

THE EARLY STAGES OF GROWTH IN SOCIAL AND HEALTHCARE SERVICE BUSINESS. AN EXPLORATIVE STUDY

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Abstract:

Numerous models have attempted to clarify management priorities during the early stages of business growth. However, universal models provide only limited use for a business in its context. This study focuses on an approach based on configuration theories that are concerned with the actual growth process, and how managerial problems can be dealt with during a firm's growth through presumed typical stages of development. The aim is to clarify the early stages of growth in social and healthcare service business. In this multiple-case study, the applicability of a four-stage framework describing the early stages of growth in service business is tested in the context of social and healthcare business. Critical Incident Technique was applied in twelve semi-structured entrepreneur interviews focused on critical incidents in the early stages of business growth in Northern Finland. The findings of this study highlight the viewpoints of entrepreneurs and relate their experiences on the service business framework from a particular perspective of social and healthcare business. Entrepreneurship research is context-based phenomenon that should preferably be focused on the behaviour of real-life entrepreneurs, paying attention to the dilemmas and problems they face and the way they deal with it. The present study was designed with this standpoint in mind. The analysis of the critical incidents in the early stages of growth helps produce a comprehensive description of how business growth is identified and described by social and healthcare entrepreneurs. The findings provide new insights into the growth and management of social and healthcare companies.

Keywords: business growth, growth management, stages of growth, social and healthcare business, critical incident technique

1. INTRODUCTION

Firm growth and development have been studied extensively in the last decades with many perspectives. According to Davidsson and Wiklund (2006), many of the presented perspectives focus on factors leading to survival and growth, while configuration studies are concerned with the growth process. The key question addressed by the configuration perspective is, 'How growth should be managed?' The configuration perspective is often called the stages of growth perspective or the company life-cycle perspective; in this study, the term configuration perspective is used. This study focuses on an approach based on configuration theories that are concerned with the actual growth process (Muhos 2015, Greiner 1972, Churchill, Lewis 1983), and how managerial problems appear and can be dealt with during a firm's growth through presumed typical stages of development (Davidsson, Wiklund 2006). Small business growth is one of the drivers of economic activity and employment, so it is important to gain better understanding of the process by which companies can grow. A better understanding of the antecedent factors to growth and how they may be managed more effectively will be useful for both practitioners and researchers.

2. THEORETICAL FRAMEWORK

The main phases of growth were earlier identified as a framework based on a literature review (Muhos et al. in press). The framework provides a starting point for opening context-specific perspectives on early stages. The stages of the framework include: 1) start-up – growth through market exploration and commercialization of service(s); 2) take-off – growth through market acceptance; 3) resource maturity – growth through profitability and renewal; and 4) diversification – growth through diversification. The framework functions as a reference framework for this study. The four stages of the framework is presented in Table 1.

A firm does not inevitably proceed through the same set of stages in linear order (Muhos 2015). Growth achieved through monotonous gradual expansion versus drastic instances of growth are likely to have different causes (Dobbs, Hamilton 2007). This study aims to highlight the critical incidents in the growth process from the entrepreneurs' viewpoints in social and healthcare business in Northern Finland.

Finland is selected as the context environment of this present study because of the following interesting aspects related to social and healthcare business. In 2013, nearly 72% of the health and social services staff worked in the public sector (National Institute for Health and Welfare 2016). In recent years, the number of personnel in the private sector has increased faster than in the public sector. Social and healthcare businesses in general are growing, although many of the individual enterprises lack strategic aims for growth. Most enterprises in social and healthcare sector are classified as microenterprises (Ministry of Employment and the Economy 2011, 2012). A central problem in the development of private social services is underdeveloped service markets (Ministry of Employment and the Economy 2012). The public sector has administrative, financing and producing roles in the service chain. A majority of the turnover is paid by municipalities, and most social and healthcare services are based on public procurements by municipalities. Social and healthcare business is in the middle of changes due to a prolonged healthcare, social welfare and regional government reform package as well as business acquisitions from large companies.

The aim of this study is to describe entrepreneurs' perceptions on critical incidents in early business growth. This study seeks answers to the following research question: How do the critical incidents experienced by entrepreneurs in social and healthcare sector relate to the service business stage framework?

Table 1: Framework for the early stages of growth in service business (Muhos et al., in press)

Management priority	Stage 1: Start-up	Stage 2: Growth/take-off	Stage 3: Resource maturity	Stage 4: Diversification
Focus	1:1 The focus is on development and delivery of services and building market identity in order to survive. 1:2 Decision making is owner-dependent as owner-manager(s) lead small group(s) of employees.	2:1 The focus is on growth management as market acceptance leads to rapid growth and constant change. 2:2 Owner-manager(s) maintain control but delegate responsibilities to a small management team. 2:3 The structure formalises gradually through task specialisation. 2:4 The firm moves rapidly from basic decision-making systems to scalable systems compatible with growing business.	3:1 The focus is on efficiency by formalising rules, procedures and financial controls in a saturated market. 3:2 Original owner-manager(s) and the management team are supported by professional executives. 3:3 A formal structure with defined roles and responsibilities is introduced. 3:4 Enterprise strategies, rules and policies become written and supported by extensive operational systems.	4:1 The focus is on new service generation, business areas and/or locations and on a uniform business culture. 4:2 Owner-manager(s) are supported or replaced by professional leaders with corporate experience. 4:3 A sophisticated structure with formalised functions and processes is introduced. 4:4 Codified strategies, rules and policies are communicated by sophisticated analytical mechanisms. 4:5 Strategy implementation is routine at corporate headquarters.
Power				
Structure	1:3 The structure is simple, informal and owner-centred. 1:4 Formal decision-making systems and procedures are almost non-existent.	2:5 Strategic planning is focused on maintaining continuous growth. 2:6 The firm delivers and scales services efficiently to meet increasing market demand. 2:7 Sectors, activities and client types increase rapidly. 2:8 Hierarchy and decreased involvement coincide with fast-track career opportunities.	3:5 Strategic management is both formalised and supported by financial resources. 3:6 Fresh and continuous innovation methods are implemented to avoid stagnation. 3:7 New ideas are needed to maintain market position, expand and/or renew. 3:8 The firm takes an organisational approach to employee efficiency and effectiveness.	
Decision-making systems				
Strategic management	1:5 Owner-manager(s) lack time for strategic planning.			
Service development and delivery	1:6 Development and delivery of innovative services are everyone's job. 1:7 New businesses focus on attracting early customers.			
Marketing				
Human resources	1:8 Everyone is involved in everything in a small start-up. 1:9 Moves from challenges to meet cash demands to a cash flow that breaks even thanks to early customers.			
Growth		2:9 Market acceptance leads to fast growth and positive cash flow; cash flow and/or debt is used to finance growth.	3:9 The growth of cash flow decreases in a highly competitive and saturated market.	4:8 Standardised career tracks and training/hiring are used to build a uniform culture. 4:9 Growth momentum is regained, and cash flow increases.

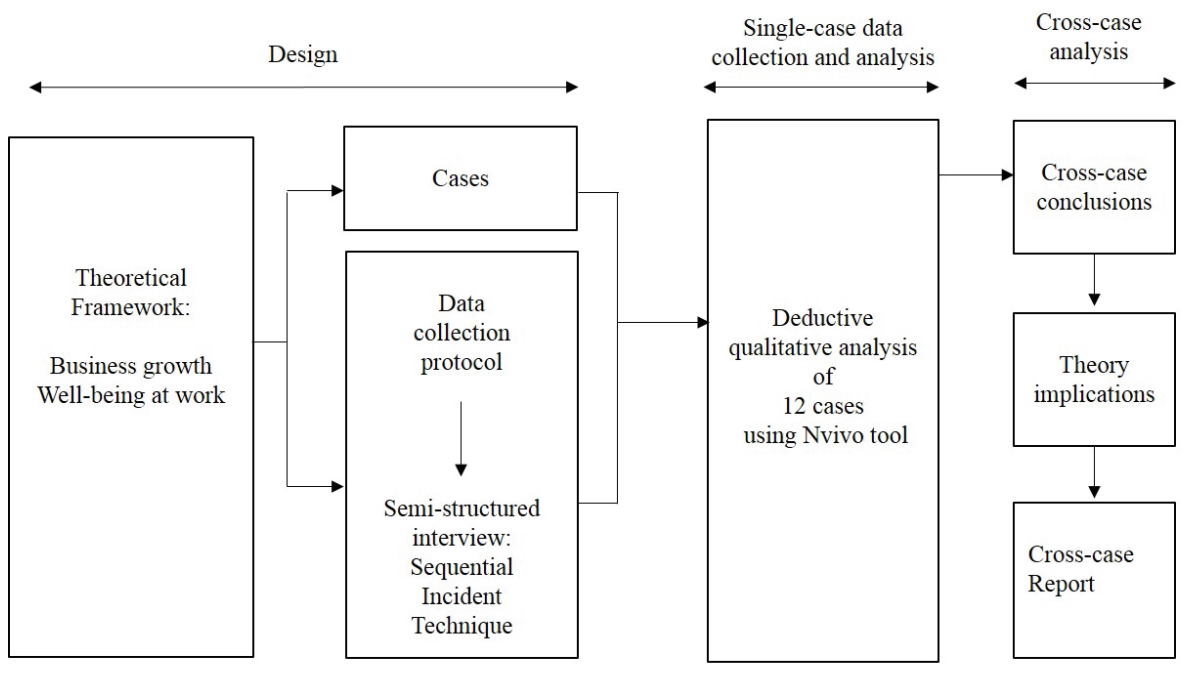
3. METHODOLOGY

We used the Sequential Incident Technique (SIT), a variant of Critical Incident Technique (CIT), and semi-structured interviews for data collection. CIT is a flexible method that may be used to identify those critical incidents that lead to successful or unsuccessful performances (Chell 2014). It is an exploratory tool to gain understanding of the context and actions of a subject that lead to success or failure. Critical incidents are highly contextual in nature, and they need to be understood and interpreted in relation to the circumstances in which they occur (Cope, Watts 2000). CIT can be said to enable the development of case-based theory grounded in actual and critical events that shape future actions (Chell 2014).

In this retrospective multiple-case study (Yin 1989), we test the applicability of the service business framework in the specific context of social and healthcare business in Finland. The cases consist of micro and small social and healthcare enterprises in Northern Finland. The sampling was purposive, focusing on getting a manageable and relevant group of interviewees. Companies without employed staff were excluded from the sample. We used a thematic interview frame focused on the early stages of business growth. The interviewees were asked to identify their current stage of growth based on the framework, and to recall both positive and negative critical incidents in different stages of growth. The critical incidents were also approached through pre-determined themes to get a comprehensive understanding of the growth process. The research process is presented in Figure 1.

Entrepreneurs or managers from 12 social and healthcare service companies were interviewed. The interviewees were asked to identify both positive and negative critical incidents that affected the business development and took place in different stages of growth based on a synthesis of empirical data. All the interviews were audio taped and transcribed. The interviews were processed in NVivo 10 data analysis software package. Through a deductive content analysis, the critical incidents that the interviewees mentioned were identified and related to the framework assumptions.

Figure 1: Research design



4. THE FINDINGS: CROSS-CASE ANALYSIS

None one of the entrepreneurs classified their company as being in the start-up stage. One of companies was in the take-off stage, four in the resource maturity stage, and one in the diversification stage.

Table 2: Main characteristics of case companies

Case	Main services	Years established	Number of employees	Turnover (1,000 €)	Estimated growth stage
1	Home help services for the elderly and disabled	9	7	unknown	2
2	Physiotherapy	29	7	200	3
3	Physiotherapy	5	5	450	3
4	General medical services + physiotherapy	28	6	500	4
5	Residential services for mental health + home help services	10	16	900	3
6	Household cleaning + home help services + home nursing	12	63	900	3
7	Specialist medical practice activities	25	23	4,000	4
8	Residential care activities for young mental health patients	9	16	1,100	4
9	Child daycare	4	25	1,200	2
10	Residential care activities for the elderly	8	10	1,040	3
11	Child daycare	0,5	9	unknown	2
12	Residential care activities for mental health patients	5	10	1,000	2

Altogether, 793 critical incidents were identified in the cases. Of these critical incidents, 620 were parallel and 173 were contradictory to the assumptions of the framework. The coding for critical incidents per case is presented in Table 3.

In the start-up stage, parallel incidents were reported to all but one assumption (1:6). Development and delivery of innovative of services are not everyone's job, but tasks and responsibilities in social and healthcare are based on strict qualification standards. Most parallel incidents were reported to the assumptions on focus, power and structure (1:1, 1:2, and 1:3). This indicates that in a typical company the focus is on development and delivery of services, decision-making and company structure are owner-dependent. Most contradictory incidents (n=23) were related to the marketing assumption that new business focus on attracting early customers (assumption 1:7). In the Finnish context, it is typical to establishment of a social and healthcare business that the need assessment has been made in accordance to the public sector which is the major service financier.

In the growth/take-off stage, all assumptions were supported by parallel aspects. Most parallel incidents were reported on structure (2:3) and marketing (2:7) assumptions. The organization structure formalizes and the number of sectors, activities or client types increases. On the contradictory side, particularly the assumption on growth (2:9) was questioned, because the market acceptance did not lead to fast growth in the case companies.

Also in the resource maturity stage, all assumptions were supported by parallel aspects. Particularly the assumptions on focus (3:1) and structure (3:3) gained confirming comments from the interviewees. This means that the focus is on efficiency, and a formal structure with defined roles and responsibilities is in use. Most contradictory aspects were assigned on the assumption on power (3:2): typically the owner-manager is not supported by professional executives.

Finally, only three companies had reached the diversification stage. Interviewees of these companies reported both parallel and contradictory critical incidents related to assumptions on focus (4:1), power (4:2), structure (4:3), and growth (4:9). Only parallel incidents were related to the assumption on decision-making systems (4.4), whereas on contradictory incidents were reported on the assumption on marketing (4:7). To draw more comprehensive conclusions on growth management priorities in the diversification stage, data on more companies are needed.

Table 3: Contradictory and parallel critical incidents case by case

Stage	Assumption number and theme	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12	Total
1: Start-up	1 Focus	0/1*	0/3	0/0	0/0	0/0	0/0	0/1	0/0	0/2	0/3	0/1	0/3	0/14
	2 Power	0/1	0/0	0/2	0/0	0/1	0/3	0/0	0/0	0/2	0/0	0/3	0/0	0/12
	3 Structure	0/1	0/1	1/3	0/0	3/1	0/2	0/2	0/4	0/2	0/3	3/1	0/2	7/22
	4 Decision-making systems	0/0	0/8	0/0	0/0	1/0	0/0	0/0	0/0	0/0	0/0	0/1	0/0	1/9
	5 Strategic management	0/0	1/2	0/0	0/0	0/0	1/1	0/0	0/1	0/2	0/0	1/1	2/0	5/7
	6 Service development and delivery	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
	7 Marketing	3/1	1/0	0/1	0/0	1/0	1/2	0/1	2/3	5/0	0/4	6/0	4/3	23/15
	8 HR	0/0	0/0	0/0	0/0	2/0	2/0	0/0	1/0	0/0	0/1	2/0	0/3	7/4
	9 Growth	1/0	2/0	0/1	0/1	0/0	0/0	1/1	0/0	0/0	1/0	0/1	0/3	5/7
2: Growth/take-off	1 Focus	0/3	3/1	0/0	0/1	0/1	0/2	2/3	0/0	0/0	0/0	0/0	3/0	11/13
	2 Power	2/0	1/1	0/0	0/0	0/0	0/3	1/0	3/2	7/1	1/0	0/1	0/4	14/15
	3 Structure	0/3	0/1	0/2	0/1	0/2	0/8	0/1	0/5	0/5	0/0	0/5	1/5	1/35
	4 Decision-making systems	0/0	0/0	0/0	0/0	0/1	0/0	0/0	0/5	0/3	0/0	0/0	0/0	0/4
	5 Strategic management	0/0	0/1	0/0	0/0	0/1	0/1	0/0	0/1	1/1	0/0	0/3	0/3	1/8
	6 Service development and delivery	0/0	0/0	0/0	0/0	0/1	0/4	0/0	0/1	0/5	0/0	0/0	0/0	0/14
	7 Marketing	0/4	0/4	0/0	0/1	0/4	0/6	0/1	1/1	0/0	0/0	0/0	0/5	1/26
	8 HR	2/0	3/0	2/0	0/0	0/1	0/3	0/0	0/0	3/0	2/0	0/1	0/1	13/5
	9 Growth	3/0	8/0	0/1	2/1	0/0	0/1	0/3	2/1	3/0	3/0	4/0	4/0	25/8
3: Resource maturity	1 Focus	0/0	0/15	0/0	1/3	0/2	0/2	0/2	0/0	0/0	1/0	0/0	0/2	2/26
	2 Power	0/0	8/0	3/0	1/0	1/0	1/0	4/0	0/0	0/0	3/0	0/0	0/6	21/6
	3 Structure	0/0	0/3	0/0	0/0	0/0	0/7	0/1	0/0	0/0	0/3	0/0	0/15	0/29
	4 Decision-making systems	0/0	4/0	3/0	0/1	0/2	0/3	2/1	0/0	0/0	0/1	0/0	3/0	12/8
	5 Strategic management	0/0	0/0	0/0	0/0	2/0	0/2	0/0	0/0	0/0	0/2	0/0	0/5	2/9
	6 Service development and delivery	0/0	0/2	0/1	0/0	0/0	0/1	0/0	0/0	0/0	0/0	0/0	1/1	1/5
	7 Marketing	0/0	1/2	0/1	0/0	2/0	0/3	0/0	0/0	0/0	1/2	0/0	0/7	4/15
	8 HR	0/0	1/0	0/0	0/0	0/1	0/0	0/0	0/0	0/0	0/0	0/0	0/1	1/2
	9 Growth	0/0	1/0	0/0	1/0	1/0	0/0	1/0	0/0	0/0	0/0	0/0	0/1	4/1
4: Diversification	1 Focus	0/0	0/0	0/0	2/0	0/0	0/0	0/4	0/0	0/0	0/0	0/0	1/0	3/4
	2 Power	0/0	0/0	0/0	2/1	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/1	2/2
	3 Structure	0/0	0/0	0/0	1/0	0/0	0/0	0/1	0/0	0/0	0/0	0/0	0/2	1/3
	4 Decision-making systems	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/2	0/2
	5 Strategic management	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
	6 Service development and delivery	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
	7 Marketing	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	3/0
	8 HR	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
	9 Growth	0/0	0/0	0/0	2/2	0/0	0/0	0/0	0/0	0/0	0/0	0/0	1/0	3/2

Notes: *contradictory incidents / parallel incidents

5. CONCLUSIONS

In this explorative analysis, we have shown some preliminary results to clarify the early stages of growth in social and healthcare service business. The focus of this study was to highlight the viewpoints of entrepreneurs and relate their interview data on the framework assumptions. The interviewees commented on the framework synthesized on empirically based service business studies from a particular perspective of social and healthcare business. The findings of this study provide partial support for the applicability of the service framework also in the context of social and healthcare business, as the majority of its assumptions were supported by most cases. As estimated by the number of identified critical incidents, the assumptions on focus and structure were most consequently supported by case companies in different stages. Based on the major contradictions, social and healthcare companies do not focus on attracting early customers in the start-up stage and they do not meet fast growth in the growth/take-off stage. Social and healthcare entrepreneurs are also reluctant to delegate responsibilities to a management team or professional executives.

To promote small business development, it is important to recognize the context-specific growth characteristics. Research on experiences of the managers in the case businesses highlight the parallels and contradictions between reality and the previously presented framework stage model. The results are not generalizable in the statistical sense, but the analysis of critical incidents, together with their elaboration and discussion, helps produce a comprehensive description of how critical incidents are identified and described by social and healthcare entrepreneurs. The findings provide new insights into the growth and management of social and healthcare companies.

Entrepreneurship research is context-based phenomenon that should preferably be focused on the behavior of real-life entrepreneurs, paying attention to the dilemmas and problems they face and the way they deal with it. Qualitative research methods in general are used because they give voice to entrepreneurial stories and help understand cases in their contextual settings (Neergaard 2007). In the present multiple case study, the point is not in trying to find a single truth but to understand the entrepreneurs' perspectives and actions on different growth stages with incidents they perceive as critical. While the single enterprise's circumstances may be unique, the type of incident, the context, strategy and outcomes may in general terms be apparent in other businesses. In accordance with Chell (2014), we perceive that the CIT method is an appropriate methodological choice, where the research problem is multi-layered, where the critical incidents cannot be anticipated by the researcher, and where the researcher feels that the subject's perspective should predominate.

The stage framework may function as a useful guide for managers for predicting the growth stages in social and healthcare companies. In addition, the results of the study may be effectively used in intermediary organizations such as public advisory services. Furthermore, the results could be interesting to the public sector which has an essential role in coordinating and financing healthcare business.

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