which comes after start-up. Typically, a 'surviving' business has the potential to be a viable entity, but needs to work at it. It is probably a one product or service business, but is concentrating on short-term issues of survival rather than the longer-term ones of future growth potential.
- **Consolidation:** After surviving the struggle to survive or to grow, most businesses need a period of rest to build up the reserves they need to move forward. This may not be a conscious decision or a deliberate strategy. What was happening may only be obvious in retrospect, when subsequent growth can be seen to have been built on the contacts, the credibility and the expertise accumulated at this stage. A period of consolidation following a period of survival may be one during which even businesses that do eventually grow show few indications of their potential.
- **Comfort:** For a business that does not move on to growth, 'consolidation' can easily merge into 'comfort': the stage at which a business is doing enough to survive at least into the medium term and is providing enough profits to maintain the owner's desired standard of living. There may be little incentive to do anything different.
- **Maturity:** Maturity is generally seen as coming after some growth, and indeed there may still be slow continued growth. The businesses concerned, however, are no longer in the first stages of their existence. They may be passing the peak of their products' life cycles, or they may be on the verge of moving out of the definition of a small business because their management structure is facing a transition phase in which personal contact and word of mouth have to be replaced by more formal systems to cope with a larger organization and more decentralization. The onset of maturity may therefore be a transition, either onwards to bigger and better things, or sideways towards an eventual decline.

Needs of survival businesses

- Control of the business
- Generating revenues sufficient to cover all expenses
- Supervision of the work
- Both entrepreneurial and administrative management
- Simple structures, systems and controls
- Little product or market research

Needs of mature businesses

- Expense control
- Increased productivity
- Niche marketing, especially if the industry is declining
- Watchdog top management
- Product innovation -- to replace products towards the end of their life-cycle
- Formal systems for objectives and budgets
- Further long-term debt or bridging finance
- Succession planning

"Understanding Enterprise, Entrepreneurship, & Small Business," Bridge, Simon, Ken O'Neill, and Stan Cromie, Macmillan Press LTD, 1998, pages 122-124.

Call For Papers

New England Journal of Entrepreneurship

The New England Journal of Entrepreneurship, which is published twice a year by Sacred Heart University's College of Business, is currently seeking original contributions (articles, book reviews, cases, research notes, etc.) that have not been published or are under consideration elsewhere. The scope of the articles published in New England Journal of Entrepreneurship ranges from theoretical/conceptual to empirical research, with maximum relevance to practicing entrepreneurs. The journal tries to appeal to a broad range of audience, so the articles submitted should be written in such a manner that those outside of academics would be able to comprehend and appreciate the content of the material. All Articles will be double blind refereed. Authors will receive reviewers' comments and editors' publishing decision in approximately 90 days of submission.

For further information, visit <http://www.sbaer.uca.edu/Docs/bulletins/NEJE2001.htm>

Call For Papers

Fall Training Institute 2000

The National Business Incubation Association would like to announce the Fall Training Institute 2000, which will be held at the Embassy Suites Hotel and Conference Center in Cary, North Carolina, on October 14-17, 2000. The training will include four new workshops targeted towards professionals assisting or investing in startup companies. These four workshops include "Swing for the Fences: Seed

Investing for Entrepreneurs," "Establishing an Effective Business Incubation Program," "State of the Art in For-Profit Incubation Programs," and "Ohio University Executive Leadership Institute."

Registration deadline: **October 7, 2000**

For more details on the this conference, visit http://www.nbia.org/conf/FTI_conf

Call For Papers

14th Annual International Gateway Series for Entrepreneurship Research

The 14th Annual International Gateway Series for Entrepreneurship Research will be held at George Washington University, Washington, DC, on October 23-25, 2000. Furthermore, the central theme of the proceedings is "Family Business Research." Interest in family business issues, from academics and service providers, has been explosive in the last few years. However, the need for increased understanding of the issues remains. This conference will allow academic researchers, service providers, and family business owners to jointly establish the direction of future research that will enhance the success of family businesses throughout the world.

Participants from all fields of research and practice are invited. Work will take place in small like-minded groups exploring research and techniques applicable to the theme. The workshop-style format eliminates the need for paper presentations. Also, twenty \$500 scholarships, which were provided by the Coleman Foundation, are available to attendees at the Annual Gateway Series on Entrepreneurship Research.

Hotel Reservation Deadline: **October 3, 2000**

For further information on this conference, visit <http://www.GatewaySeries.org>

Call For Papers

The European Institute of Retailing and Services Studies (EIRASS)

The EIRASS is pleased to announce the call for papers for the 8th International Conference on "Recent Advances in Retailing and Services Science." This conference will be held at the Vancouver Renaissance Hotel in Vancouver, Canada, on June 16-19, 2001. The conference aims at bringing together scholars from various disciplines and countries interested in retailing and consumer services in a stimulating informal and relaxing environment. The conference will be open to papers about completed work and about work in progress. Furthermore, the conference will focus on issues pertinent to the development of scientific research in the retailing and services industries.

Submission Deadline: **October 15, 2000**

For further information on this conference, visit <http://www.tue.nl/bwk/urb/CallForPapers.html>

Announcement

SBIDA Annual Report Submissions

The SBIDA requires that each SBI program submit an annual report for the period July 1, 1999 through June 30, 2000. Several SBI colleges and Universities have not filed their report to date. If you have not completed your annual report, please do so by November 1, 2000.

You may print a copy of the End of Year Report to SBIDA by visiting <http://www.SBIDA.org>

- If you have any comments about the SBANC newsletter or if you know of any upcoming small business event to promote, please contact Jin Hess at jah6677@cub.uca.edu or Richard Armstrong at rea7401@cub.uca.edu
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- SBANC Newsletter is provided as a service to the **International Council for Small Business (ICSB)** members and the **Association for Small Business and Entrepreneurship (ASBE)** members.
 - If interested in becoming a member of ICSB, visit <http://www.icsb.org/about/join.htm>
 - If interested in becoming a member of ASBE, contact Patti Wilber at plwilber@nwosu.edu
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If you would like to be added to the list, you may send a message to the same address with the word

"add" in the subject line.