

TRANSFORMING FOR GROWTH IN SEARCH OF THE ROAD LESS TRAVELLED

**Piero Formica, Innovation Value Institute at Maynooth University
Mathew Manimala, Xavier Institute of Management and Entrepreneurship**

ABSTRACT

Which entrepreneurship is to be promoted? Incremental innovators aim to improve the performance of their companies in order to strengthen their market power and bind employees to their specialisations so much as to discourage them from retraining in other, more innovative sectors. The transformative entrepreneurs break the chain of 'market power-inflated profits-super remuneration for top managers-low labour mobility-low productivity of the economy'. The entrepreneurship of those revolutionary innovators changes workers' and consumers' preferences and transforms their work and consumption patterns. It is so disruptive that it can cut off the head of the incumbent entrepreneurs' market power. The 'Goliath' super managers would find a formidable opponent in the 'David' transformative and generative entrepreneurs. That is why it should be the primary task of policy-makers to level the playing field so that the competition between incremental innovators and revolutionary innovators can take place on an equal footing. Levelling the playing field entails a painful choice for policy-makers: that of de-emphasising the influence of guilds and other pressure groups on economic policy decisions. In short, policy-makers should free themselves from the ties that bind them to the guilds.

INTRODUCTION

The Transformative Enterprise

The transformative entrepreneurial landscape setting is mountainous. In order to scale the high and rugged peaks of entrepreneurial growth, one must first address the reasons for the reluctance to grow. Then, the stages of the ascent and the strategies to be adopted must be defined. Equally important are the personal traits that characterise entrepreneurial climbers in the time of the knowledge economy and the digital age. This is a time to face optimism by equipping ourselves with good mental and physical health and acting so that other living species and nature can enjoy the same good health. Otherwise, we will find ourselves in a situation, described by (John Maynard Keynes, 1931), of not being able to find an outlet for our productive energies. Transformative entrepreneurship is a primary ingredient of the cure.

We can imagine new combinations of knowledge and ideas. We will then think about growth without neglecting the quality of progress, with a generation of restless business creators who want to keep moving because "I have never heard of anyone stumbling on something sitting down. The wandering dog always finds a bone". This thought of Charles Kettering, the renowned US automotive engineer, can only be appreciated and translated into action by transformative

enterprises whose independent judgment points them in the direction of the road less travelled. They use wind power to move the blades of the opportunity mills.

Like the Japanese author (Yasunari Kawabata's, 2013) *Master of Go*, the transformative enterprise deletes quibbling rules in the name of rationality. It relies on mutual appreciation among all players in the socio-economic field. It shifts the attention and available resources from solving problems inherited from behaviour conforming to the normal vision to exploiting the opportunities arising from a new vision that makes it listen to nature and recognise its relevance. The transformative enterprise realises that its business depends on the value generated by natural ecosystems. According to US environmentalist (Peter Barnes, 2021), "the supply of fresh water, soil formation, nutrient cycling, waste treatment, pollination, raw materials and climate regulation are worth between 25 and 87 trillion dollars a year", as compared with a gross world product in nominal terms of about 94 trillion dollars in May 2021. Consequently, the transformative enterprise takes on the task of protecting the wealth bestowed by nature on all living beings and future generations. It does so with durable programmes that delivers a transformational shift toward well-being instead of temporary programs lighting hay fires that are smoke and mirrors.

Pursuing this thought, transformative enterprises recalibrate profit and question GDP production measures that neglect individual and social well-being. Such an enterprise does not aspire solely to create a financial return for itself and its shareholders, as its profits, aligned with investment and personnel costs, are used first to sustain and renew itself and then return the money to its stakeholders. Humanity needs transformative enterprises whose development is attractive because they do not forget the general good of getting the most out of their mobilised resources to safeguard their interests as well as those of the larger society.

Those who enter the transformative entrepreneurial landscape walk along the path of growth that ensures the highest degree of prosperity for all, not a ceaseless accumulation of personal material wealth. A balanced and inclusive perspective of enterprise growth with due consideration of societal and environmental concerns among academics, practitioners, and policy-makers enriches the culture and work of the mind and spirit to live in a better world. Life allows us to safeguard nature and enjoy the socially desirable social gifts it offers to us.

Keynes argued that the entrepreneurial path is traced by the prevailing institutional arrangements and the relative benefits they offer to firms that, by transforming themselves, promote qualitative growth as opposed to those that do not or even hinder it. Policy-makers with their economic policies should smooth the sharp edges of entrepreneurs' behaviour on which income distribution depends, as (Nicholas Kaldor & Luigi Pasinetti), influential exponents of the Keynesian revolution, have shown. Consequently, economics should be "a science of the evolution of economic institutions" (Hodgson, 2008).

The State of the Art of Growth-Oriented Ventures

While it is the growth-ventures that can make maximum contributions to the economy and the society, the proportion of growth-oriented ventures among start-ups is abysmally low, as was revealed in the Global Entrepreneurship Monitor (GEM) research, a multi-country study of business start-ups (Manimala, 2002) involving more than 30 countries in that year. The global scenario of growth expectations among the start-ups was rather disappointing, as the proportion

of entrepreneurs expecting to create at least 20 jobs in five years was less than 1%. Although India had one of the highest TEA (Total Entrepreneurial Activity) Index score of 17.9% (second only to Thailand), the growth-expectations of entrepreneurs were depressingly low. Most of the new start-ups were zero-employee ventures. The average number of employees for the start-ups was 0.08, and the number of employees expected by the entrepreneurs in five years was only 1.42. Considering the fact that many of the EFCs (Entrepreneurial Framework Conditions) were rated above average by the Indian respondents, one could perceive some kind of 'growth-unwillingness' on the part of entrepreneurs, which was also confirmed by the absence of any significant positive correlation between enterprise-profitability and growth (Manimala, 2022).

The above-cited study on 'High Growth Enterprises' by the second author (Manimala, 2022) has investigated the phenomenon of enterprise growth based on the findings of prior studies as well as the analysis of empirical data collected specifically for this study. It was observed that 'growth-unwillingness' is a fact of life for many entrepreneurs, for which the generally cited reasons are as follows: (1) Income-sufficiency feeling, which can be a constraint to entrepreneurs who have started their businesses primarily as a source of income, (2) Desire for full control of the enterprise, (3) Fear of additional work required for managing the higher levels of operations, (4) Fear of losing the personal touch with employees, (5) Inability to attract and retain the managerial resources required for the growing business, and (6) Lack of strategic thinking on the part of the founders.

The constraints mentioned above may affect the entrepreneur and the venture differently at different stages of its growth. This is because the concerns of the venture are different at the different stages of its growth. In the 'start-up' stage, the concerns are mainly about product definition, positioning, market-entry, financing, resource-acquisition, etc. In the 'growth' stage, one has to worry more about volume-production and distribution, standardization, building and maintaining market-share, market-expansion, identifying and entering into new markets, and so on. Finally, in the 'maturity' stage, there are concerns of controlling costs, maintaining profitability, and searching for opportunities for further growth.

Researchers have come up with different bases and criteria for defining the growth-stages. Many of them are based on quantitative measures such as revenue-growth, profitability, the number of products, number of units, etc. Two such models are worth mentioning here. One of them was proposed by Churchill and Lewis (1983), who identified five stages in the growth of an enterprise (with two different modes for the third stage), namely: (1) Existence, (2) Survival, (3a) Success-Disengagement, (3b) Success-Growth, (4) Take-off, and (5) Resource-maturity. It was observed by them that the transition from one stage to another need not be characterised by a 'grow-or-fail' model, as the unit may continue to operate 'successfully' in its earlier stage.

The other growth-model that deserves a special mention was the one proposed by Greiner (1972), who have conceptualized enterprise growth as a crisis-resolution process that may be executed in an evolutionary (planned) or revolutionary (unplanned) manner. The crises and the strategies for resolving them would take place in the following sequence: Growth through creativity, crisis of leadership; Growth through direction, crisis of autonomy; Growth through delegation, crisis of control; Growth through co-ordination, crisis of red tape; Growth through collaboration, (crisis of complicity), and so on. (The crisis after the 'collaboration' stage was left undefined by Greiner, and so 'complicity' was added by the present author).

The changes required in the style of management during and after the transition from one stage to another have also been defined by the respective authors of the models. However, there are many entrepreneurs who are unwilling or unable to make such changes and hence the venture may stop growing at certain stages. This was clearly articulated in a remark by a celebrated UK entrepreneur, Dame Stephanie Sherley, that the biggest barrier to her own firm's growth at that stage was herself (Shirley, 1991). Apparently, she was referring to her own reluctance to repudiate some of her start-up time innovations (such as the use of freelancers working from home and panel members in place of employees), which have become dysfunctional at the growth-stage, although they had significantly reduced her overheads and employee costs during the start-up and thereby contributed to the initial success of the venture. It is but natural for entrepreneurs to introduce jugaad-type of innovations in the early stages of their ventures in order to survive in a competitive market. Such innovations may become irrelevant or even dysfunctional at the growth stage. But entrepreneurs may find it difficult to abandon their own innovations, and so may decide against growth.

Unlike in the above case where the entrepreneur overcame the constraint by adopting a policy of 'let-it-go' -- relinquishing their 'property-orientation' and replacing it with 'entity-orientation', as discussed in (Manimala, 2022) -- and allowing the venture to take its own course guided by its various stakeholders, most entrepreneurs succumb to one or the other constraints (listed above) and thereby restrict the growth of their ventures. The possibility of entrepreneurs changing the destiny of their ventures by changing their policies offers support to the 'strategic choice' theory of enterprise growth rather than the 'stochastic' theory that explains growth as a chance-phenomenon. This view is further supported by the growth-strategies developed/adopted by high-growth entrepreneurs, as identified in research literature on enterprise-growth, some of which are listed below: (1) Cost-leadership (low-price strategy); (2) Product differentiation, with special focus on introducing innovative products; (3) Product-range and diversification strategies; (4) Premium/prestige products and pricing ('skimming' strategy); (5) Market-breadth and penetration strategy; (6) Strategic use of external resources; (7) Strategic alliances; (8) Exploiting the special situations and vulnerabilities of other organizations.

In view of the phenomenon of 'growth-unwillingness' on the one hand and the deliberate strategies being adopted by some entrepreneurs to promote the growth of their ventures, it is legitimate to hypothesise that enterprise growth is largely a function of the venture-policies/strategies, which in turn would largely depend on the personality traits, motives and background of the entrepreneurial individual. Accordingly, a study was designed (Manimala, 2022) to investigate the linkages, if any, between enterprise growth and entrepreneur-characteristics. The variables investigated in this study were: (1) Venture characteristics (which included the assessment of firm profitability, firm growth parameters, and industry growth, among others); (2) Management policies/practices of the venture; (3) Personal policies (personality traits) of the principal promoter; (4) Work motives of the principal promoter; and (5) Background and early experiences of the principal promoter.

One of the interesting findings of the study was the absence of any association between enterprise profitability and growth. The correlation between these two variables was quite low (0.058) and non-significant, implying that the growth of a venture is not influenced by its financial performance. Another factor considered in this regard is the industry growth, which

was significantly (at $p < 0.03$, but not at $p < 0.01$) correlated with enterprise growth, but with a relatively low value (0.221) of the correlation coefficient. The weak relationship between the two variables may suggest that a growing industry may be a necessary condition for venture growth, but not a sufficient condition. In other words, a business unit need not grow just because the industry is growing. These two findings on the lack of or low level of influence of profitability and industry growth on enterprise growth has redirected the search to the possible influence of the venture policies and entrepreneur-characteristics on venture growth.

It was observed that the growth-oriented entrepreneur is characterized by: (1) Desire for power; (2) Pursuit of excellence; (3) Political skills, especially for the use of persuasive power rather than positional power; (4) Divergent thinking; (5) Desire for learning from new situations; (6) Reality contact, especially for making experiential assessment of stakeholder sentiments; (7) 'Entity-orientation', as opposed to 'Property-orientation' (that is, treating one's venture as a son or daughter having their own personality and preferences rather than as one's property on which one has absolute control; and (8) People-orientation and involvement of all stakeholders in one's venture.

The Relevance of Transcending the Self-Interest

The last-mentioned three characteristics are of special relevance for the transformational growth of the enterprise. They help the entrepreneur to transcend his/her self-interest and cater to the collective interests of all stakeholders (by making a realistic assessment of the present and future needs of all stakeholders; by loosening the control over the venture and allowing it to grow in the directions desired by the stakeholders; and by involving all stakeholders in the decision-making process so as to ensure the well-being of the present and future generations alike). As proposed by Manimala et al. (forthcoming), the relationship between business and society will be sustainable only if it is a symbiotic relationship based on 'mutualism', which is beneficial to both. It is true that occasionally the relationship may take the form of 'commensalism' (beneficial to one and neutral to the other) and even of 'parasitism' (beneficial to one and harmful to the other). However, the latter types of relationship can survive only in the short term, and will be replaced by 'mutualism in the long run.

The transformative enterprise is accompanied by trans disciplinary education. Both exhibit a polychromatic culture

Education must reinvent itself to be in tune with transformative entrepreneurship. The invention of education conducive to transformative entrepreneurship lies in the imaginative power of those who want to learn by exploring unknown lands. Learning in the course of exploration, which proceeds by trial and error, takes the place of top-down education. By experiencing how to explore, youngsters participate in rewriting the dictionaries of work and enterprise. Thus, they prepare themselves for a rapidly changing working future. Together, educational institutions and transformative enterprises are involved in this experimentation.

The knowledge landscape is changing. There is a glimpse of a trans disciplinary space that is the grand synthesis of knowledge, indispensable for enhancing innovation and solving the many multifaceted problems that beset humanity. Polytechnics are extending their scope to the

humanities and social sciences rather than staying faithful to their original ethos by focusing on teaching for professional practice. Learning confined within the enclosure of a single discipline (intradisciplinarity) gives way to transdisciplinarity, i.e. the observation of knowledge from various angles (scientific, engineering, visual arts, performing arts, literature, et cetera). Disciplinary silos are being replaced by the vision of 'branches of the same tree' in the wake of Albert Einstein's thinking about science, religion and the arts. In the US, the National Academies of Sciences, Engineering, and Medicine advocate a return to liberal education that balances the sciences and humanities.

Transdisciplinarity education facilitates the transition from the mechanistic enterprise, where each employee does his or her job without concern for common goals, to the organic enterprise, where cooperation is vital. The former grows managerially by improving the activity that has characterised it since its inception. The second maintains the initial entrepreneurial character and transforms itself over time not by taking incremental steps but by making the leaps required by disruptive innovation.

Ultimately, transformative enterprise and transdisciplinary education exhibit a polychromatic culture, a spectrum of colours that crosses worlds, the humanities and the sciences. The Indian polyglot Sir Jagadish Chandra (1858-1937) Bose - physicist, biologist, botanist, archaeologist and science fiction writer - thought of the colours of the rainbow, which comprise a significant colour spectrum, when arguing against the over-specialisation of modern science.

REFERENCES

- Barnes, P. (2021). "Capitalism's most grievous flaws are, at root, problems of property rights and must be addressed at that level", *Economics*, October 24.
- Churchill, N. C. and Lewis, V. L. (1983). "The five stages of small business growth", *Harvard Business Review*, 61(3): 30-50.
- Formica, P., Editor (forthcoming). One Health: Transformative Enterprises, Wellbeing and Education in the Knowledge Economy. Bingley, UK: Emerald Group Publishing.
- Greiner, L. (1972). "Evolution and revolution as organizations grow", *Harvard Business Review*, 50(4): 37-46.
- Hodgson, G. M. (2008). "How Veblen Generalized Darwinism", *Journal of Economic Issues*, June.
- Kawabata, Y. (2013). *The Master of Go*. New York: Vintage Books.
- Keynes, J.M. (1931). "The problem of unemployment ii" or "saving and spending", *The Listener*, 14 January, p.46-47.
- Manimala, M. J. (2002). *Global Entrepreneurship Monitor (GEM) India Report 2002*. Bangalore: N S Raghavan Centre for Entrepreneurial Learning, Indian Institute of Management Bangalore (IIMB).
- Manimala, M. J. (2022). High Growth Enterprises: The Role of Founder Characteristics and Venture Policies. Singapore: *World Scientific Publishing Co*.
- Manimala, M. J., Thomas, P. & Mahadev, N. (forthcoming). *Business and society: A symbiotic relationship*. Ch. 1 in Mathew J. Manimala, Princy Thomas & Neetha Mahadev (Eds), *Business and society: Issues and cases in the Indian context*. Forthcoming from World Scientific Publishing Co.,Singapore.
- Shirley, S. (1991). "Building an information technology company". Silver Anniversary Lecture, Manchester Business School, January 24.

Received: 01-Mar-2023, Manuscript No. IJE-23-13368; **Editor assigned:** 04-Mar-2023, Pre QC No. IJE-23-13368 (PQ); **Reviewed:** 18-Mar-2023, QC No. IJE-23-13368; **Revised:** 22-Mar-2023, Manuscript No. IJE-23-13368(R); **Published:** 29-Mar-2023