



# Growth Management Priorities of Service-Based Micro-Enterprises in a Sparsely Populated Area

**Martti Saarela**

*University of Oulu, Finland*

**Kai Hänninen**

*University of Oulu, Finland*

**Matti Muhos**

*University of Oulu, Finland*

**Harri Jokela**

*Nihak Ltd., Finland*

Micro-enterprises, which refer to a subset of small and medium enterprises, represent over 95% of European enterprises. Nevertheless, little is known about micro-enterprises. Location is one of the key factors concerning the development of business, and several studies have indicated the differences between urban and sparsely populated areas. However, there is a lack of literature concerning the growth management priorities of micro-enterprises, especially of micro-enterprises in sparsely populated areas. To address this gap in the literature, this multiple-case study aims to answer the following research question: What are the critical managerial incidents that occur during the growth of service-based micro-enterprises in a sparsely populated area? The results of the case study showed that the highest priority of the owners-managers of the service-based micro-enterprises was related to human resources.

*Keywords:* micro-enterprises, micro-companies, management priorities, sparsely populated area, growth management

## Introduction

Micro-enterprises, which refer to a subset of small and medium enterprises (SMEs), represent over 95% of European enterprises (European Commission, 2016) and are considered a driver of the European Union (EU) economy. According to the EU's definition, a micro-enterprise is defined as an enterprise that employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million (Commission of the European Communities, 2003). Micro-enterprises are a typical type of firm (Reid, 1995). In 2015, micro-enterprises accounted for 92.8% of enterprises and 37% of the growth in total employment in the

EU (European Commission, 2016), and these trends are increasing (Young, 2013). However, there is little academic research that focuses on micro-enterprises (Kelliher & Reinl, 2009), and thus there is a considerable gap in the literature regarding the reality of micro-enterprises (Samujh, 2011). Specifically, micro-enterprises remain under-researched regarding growth challenges (Gherhes, Williams, Vorley, & Vasconcelos, 2016; Perren, 1999; Heshmati, 2001), management development (Devins, Gold, Johnson, & Holden, 2005), innovation practices (Faherty & Stephens, 2016), and the determinants of profitability (Salman & Yazdanfar, 2012).

Micro-enterprises are neglected in academic research because data are not readily available (Reid, 1995). The larger the company, the more likely its operations will be covered by legislation regarding the public disclosure of operations. Greenbank (2000) explained that academics and policy-makers have neglected micro-enterprises because their focus has been on growth firms. Given the importance of micro-enterprises to economies, this area requires more directed and theoretically-grounded research (Macpherson & Holt, 2007). The purpose of this study is to identify the management focus areas of growing micro-enterprises in a sparsely populated context. Using multiple case studies, this research examines the management priorities of five owner-managers who have experienced growth. More specifically, this study focuses on the critical management-related incidents that the owner-managers experienced during the growth of their respective micro-enterprises.

Compared to larger businesses, micro-enterprises are intrinsically different in terms of their organisational characteristics and approach to business challenges and obstacles (Kelliher & Henderson, 2006; O'Dwyer & Ryan, 2000). It is widely acknowledged that micro-enterprises experience resource scarcity, which forces them to operate under financial and expertise constraints (Kelliher & Reinl, 2009). In this context, micro-enterprises are largely influenced by their owners-managers (Burns, 2010). Predominantly, micro-enterprise culture is an extension of the owner's personality, as the owner plays a pivotal role in the organisation's focus and success (Kelliher & Reinl, 2009; Burns, 2010). A micro-enterprise is managed in an informal and personalised way (Burns, 2010), and decision-making relies on the owner's intuition; thus, there is pressure on the owner-manager to be an expert in all fields of management (Kelliher & Henderson, 2006).

The management processes of micro-enterprises are unique, and their behavioural responses to issues that influence them are fundamentally different from those of larger firms (Kelliher & Henderson, 2006). Micro-enterprises' focus is on day-to-day issues to ensure survival (Faherty & Stephens, 2016). Due to their resource constraints, minimal environmental power and owner-centred culture, it is vital for micro-enterprises to embed

valuable resources into a core business strategy (Kelliher & Reinl, 2009). An intuitive, informal, and flexible strategic process offers micro-enterprises a competitive advantage. Moreover, direct contacts with customers, suppliers, and employees, as well as the ability to respond quickly to market signals are distinct advantages of micro-enterprises (Kelliher & Reinl, 2009; Greenbank, 2000).

According to Wynarczyk, Watson, Storey, Short, and Keasey (1993), the characteristics of a small business are uncertainty, innovation, and firm evolution. Firm evolution refers to how the nature, style, and functions of management change significantly as the business grows and develops. In micro-enterprises, owners-managers often work at both the management and operational levels (Greenbank, 2000), and the owners-managers' life is consumed by their business. However, as the business grows, this may become a problem (Burns, 2010). Perren (1999) posits that the development of micro-enterprises is a process of slow, incremental, iterative adaptation to emerging situations, rather than a sequence of clear, radical steps or decision points. The growth of micro-enterprises is important in terms of the evolution of firms, but their survival and growth are also vital from the regional development point of view (Heshmati, 2001; Rae, 2007), as micro-enterprises often provide key services and products to local economies (Greenbank, 2000).

Storey (1994) posits that location is one of the key influences, together with a firm's age, sector, size, and ownership structure, concerning the development of a business. Particularly, location plays a critical role in providing SMEs with access to important resources and capabilities (Freeman, Styles, & Lawley, 2012). Several studies have indicated the differences between urban businesses and sparsely populated area (SPA) businesses in terms of the business constraints they face (Anderson, Tyler, & McCallion, 2005; Smallbone, North, Baldock, & Ekanem, 2002). Porter (1994) argues that dynamic improvement is the basis of a business's competitive advantage. Dynamic improvement refers to the ability to relentlessly innovate and upgrade skills and technology in market competition. This capacity to innovate and upgrade is heavily based on the business's environment and location.

In sparsely populated areas, businesses face particular challenges in terms of market size, access to larger markets, and infrastructure gaps (Siemens, 2010). Businesses may be less inclined to innovate due to the relative absence of local competition markets. The low population density is reflected in the scarcity of potential partnerships, as well as more sparsely distributed research and development, business support agencies, educational actors, and training providers (North & Smallbone, 2000). The small size and occupational composition of labour markets may im-

pose constraints on rapidly growing enterprises (Smallbone et al., 2002). Furthermore, areas with a lack of entrepreneurial networks are burdened with knowledge filters and impediments to knowledge spill-overs (Audretsch, 2012).

Micro-enterprises are heterogeneous, and hence not all of them strive for growth. Rather, micro-enterprises aim to sustaining themselves in terms of the competition and challenges of business (FSB, 2012; Faherty & Stephens, 2016), and their business is often based on the desire to be independent and support a preferred lifestyle rather than growth (Gray, 1998). Because only a minority of micro-enterprises appear to generate substantial employment growth (Storey, 1994), it is important to investigate the processes of growing micro-enterprises.

Business incidents and events reveal managers' priorities, and researchers can measure these priorities by focusing on how managers pay attention to, weigh, and use available information to solve problems (Smith, Mitchel, & Summer, 1985). Evidence suggests that a firm's size is an important determinant of the nature of managerial work (O'Gorman, Bourke, & Murray, 2005). According to the results of a recent meta-analysis (Muhos, Simunaniemi, Saarela, Foit, & Rasochova, 2017), management priorities of growing service-based business are typically related to focus, power, structure, decision-making systems, strategic management, service development and delivery, marketing, human resources, and growth management. These findings provide a useful frame for in-depth studies on service-based businesses.

There is a lack of literature that examines the growth management priorities of micro-enterprises, especially those located in sparsely populated areas. To address this gap in the literature, this study aims to answer the following research question: What are critical managerial incidents that occur during the growth of service-based micro-enterprises in a sparsely populated area?

## **Method**

This study is designed as a multiple-case study (Yin, 1989; Saunders, Lewis, Thornhill, Saunders, Philip, & Thornhill, 2009). Examining multiple cases allows for examining an issue from different perspectives. Compared to single-case studies, multiple-case studies yield more reliable results (Miles & Huberman, 1994; Baxter & Jack, 2008). Multiple-case studies are considered more robust and helpful in both generating explanations and testing them (Herriot & Firestone, 1983). Moreover, multiple-case studies provide a stronger basis for theory-building than single case studies (Yin, 1989).

Five cases in sparsely populated areas were analysed using the critical

**Table 1** The Main Characteristics of the Case Companies in 2015

Case	Founded (year)	Number of employees	Revenue (€)	Service description
Case A	2009	12	1400,000	Logistics company focused on early morning deliveries
Case B	2003	2	950,000	Bioenergy production services
Case C	2010	7	450,000	Construction consultancy and engineering office
Case D	2009	4	900,000	Imports and sales industry products and supplies
Case E	2012	5	670,000	Fireplace construct services

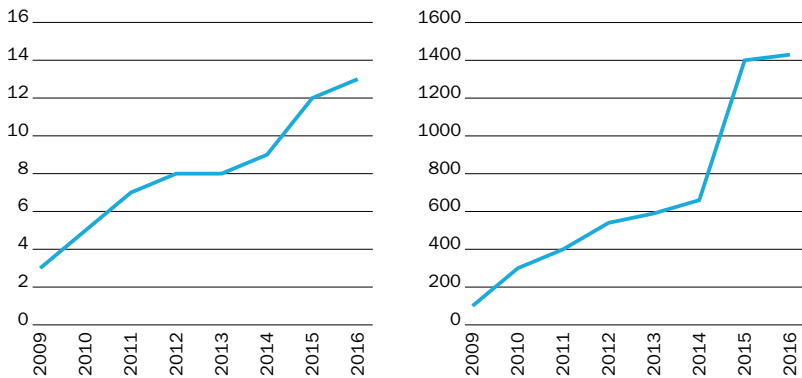
incident technique (CIT) and semi-structured interviews, which were conducted during 2016. Cases were selected based on their service focus, strong revenue growth during the micro-enterprise size phase, and sparsely populated location. This study uses the definition of a sparsely populated area described by Gløersen, Dubois, Copus, and Schurmann (2006). According to the definition, a sparsely populated area in Europe has a maximum population density of 12.5 inhabitants/km<sup>2</sup>.

According to Chell and Pittaway (1998), CIT facilitates the investigation of significant occurrences (e.g., events, incidents, processes, and issues) identified by the owner-manager, as well as the way these occurrences are managed and the perceived outcomes. CIT may be used to identify the factors that lead to successful or unsuccessful performances in divergent phases of business growth. Although the cases may be unique, the types of incidents, contexts, strategies, and outcomes may be applicable to other businesses (Chell, 2014).

In this study, the case reports are based on separate case studies. Cases were selected based on service focus, strong revenue growth during the micro-enterprise size phase, and sparsely populated location. The results were drawn from interview data on the critical incidents during the micro-enterprise size phase that were recalled by the owner-manager of the selected service-based enterprise. The interview frame consisted of two sections: the managers' open-ended stories of the business's growth and detailed descriptions of the positive and negative incidents experienced during the growth of the micro-enterprise. The main characteristics of the case companies that were analysed are summarised in Table 1.

## Results

In this section, case-by-case analyses of the service-based micro-companies are presented. Through analysing the critical managerial incidents, this study seeks to clarify the management priorities that the micro-enterprises



**Figure 1** Workforce (left, staff in person-years) and Revenue (right, in 1000 €) Development in Case A

in a sparsely populated area in Finland had during the growth process. The results were drawn from interview data on the critical incidents recalled by the owner-managers.

### Case A

Case A operates in the logistics industry, and their business idea is to provide early morning automobile postal services in sparsely populated areas. In Finland, postal services operate in a closed market, and regulation plays a central role in the market. However, extensive outsourcing processes of public sector provide business opportunities also for private companies.

#### *The Critical Managerial Incidents of Case A*

Positive incidents:

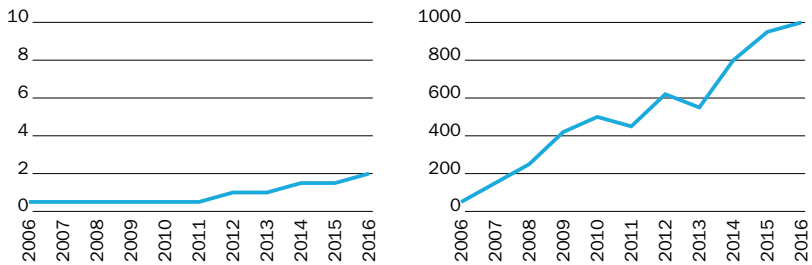
- The founder emphasised the role of public procurement; accesses to public contracts have been vital steps to the growth of business. The area of operation has expanded via winning several tendering processes.
- The company has expanded to the logistics sector: '[M]uch work was done with a contract with the municipality for food transportation.'
- The owner manager highlighted the importance of the scalability of the service. 'When there is a full scalable service that meets the growing demand, so it is possible, with the same well-approved operation model, to utilize this to expand business to neighbouring areas, so thus growth was easy in itself. When it works in one place, it works elsewhere.'
- The organisational structure is still thin, but the supervisors of the

teams take part in the distribution tasks and handle payroll and billing as part of their work.

- A positive management decision for growth was the utilisation of digital tools. 'Electronic tablet-based distribution books have been good things. They have facilitated, accelerated and ensured quality.' Work teams live in and work in different locations; thus, remote negotiation and conferencing tools are used.
- Personnel was perceived as a significant factor regarding the growth of the business. Low employee turnover rate and the division of responsibilities are considered keys to success. 'Perhaps the best of these good recalls is that we have always found the right people to work in different places [...] We still have the same employees who have been from the start [...] Self-directed and responsible. It has been nice to note that every one of them has found its own role.'
- According to the founder, it is positive that the business has been economically profitable. 'Profitability has probably given the inspiration to continue business. Moreover, the continuity of work has occurred and there was no such fear that this would end suddenly. Continuity and economy.'
- Capital expenditures and the unity of the vehicle fleet were highlighted as important for the development of the business. The company tried to use profits to purchase equipment and ensure continuity. 'Every car is similar, so we can operate different areas with the same maintenance services, and so it never causes staff to learn new equipment.'
- The company has used web-based electronic systems for document and financial management since the business's inception. 'Everything is electronic nowadays so that it can be handled. That is a top priority, of course.'

#### Negative incidents:

- As the company grows, the employer will become subject to different legislation, such as the Act on Co-Operation within Undertakings. The manager-owner must control and cope with issues related to legislation.
- Due to the strong regulation of the industry, the government plans for changing the Postal Act caused strong uncertainty in the company.
- The company has perceived challenges in growing and decentralising its operations. 'Organising activities is always getting more and more burdensome, the more people there are, the more different local teams are in charge of [...] remote management was also difficult at the beginning.'



**Figure 2** Workforce (left, staff in person-years) and Revenue (right, in 1000 €) Development in Case B

- Case A experienced tightened competition. ‘Other players have come to the market. In this race, you have to be awake. This system works elsewhere, so big companies are coming from the big growth centres. Those can expand if desired, even to small localities.’
- In a growing company, taking care of the economy and keeping the economy afloat is perceived as challenging. ‘Maybe it was related to this kind of growth pressure that made it more stressful.’
- The management of human resources was emphasised as a critical challenge. Working with an increasing amount of people always requires vigilance. In addition, the nature of this particular service, night work, creates challenges related to leadership. ‘It is so unworthy of this working time, as we go out to work at night [...] things as childcare, the staff backgrounds will always influence what kind of family backgrounds there is.’
- The time that staff spent on holiday was perceived as challenging. ‘When that amount of workforce is leaving for a holiday, then finding summer deputies may be difficult. In university towns, it would probably be easier to get such temporary people.’
- Negotiations with significant service subscribers, such as journal houses, presented a critical challenge. ‘When distribution of paper magazines by journal houses is falling, they are lazy to negotiate price increases with us, they would rather talk about price discounts, and so we have also faced that price discounts have realized.’

### Case B

In Case B, the business idea is to provide construction solutions and services to small and local bioenergy facilities.

#### *The Critical Managerial Incidents of Case B*

Positive incidents:



- The most positive incidents involved major assignments with public sector investments. Public contracts have presented significant individual opportunities to the company, and success has been associated with positive coincidences (formal errors of competitors' bids in tendering). '(The municipality) outsourced heat production and then, after the tendering, we managed to build a heating plant. It was such a major investment and effort for the company.'
- The success of large projects implemented by the company increased the company's credibility. 'It was just like a kind of victory that they (municipality) could gain something through this trust.'
- The growth of the business was associated with expansions to new business and product areas. The company expanded from heat production to energy production, and, more widely, to real estate services.
- A major positive milestone was that one of the founders was hired as the CEO of the company. This enabled significant time investment for business development.
- The company's internal ownership arrangements were perceived as a positive decision. 'A significant change was made in the company's ownership. I wanted the majority of this company and then bought these minority shareholders.' On the other hand, the number of company shareholders has also grown, which has expanded the company's field of expertise.
- The founder was successful with regard to the acquisition of human resources. 'We have happened to get such good guys in our company, all of them.'
- An open operative culture and openness among personnel within the company were viewed as positive. 'I have experienced a duty to have such an open-minded business culture where workers gather around this table. There are no business secrets, and if we have a problem, I'll tell it to employees that we have such a problem that we should solve [...] I've noticed it will further commit people together.'
- The founder identified his ability to constantly develop himself as a positive influence on the growth of the company. 'Latest funding we got was for such a huge project with a reasonable big risk. I was really happy that I was able to get such funding.'
- Shared ownership, flat organisation and ownership-oriented business were found to be very positive. 'It has been a very positive thing that to the organisation is led by an owner who works on a daily basis.'
- External support, such as an accounting firm and experienced consult-

ing, were perceived as important in terms of financial management and strategic planning.

Negative incidents:

- At its inception, the company faced challenges because bioenergy was still an unfamiliar sector for stakeholders as holders of raw materials. 'Wood acquisition, its provision and its dissemination of awareness to the forest owners was hard when the whole energy wood concept was quite strange. In this area, energy wood was never actually collected before.' Moreover, difficulties in obtaining raw materials and vicissitudes due to poor quality were significant, negative events.
- In addition to success in public contracts, Case B also experienced disappointments with public procurement despite substantial inputs. 'It has been really difficult to get new works.'
- A knowledgeable employee leaving the company was regarded as a negative incident. 'He had a huge network and know-how, financial views, and now [he/she] has left us without that expertise. It was quite a bit risk from us to take this big new project without him/her.'
- In a growing company, taking care of the economy and keeping the economy afloat is perceived as challenging. 'Maybe it was related to this kind of growth pressure that made it more stressful.'
- A negative experience was when one of the projects took longer than the time allotted on a pre-determined timetable, as this caused economic challenges.
- A negative incident was the exchange of an accounting firm. 'That was a bad setback then, it really was.'
- Being located in a sparsely populated area also presented some challenges to the company. 'Support services are really scarcely available here. Those are far from us and then if we think about our potential customers, they are at a difficult distance from here.'

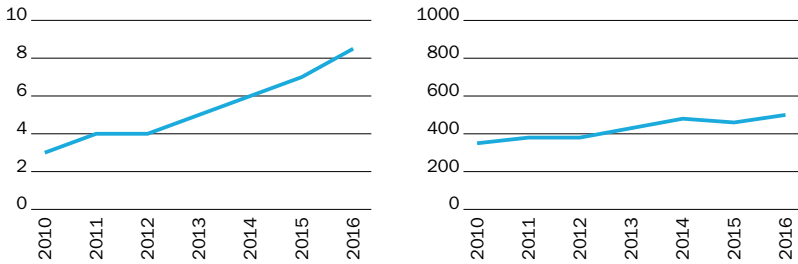
### **Case C**

Case C is a construction consultancy and engineering office.

#### *The Critical Managerial Incidents of Case C*

Positive incidents:

- The company experimented with market acceptance after two years of operation. 'It roughly took a couple of years before it was in some way pushed itself on the market. Customers began to believe in the company. It was such a positive message that our professionalism



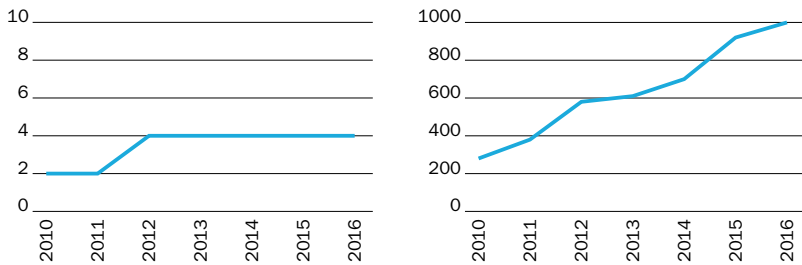
**Figure 3** Workforce (left, staff in person-years) and Revenue (right, in 1000 €) Development in Case C

was so good that the market approved it and the customers started coming in.'

- As the customer base began to grow, the company also began to hire more employees. 'A positive thing was that the company was able to hire people.'
- A very positive incident was the achievement of business success. 'We have begun to notice that now we have the market position that we aimed. We thought that we could be the number one in particular services. Once this position is achieved, the firm is able to profile itself as an active company; it is no longer such a small kiosk.'
- A positive experience was the owner-manager's own development in terms of management abilities. 'Although I have no entrepreneurial background, I have noticed that I have been able to do this task, with enough energy. Note that I have got this business to roll, to be able to carry responsibility and control the situation.'
- Conducting the business as a family business was regarded as positive. 'We, family-run companies, used to work harder than many others. The organisation does its own job. They have a bit of entrepreneurial spirit in the sense that things are pushed forward.'
- Successful recruiting was regarded as a positive incident. 'When we got some good persons hired, we started to feel great experiences when those persons were successful in this job.'
- The implementation of an electronic accounting system represented a positive incident. 'It also allows to tackle management issues.'

Negative incidents:

- Employer responsibilities regarding employees' jobs and livelihood were perceived as challenging. 'As the number of staff increases, so comes the stress to ensure that there is work for everyone.'



**Figure 4** Workforce (left, staff in person-years) and Revenue (right, in 1000 €) Development in Case D

- Negative experiences include efforts to spread business into new business sectors (services for prefabricated home factories) and new areas (urban). ‘Pricing was so hard [...] They do the job too cheaply. It makes no sense.’
- Negative experiences included worrying about making a living and one’s own well-being. ‘At the beginning, there was a fear to gain family’s livelihood from this business. Later on, time management started to cause stress, and it has been stressful since then.’
- The manager’s shortage of time, specifically during the summer season, was regarded as a negative experience. ‘It’s kind of a negative thing when you do not have enough time to be present. In fact, feedback was given about inadequacy of time and sharing of work, namely that there is no time to do anything and some task might left undone.’
- There were some negative incidents related to mass marketing. ‘The negative experience is that it has burned lots of money on the marketing with a shotgun, in a way. It was unnecessary to spend money on advertising [press advertising] that did not get that much benefit.’
- Negative experiences regarding decentralised organisation and remote work occurred. ‘Even though you work over the net, it is not the same thing as being physically present. It was not good at all.’
- Good employees leaving the company was perceived as a negative incident. ‘It was kind of a loss. These are always this sort of crisis.’

### Case D

Case D imports and sells industry products and supplies to industry sectors and private consumers. The owner-manager’s entrepreneurial stake began from the acquisition of Case D in 2009.

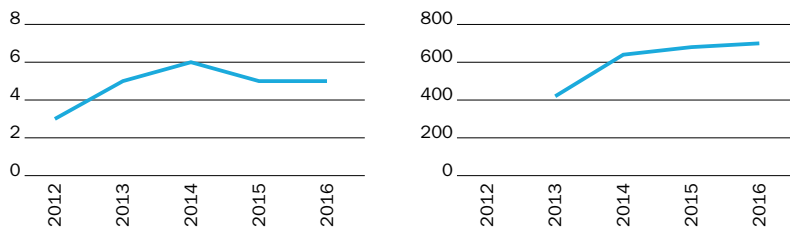
#### *The Critical Managerial Incidents of Case D*

Positive incidents:

- Right after acquisition, the company began to explore the needs of customers and obtain a larger customer base than the company had previously. Moreover, the company sought to grow inventory. 'I had a clear idea: that there would be more sales through a larger inventory. I wanted to distinguish myself from others as being a local actor and a local storehouse.'
- The owner-manager perceived it as positive that the company had a couple of key customers in the beginning. Due to those customers, awareness of the company increased. 'Our name is kind of established nowadays, maybe not every sales trade is with a new customer but with a regular one.'
- From the outset, the company obtained good suppliers of goods. 'It must be of good quality what we sell, so we found suppliers. During the growth, the supplier base expanded, and now it is not the case that we are depending on some suppliers. We are big enough to get approval and response from different suppliers.'
- Even though the customer base is wide, the company has deliberately remained in a narrow range of products and supplies. 'I am very careful about what take to sell, so the concept stays in the package.'
- After seven years of stable growth, a new office was established in a different town. Special equipment was purchased in order to make the company's specialisation even stronger. 'All the time we have taken little steps forward. However, we have always been trying to keep in mind where we are good at and to be able to keep what we promise.'
- A positive incident was associated with human resources. Specifically, recent recruits have been successful. In addition, the organisational structure has deliberately tried to remain flat. 'I have dared to recruit a variety of human types [...] I have tried to see the human potential there [...] All [recent recruits] have entrepreneurial backgrounds [...] and because they all have been financially responsible for their own work, it feels like they understand better than someone who has always been in paid work.'
- Due to growth, the company has been able to expand the service concept and provide larger product unities to better serve customers.
- Setbacks of business are perceived as a source of growth in Case D. 'So even though I am speaking very negatively, I feel that those negative experiences, however, have reinforced us.'

#### Negative incidents:

- Right after acquisition, there was some sort of burden on the company's earlier business policies and practices.



**Figure 5** Workforce (left, staff in person-years) and Revenue (right, in 1000 €) Development in Case E

- Negative incidents regarding business growth occurred when differences of opinion between owners led to new ownership and organisation arrangements. '[Business] took steps backwards.'
- Human resources mistakes led to negative experiences. 'Entrepreneurs are blamed to be afraid to give responsibility to the employees, but I have never experienced that to be a problem, but those who want to take responsibility have not really appeared.'
- There was a negative incident associated with leadership. 'Perhaps it is negative that you give people too much freedom and then, in a way, rely too much on them, and believe that we should have had stricter management for things to work.'
- The funding of investments was too tight, which limited the company's resources and caused slow growth. 'The economic side, it's a negative one, we would have to think of funding of the growth phase in a whole different way [...] the negative thing is that we were not able to [...] use external support to do that.'

### Case E

Case E is a specialised construction company that provides different fire-place solutions. In recent years, Case E has achieved sales growth even though the number of employees has decreased.

#### *The Critical Managerial Incidents of Case E*

Positive incidents:

- The single-most positive incident involved service development. The company's aim is to refine continuously its service processes. '[We] continued to develop work and work efficiency and tried to reduce those idle times [...] That is why it has been possible to grow, even though the number of employees have decreased.'
- In the beginning, an important marketing event was an exposition at a mall. The company received several invitations to tender and became

more convinced that their business idea was working. In addition to regular trade fairs, digital marketing is considered useful.

- The company's technical construction solution was innovation, which accelerated the construction process. 'It [technical construction solution] was a real big step and development.'
- A positive incident occurred at the business's inception, when successful negotiation results with a finance company enabled good payment terms.
- The owner-manager perceived the fact that human resources take responsibility for services as positive. Part ownership has furthered the commitment of personnel. 'It insisted that they are somehow committed to it.'
- The extension of the expertise of the team and investments in new equipment led to the extension of the service concept and production. Thus, the company was better able to serve prefabricated home factories. 'It has not increased a lot of cash flow, but it is much easier to sell.'
- Services are produced by separate construct teams. Because of these small teams, different work sites are running at the same time, which has increased the efficiency of services.

Negative incidents:

- The lack of a track record presented a critical challenge at the company's inception. 'So it was really difficult to buy stuff first when they wanted to see all the history information and stuff. So, the credibility problem.'
- Employees' absences from work were perceived as a critical challenge. 'All the influenza seasons. You can't do anything with those, but those look like a rough way.'
- The role of the employer and the manager is not limited to work regarding employees. 'At times, you might be a relationship therapist, supporter and sparrer. A whole book of life.'
- Negative experiences related to human resources occurred as employees, who are trained by the company, tend to conduct competing activities. Thus, the company has made its regulations clearer.

### Discussion and Implications

This multiple-case study examined the management focus areas of five case companies. The research question concerned the critical management-related incidents that occurred during the growth of the five service-based micro-enterprises in a sparsely populated area. The question was answered

**Table 2** Managerial Priorities in the Analysed Cases

Managerial priority	Case A	Case B	Case C	Case D	Case E
Focus	++	+++–	–	++	–
Power		++	+	–	+
Structure	+	+	–		+
Decision-making systems	++		+		
Strategic management			+	–	
Service dev. and delivery	+–	–		++–	++
Marketing			+–	+	+
Human resources	+––	++–	+++––––	+––	++–––
Growth management	++–	+–		+–	+

by analysing the positive and negative incidents experienced and recalled by the managers of the case companies. The distribution of the context-specific critical incidents was condensed, as shown in Table 2 (see Muhos et al., 2017):

Table 2 illustrates that the highest priority of the managers of the service-based micro-enterprises was related to human resources. The findings are consistent with existing literature; for example, Hess (1987) showed that owner-managers consider human resource practices as one of the most important management activities, and Marlow and Patton (1993) demonstrated that the effective management of human resources is a good predictor of small business survival. Mazzarol (2003) stated that finding, motivating, and retaining good staff is a critical bottleneck of small business growth, and Barrett and Mayson (2007) noted that small firms seeking growth should ensure that their human resources practices are in good ‘fit.’ In addition to positive incidents, all the case managers recalled negative incidents related to human resources. However, these adversities were often seen as necessary for the further development of the micro-enterprises.

In addition to critical human resources management issues such as leadership, the commitment of employees, and the significance of recruiting, the findings reveal the importance of owner-managers’ self-management. Their self-development, self-care, and time management are issues that emerged from the data. As aforementioned, the development of the owner-manager is synonymous with the development of the business (O’Dwyer & Ryan, 2000). However, Achtenhagen, Ekberg, and Melander (2017) showed that it is challenging for owner-managers to develop new managerial skills while running their daily business, which requires all the owner-managers’ attention and resources.

The owner-managers of these cases faced multiple focus issues caused by highly relevant service agreements, such as big projects and public contracts. These critical incidents have significantly changed the focus of the



business during growth. However, changes in focus that were forced by unexpected external changes were challenging. As Merz and Sauber (1995) indicated that small firms are rather sensitive to changes in operating environments, our findings also suggest the critical significance of external issues. The critical incidents involved with service development and delivery included developing service processes, expanding to new business sectors and locations and improving the service concept, or servitisation.

The results showed that the key positive incidents regarding power were related to shared ownership. According to the managers, when employees own a piece of company, this tends to significantly influence employees' commitment and the growth of the business. Past research regarding the effect of employee ownership on performance is unclear, possibly due to differences in institutional and cultural factors, period-effects, industry differences, and firm-specific heterogeneity (Kim & Patel, 2017). However, some evidence suggests that shared ownership is linked to worker behaviour in that shared ownership is likely to increase productivity and profits, reduce workforce turnover, and increase employees' willingness to work hard (Kruse, Freeman, & Blasi, 2010). Regarding growth management, a typical positive incident was that the business was economically profitable and successfully obtained external funding.

The findings also revealed critical incidents that did not explicitly fit the framework of management priorities outlined by Muhos et al. (2017). For example, in Cases A, B, and D, the owner-manager perceived that external issues such as regulation, competition, and relations with supply chain actors or external supporters generated critical incidents during the growth of the micro-enterprise. This is consistent with prior research that has indicated that service-based micro-enterprises struggle with understanding and complying with regulations related to the workforce (Achtenhagen et al., 2017). Networks are important and provide potential resources to support the growth of small firms (Macpherson & Holt, 2007), and forming and managing external relationships is an important strategy for small business development (Street & Cameron, 2007). Moreover, the findings show that key relations with subscribers and suppliers or accounting personnel are prioritised management issues in terms of the growth of micro-enterprises.

Based on our findings, we advance recommendations for growth-seeking owner-managers and public business advisors. Overall, the findings of this study highlight the role of human resource management in the growth of service-based micro-enterprises. The results suggest that micro-enterprises seeking growth should pay attention to human resource practices as their main area of development. Developing the firm's human resources policies is critical to the long-term success of the small firm (Mazzarol, 2003), and

each recruitment is an important strategic decision with a major effect on how the micro-enterprises' business will develop (Achtenhagen et al., 2017).

Moreover, public support for micro-enterprises, such as training, coaching, and advisory services, should focus on human resources management issues, such as recruiting, reward systems, and shared ownership. Because the owners-managers of a small business often handles the business's human resource functions alone, external legal and practical support may partly tackle these challenges. In addition, the well-being and self-management of owners-managers should be an essential part of the design of public support activities for micro-enterprises, such as management development programmes.

### **Conclusion**

Although growth in small businesses is rare (Orser, Hogarth-Scott, & Riding, 2000), the development of the small business sector is vital. Successful growth management is an essential element of the development of micro-enterprises into small and medium-sized-enterprises. This paper identifies the management priorities of service-based micro-enterprises located in a sparsely populated area. The results highlight the role of human resource management in micro-enterprises' growth and suggest that service-based micro-enterprises seeking growth should pay attention to human resource practices as a critical managerial area. This conclusion is in line with prior empirical work in the small business research field.

The findings should be interpreted within the context of their limitations, and case studies of this kind are not without their shortcomings. Micro-enterprises are an extremely heterogeneous group of businesses, and the scope of this study was limited to service-based businesses without industry-specific investigation. Thus, the results of this multiple case study may not be generalised to other contexts; however, analytic generalisation (generalisation to a theory) is possible. Although these limitations are important and must be considered, we are nevertheless convinced that this study can contribute to a better understanding of the management priorities of growing micro-enterprises located in sparsely populated areas. However, further research is needed to clarify the growth management of micro-enterprises.

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**Martti Saarela** is a researcher and PhD candidate at Kerttu Saalasti Institute of University of Oulu. He holds a Master of Laws and Master of Science

in Economics. His primary research interests are the development of micro-companies, eHealth start-ups, public business services, public procurement and regional development. *martti.saarela@oulu.fi*

**Matti Muhos** is the Research Director of Micro-entrepreneurship at University of Oulu, the Research Professor of Industrial engineering and management, renewing business and digitalization and he has the title of docent in technology business at the University of Jyväskylä. Muhos received his D.Sc. (Tech.) in industrial engineering and management from the University of Oulu. *matti.muho@oulu.fi*

**Kai Hänninen** is a post-doctoral research fellow in the Micro-entrepreneurship research group at the University of Oulu, Finland. His primary research interest is twofold, focusing on company growth and business management, with a particular focus on service- and technology-based companies. He has authored over 30 international scientific articles. *kai.hanninen@oulu.fi*

**Harri Jokela** is a business service manager at Nihak Ltd. He has a master of science in agriculture and forestry. His primary research interests are micro-sized companies, knowledge dynamics of the innovation processes of micro-sized companies and regional development. *harri.jokela@nihak.fi*



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