Building Management Theory to Inform Entrepreneurial Small Business Practice

Peter Wyer
Middlesex University

Bob Barrett
Bolton Business School

Abstract: As contemporary business organisations, large and small, struggle to survive within an external operating environment epitomised by high levels of uncertainty, academia similarly struggles in its attempts to provide prescription or guidance in the form of management models or vehicles capable of underpinning organisational control of such volatile operating contexts. Traditionally, the management literature has proffered the potential for the nurturing of strategic control processes of a ‘discovery, choice and action’ capability founded upon linear, step process and logical reasoning. Formal, rational modes of management can still be found in the form of long-term planning strategic management models (Fry and Stoner 1995) and as embedded structures of the marketing planning process (Kotler 1996). Such management vehicles fail to adequately accommodate the distinctive organisational, managerial and developmental features of the small business.

Within this paper we focus upon the development of small business management theory capable of informing small business management practice. The paper proffers the potential for utilising case study insight from ongoing application of a rigorous, multi-disciplinary, qualitative research methodology to produce a ‘guiding theory form’ capable of assisting small business owner-managers and managers in their complex strategic learning and organisational development tasks: not in some pure ‘predictive’ or ‘prescriptive’ theory form, but as lower level theory in the form of ‘guiding lenses’ or ‘spectacles’ capable of providing alternative perspectives, when grappling with strategic opportunities or problems. Here we have academic research producing outputs displaying ‘practicality’ in the small business development context in terms of what an owner-manager may find to be happening, rather than some high-level theory form that attempts to predict what will be.

Our approach to small business management theory development builds out of ongoing synthesis of relevant areas of the extant literature and the informing inputs of the tentative, qualitative findings of our case study investigations into strategy development processes in SMEs. Critical findings in our small business strategy development research to date relate to the key role of owner manager strategic learning processes in dealing with the uncertain environment. Emphasis is thus more on an intertwining of strategy process with the strategy contexts in which it takes place and a strategy content that often gradually unfolds, rather than on some linear step-by-step strategy process producing end-product strategy content. Indeed, it is the
emerging understanding of such owner manager strategic learning activities and processes in this respect that elevates the potential for development of guiding theory to assist those complex learning processes.

The paper thus proceeds to suggest that an underlying rationale with regard to the potential for building a lower level ‘guiding lenses’ management theory form lies in acceptance of the main premises of Personal Construct Theory (PCT: Kelly 1955). Integral to our research and development process is the explanatory potential of PCT with regard to the personal learning and theorising processes that we as individual researchers and individual owner managers undertake in dealing with unfolding change situations which we face. PCT draws attention to our naturally predictive characteristics and the potential role for building small business management theory in a ‘guiding lenses’ form that can assist the natural predictive attempts of owner managers in dealing with what is predominantly an unpredictable external operating environment. Utilising PCT allows for making explicit the complex nature of the owner manager strategic learning task: how his/her existing personal constructs (or mental models of his/her world) may be adequate when faced with change situations similar to the past; but how those personal constructs will have to be challenged and adjusted when confronted with new change situations never previously encountered. The complex process of challenging and adjusting personal constructs in practice requires owner manager learning actions and processes involving ‘trying on for size’ the alternative world views and perspectives of others. Building up understanding of small business practice through case study investigations facilitates the development of ‘guiding lenses’ of insight which other owner managers can access as interpretative frames of reference to aid in their complex learning process – here, then, is a key role for a lower level small business management theory form (i.e.: ‘guiding lenses’ theory form) which in the context of our research, facilitates small firm strategic development and learning.

The paper continues through focus on the potential role of multi-disciplinary case study research in theory formulation, providing summary overview of the main tenets of a case methodology designed to achieve depth of understanding of small business strategy development processes of a nature and form conducive to informing theory development. Fundamental to the research approach is the premise that existing strategic management and marketing core literature and texts are predominantly oriented toward large companies. A parallel premise, however, is that much of the management knowledge within that literature has potential application if grounded in better understanding of the distinctive managerial, organisational and developmental features of the smaller business. A base process within our multi-disciplinary case methodology is thus that of epistemological bootstrapping (Archer 1988; Wyer 1990; Wyer, et al 2003) whereby we iteratively draw upon relevant areas of the existing strategic management, marketing, small business and learning literatures and insight from the world of small business practice as frames of insight to progressively inform and foothold our case study interview instrument design and analytical approaches.

The paper then provides detailed consideration of the theory development process focusing on the use of key areas of case study insight as ‘guiding lenses theory’ and presents key criteria which need to be met in the actual building of ‘guiding-lens’ type theory. Those criteria are made explicit and positioned in our proposed small business management theory development process in its entirety.
An example of the use of tentative case findings in the development of guiding lenses theory form is then presented focusing on how successful small businesses formulate strategy in practice. In this instance the case study findings are used to ground specific perspectives offered within existing schools of strategic management thought in understanding of the distinctive management and organisational features of small business and to modify those perspectives in a guiding-lens theory form. The result is the highlighting of the need for a multi-dimensional interpretation of small business and marketing strategy development processes involving the use of a complementary set of lenses to illuminate the nature and form of strategy formation in the small business context.

The paper concludes by reiterating the foundation role of PCT and its liberating potential with regard to the task of developing management theory capable of informing effective small business strategic development.

Integral to this paper, therefore, is focus on rigorous, qualitative research process and the potential for ‘practical’ theory development out of that process. Our second paper within this SIG Symposium (Barrett and Wyer, 2005) focuses upon actual examples of application of theory developed out of that process and their role in informing small business management practice and future research.