



How and when does the individual entrepreneurial capabilities transition into firm capabilities.

With a focus on process management – including a case from start-up company:

Brandheroes

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Abstract

This dissertation deals with the topic of entrepreneurial capabilities that affect performance, and how these develops during growth. Current literature lacks research on when entrepreneurial capabilities transitions from individual personal traits, to firm capabilities. It will be the primary objective to fill out the gap and supply answers to when this transition occurs. Additionally, it will be followed up, by an analyzes on how to manage processes trough the stages of small business growth. Before analyzing the main topics, the review helped shaping the research questions, as it highlights the crucial capabilities that affect performance in mature business, and in entrepreneurial business and the gap between. It was found that most authors, has researched entrepreneurial capabilities as individual/personal traits. But in medium and larger corporations it is researched as firm capabilities. What happens in between, is lacking description.

To investigate this gap, a framework on small business growth provided by Lewis and Churchill will be used as a theory in the analysis. Furthermore, Business Process Management, BPM, is presented as a tool, that combined with the knowledge of the small business framework, delivers a theoretical understanding for optimizing processes. It is found, that scholars focus on the personal traits of entrepreneurial capabilities, mostly because the owner is synonym with the business at the first stages. As he or she is considered most of the entire business, it is mostly relevant to investigate the personal traits of the owner, that led to success. However, the framework for small business growth, offers details to how the entrepreneurial company is structured along five stages. It is found, that the personal traits and capabilities start to transition in stage three, as the company now grows and can no longer depend solely on the owner(s). Further it is found, that BPM can start at the very first stage of the business existence, but that all the activities of BPM can't be carried out in each stage. Even though it is presented as an iterative

process, it isn't completely following the stages of the small business framework, as each stage – especially the first stage, isn't supplying sufficient knowledge, to carry out all the steps in BPM.

Credits

I will like to grant a thank you to Jimmi Norman Kristiansen for an open-minded approach, and a sincere interest in helping. I wanted to shape a project that was close to the real-life problems that I experience first-hand every day at Brandheroes, and Jimmi definitely helped shape a research path that allowed me to dig into current issues at the company I work in.

Introduction

Topic and relevance

For at least the past ten years and many years to come, the driving force in the modern economy, has been and will be entrepreneurship (Mazzarol, et al. 1999). The rationale for postulate like that is, that entrepreneurs are creating thousands of new business each year, and thereby creating new jobs. This is happening simultaneously to large corporations downsizing their corporation. Hence the entrepreneurs have big stake in the new job creation, and thereby economic growth.

The importance of the entrepreneur, has led to a great deal of literature on the characteristics of the entrepreneur, and further their motives for setting up their own business. The personal characteristics of the entrepreneur has often been highlighted and compared to non-entrepreneurs. Those factors are well explained and is for example the need for achievement (McClelland, 1961), risk-taking propensity (Brockhaus, 1980), locus of control (Brockhaus, 1982), tolerance of ambiguity (Schere, 1982) and desire for personal control (Greenberger and Sexton, 1988). Entrepreneurial capability is further described throughout literature as being able to think creatively, opportunity seeking, a fine ability to spot gaps in the market, and exploiting these situations well ahead of competitors (Hamel and Prahalad, 1994; McDougall 2005; Miller 1983; Sathe 2003; Shaker, et.al. 2006). Opportunity are not agreed upon as being an objective phenomenon, but something that must be enacted as well (Weick, 1995) adding opportunity enactment to the description. Most authors investigate the entrepreneurial capability on an individual level, as the entrepreneur in the beginning of a start-up often is synonymous with the company (Lewis and

Churchill, 1987). However, at some point in time, the capabilities of the entrepreneur must be embedded in the company, and developed in to firm capabilities.

The topic of firm capabilities that have an impact on performance, is a less investigated topic in the entrepreneurial literature, however a largely described topic when investigating medium and large size, established companies. As a company moves through development stages, towards being a feasible established and mature business, the capabilities transition from individual to firm capabilities, and it is of interest for the author to investigate when the capabilities move from individual level to firm level.

The ability of firms to succeed, is largely a function of their internal capabilities (Knight, Cavusgil, 2004; Wu et al. 2007). Further, there is evidence proving, that competitive advantages depend on the deployment of capabilities (Christensen and Overdorf 2000; Day 1994). From the Resource Based View, RBV, the firm capabilities evolve over time, and becomes embedded in the company, they are hard to copy, and they are critical drivers of firm performance (Eisenhardt and Martin 2000; Makadok 1997). The RBV allow companies to identify specific capabilities, that are hard to copy or transfer, and separates losers from winners (Dev et al, 2002 in china report).

Real life situation

Currently employed in a successfully growing startup, called Brandheroes, experiences on the crucial capabilities are learned first-hand. The characteristics of the owners, fit to a large extent the findings of personal traits of entrepreneurs, however when moving beyond the initial stage of being a start-up, personal traits are no longer sufficient to carry a business. There is a need, for the owners to formalize some of the processes they have carried out which lead to success, to be able to delegate task to employees. One major issue experienced in this workplace, is the need for systemizing processes, which are changed and tested frequently. Consolidating processes is not an easy task, but what can be referred to as a trial error process.

From being employed from summer 2016 and until this day, the dynamic capabilities are of crucial matter to the company. Listening to customers, and adjusting products and services to their needs are what earns the company the right to exist. Along this journey the processes are adjusted, tested, thrown away and over again. This is a necessary and probably everlasting process towards finding the best practices for the business. But at this point in time, the company have gained a sufficient customer base, and now the company must be able to meet needs and deliver, not only well but also

timely. Therefore one of the major capabilities that a start-up company should possess, is in my experience the ability to manage process business processes.

Topic of research

Due to the importance of successful entrepreneurs, and the current issue on process development the focus of this dissertation is to investigate when the capabilities transit from entrepreneurial capabilities to firm capabilities. Further the aim is to focus on capabilities that impact performance in entrepreneurial business, with processes in focus, and investigate how to develop processes from ad-hoc tasks into substantive capabilities to assure efficiency. The transition from individual capabilities into firm capabilities in a start-up, will be analyzed while following a stage model for small business by Churchill and Lewis, to keep the readers' attention to what stage the company is in, and to state when firm capabilities become more important than individual capabilities. In the very first stage, the entrepreneurial capabilities are those of the entrepreneur, but when does these capabilities become firm capabilities, which of the capabilities are necessary determinants to foster growth in start-ups, and what determinants is lacking description in the literature so far. This leads to the following problem statement.

Problem statement

What are the crucial entrepreneurial capabilities that affect performance, when do they transition into firm capabilities, and how are particularly processes managed to become a firm capability.

RQ1: *When do entrepreneurial capabilities transition from individual capabilities into firm capabilities?*

RQ2: *How can an entrepreneurial start-up manage its' processes to become repeatable and efficient?*

Philosophy of science and methodology

The paradigms by Burrell and Morgan

The scientific paradigm is concerned with the researchers point of view, and how they solve problems (Arbnor and Bjerke, 2009). All researchers draw on assumptions and implications on how the world is structured, whether they are aware of it or not. Therefore, all theories are based upon a philosophy of science, and assumptions of how society works. The purpose of philosophy of science is, to explain the philosophical viewpoint of the researcher, and will help explain the underlying assumptions and implications in the research (Burrell and Morgan 1979). The choice of philosophy of science will also serve as a guidance for collecting the appropriate method and research design. The aim of this chapter is to describe the underlying ontology, epistemology, human nature and hereafter characterize the methodology.

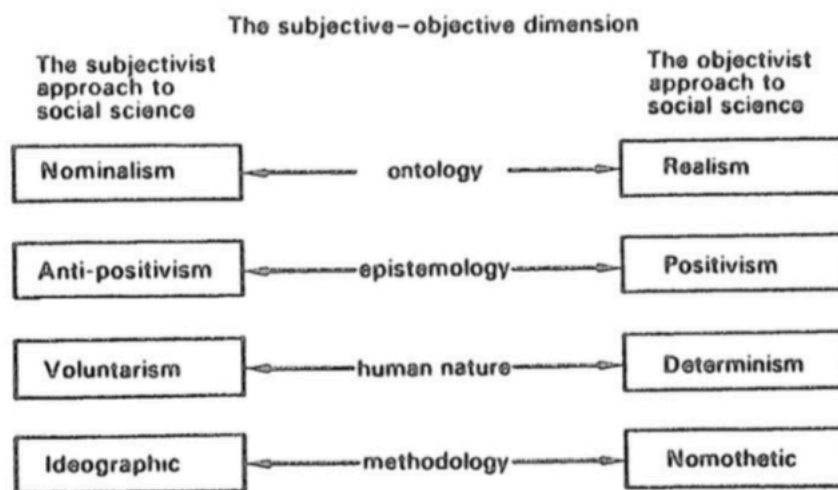


Figure 1 subjective and objective approach of social science (Burrell and Morgan, 1979, p 3)

Ontological considerations

Ontology is concerned with the readers' perception of reality. The basic questions that scientists are concerned with, is whether social entities are considered objective and external to the researcher and the social actors, or if they can be considered social constructions built by the perceptions and interactions amongst social actors (Bryman & Bell, 2015).

These positions, reflecting two opposite direction of researchers' perceptions of reality, are named different names by different authors, they are named objectivism and constructivism by Bryman & Bell (2011), realism and nominalism by Burrell & Morgan (1979) terms, and referred to as objectivism and subjectivism (Arbnor & Bjerke, 2009). This chapter will base the terminology by Burrell and Morgan (1979). The nominalism ontology, represent the opinion that the world is build up by social constructions, and created in the interaction amongst people. Therefore reality can't be observed objectively, as there is no objective view of the world (Burrell and Morgan, 1979). Researchers with this ontological viewpoint may believe that the most objective fact, is that everything is subjective (Burrell and Morgan, 1979). This postulate is further backed up by Deetz (1996) that states: *"the meaning of the objective-subjective labels is socially contrived and the objective practices are in sense the most subjective forms of research."* In the other specter is the realism ontology, where researchers believe that the world is real, and can be observed external to the individual cognition. The world is made by causal and tangible structures (Fast and Clark, 1998).

This thesis isn't either the nominalism nor the realism approach but bases the research on both approaches. The objective approach will be used when selecting theory to state how to develop processes, and to explain the stages of small business growth. It is the authors opinion that there will be general activities in the management of business processes that fits many different types of processes, and general information on when a start-up transition from entrepreneurial into firm capabilities. Hence, the objective approach aims to research for generalizable information about developing processes in start-up. Further a stage model is included to describe the stages of small business growth and is considered general and usable for most entrepreneurial businesses.

The subjective, nominalism approach is chosen as support and explanation for the objective findings. This approach contributes with insights on particularities, and may help to explain the topic in greater details. Particularities is best understood by the involved actors, therefore the dissertation will include data from Brandheroes as a case company that is currently transitioning from a start-up to an established company and have a great focus on developing processes. Hence, the researcher assumes that truth or reality exists within the social actor and can't be understood solely by external observation.

Epistemological considerations

Epistemology can be defined as an “account of knowledge” and as “the study of the nature of knowledge” (Moser, 2009, p. 3). Epistemology is concerned with how the researcher gather knowledge and is highly related to ontology. If the ontological standpoint states that the world is subjective then the epistemology states that knowledge must be gathered through interacting with the social actors, to understand their viewpoint. This can be through participative observation and unstructured interviews. This epistemology is according to Burrell and Morgan the anti-positivistic epistemology. Anti-positivistic researchers, believe that social science can't generate objective data of any kind. This stands as a contrast to the positivism epistemology, that reflects the opinion that the world is causal and predictable and can be observed externally, further the opinion here is that objective knowledge is obtainable (Kuada, 2010).

Following the mixed ontological perception, the epistemology will be a mix of both anti-positivistic and positivistic.

The epistemological position of this dissertation, follows the ontological position. Thereby it is a mixed perspective. The anti-positivism epistemology contributes to the research on how processes are developed from an unstructured, by offering details gained from an interview with the owner of a start-up company that is currently developing and growing its start-up business through and is occupied with developing processes. Before the qualitative data collection, a document study is done to gain information on causal and generalizable traits of transitioning from entrepreneurial to firm capabilities and process management. Researching documents further helped in selecting a theoretical framework for the analysis. This means that results are created through the aggregation of subjective case data and objective data derived from the literature. Thereby, the epistemology is mixed as the researcher partly believe that reality should be understood through the actors being investigated. In practice this will be carried out by unstructured interactions with an informant of Brandheroes, to understand some of the theoretical findings (Burrell & Morgan, 1979). The study is within the objective, when pursuing regularities, causal relationships, and generalizable facts during the written documents and articles.

Induction and deduction

According to Bryman and Bell (2011) induction and deduction represents two research strategies, and are once again connected to the perspectives within the paradigms. Deduction is the most commonly used, and is by Burrell and Morgan Terms, within the objective dimension. By deducting, the researcher starts with a theory, and a thesis and aim to verify or falsify. With induction, the researcher approach the subject very openly, gather information and subtract the findings in a theory. It is not rare, that both occurs as an iterative process, where the researcher starts collecting data on the basis of a thesis, but the data make the researcher go back, change the theory and investigate again. By this it is back and forth between deduction and induction.

When holding two ontological and epistemological perceptions, it will imply the need for two different approaches in the process of creating knowledge. Thus, this research will use both an inductive approach and a deductive approach. The research approach is illustrated in figure 2 below.

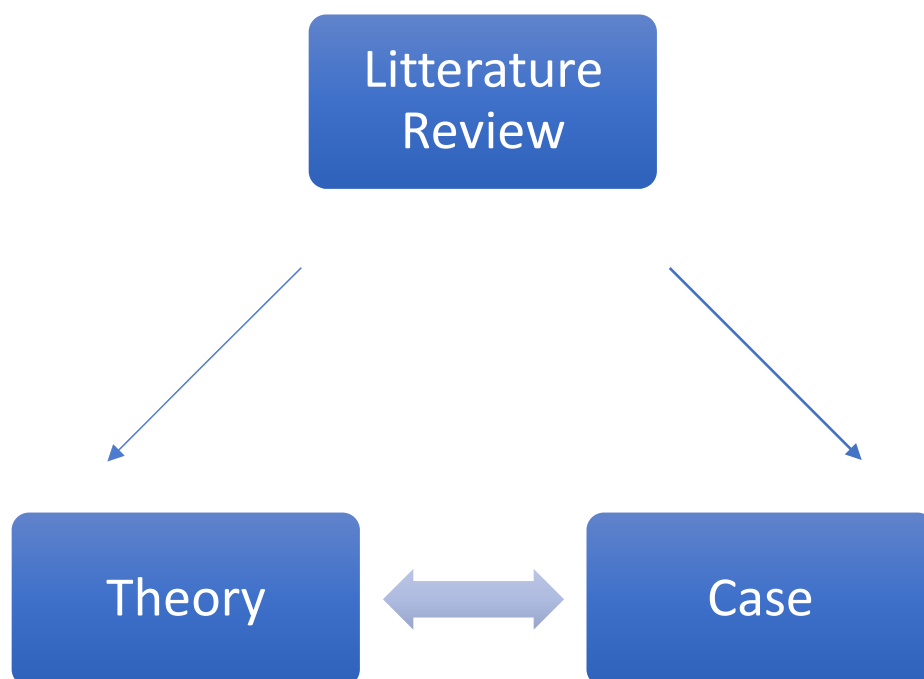


Figure 2(Source: own creation)

The Deductive stage

This research is represented by the most common deductive approach, as it is structured around existing theory and what is already known about entrepreneurial capabilities, and the transition of these during the stages. The literature review will help in defining research areas on the basis of gaps in existing literature, and the interviews are prepared on the basis of the gaps. Within the deductive research stream, the purpose is to state how the influencing capabilities found in the review are transitioned to accommodate the developing need of the company as it grows through maturity stages (Bryman & Bell, 2015). The aim of this part of the research is to make general suggestions on how start-up companies should develop processes, and it will be a documents study, presented as a theory chapter.

The Inductive stage

The inductive approach is used in the case study when carrying out qualitative interviews. This is done after the document study, and will be used combined with the theory, to answer the *research questions* through the analysis. The focus is to understand when capabilities transition in a start-up through interaction with informants, to get a fine-grained understanding. The aim is to get a better understanding, and explanations of some of the more complex, or lacking elements within the theories. Hence, it serves to give explorative knowledge of the theory, and uncover what the theory doesn't state clearly.

Human Nature

The human nature presented by Burrell and Morgan (1979) is considering how the researchers sees the man. The two poles are determinism and voluntarism. Within voluntarism the researcher assumes that the human creates his/her own social reality, which is the opposite with determinism where researchers believes that human are mechanically and predictable to the external world. Determinist thinks that humans don't affect the environment surrounding them, but merely react to it, and neither do human affect structures, but fit in to the existing structures. (Burrell, Morgan 1979). Voluntarism sees man as completely autonomous, and unpredictable.

Following ontology and epistemology, the human nature consideration for this thesis, is somewhere in between. The subjective investigation with social actors of the case company, is considered voluntarism, and represents the opinion that human affects the situation, otherwise there would be

no need to include their opinions. The deterministic view of human nature, is used during the theory finding on process development in small business, as the researcher recognize, that the environment has an impact on the human. Which in this case means, that the developing stages is inevitable if the business want to survive, and that it put certain demands on the humans within the organization.

Paradigms

Burrell and Morgan, conceptualize the discussion about ontology, epistemology and human nature in to four paradigms (1979, p. 35). The paradigms of Burrell and Morgan's (1979) is divided in two opposing dimensions which they call the subjective-objective dimension and the regulation-radical change dimension. The first dimension is described in the former chapters, as the two choices for each chapter is based on subjectivism or objectivism, as in figure x. The regulation-radical change dimension is on the other hand not debated yet. The regulatory dimension aims to: *"to describe what goes on in organizations, possibly to suggest minor changes to improve them, but not make any judgement"* (Bryman & Bell, 2015 p. 35). The radical change dimension the aim is *"to make judgements about the way that organizations ought to be and to make suggestions about how this could be achieved"* (Bryman & Bell, 2015 p. 35). These two dimensions combined shapes the four paradigms: *Radical humanist, Radical structuralist, Interpretive, and Functionalist*, illustrated in figure x.

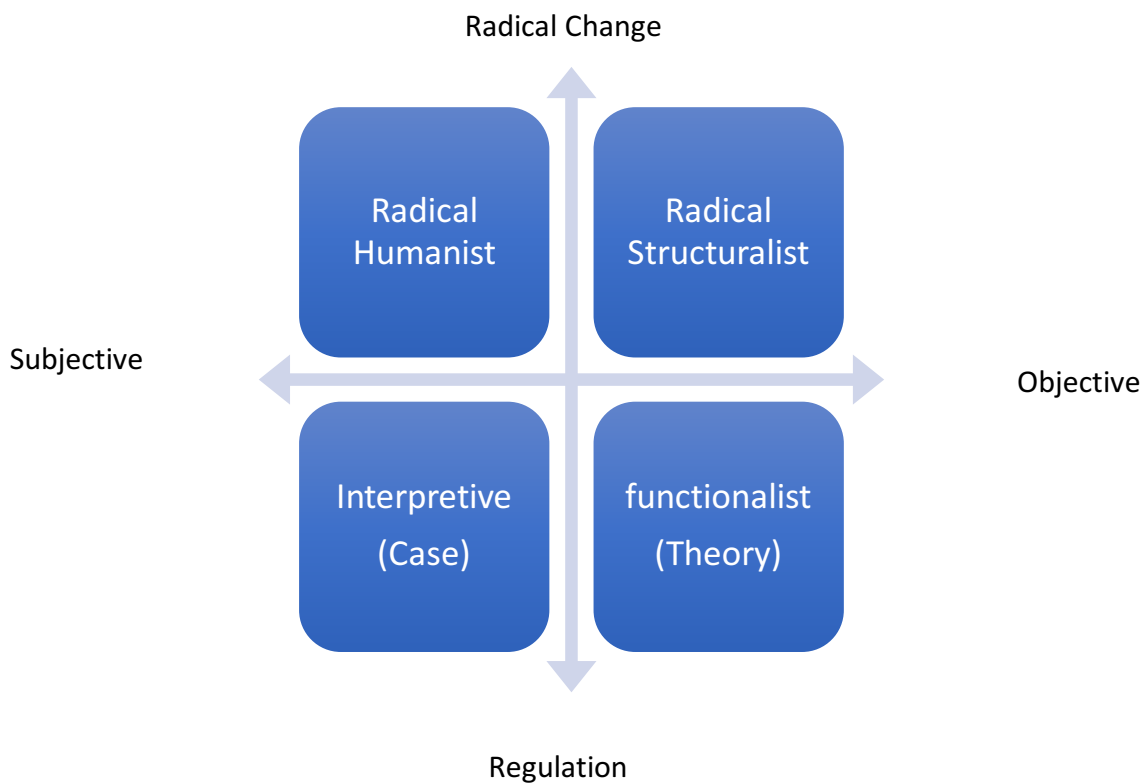


Figure 3 (Source: Adapted from Burrell & Morgan, 1979 p. 22)

This thesis includes research on both a subjective approach and the objective approach. In relation to that, it is worth mentioning, that the paradigms are alternative solutions, and contradictory, hence a researcher can't operate in two paradigms simultaneously, however, it is allowed to use different paradigms over time. The review, theory and analysis is concerned with the development of capabilities, based on existing theory and findings. This implies that the objective is to merely regulate existing theories, and not offer radical new solutions. This means that the thesis is belonging in the lower dimension, called regulation. However, within regulation is further two dimension, and as it was argued that both a positivistic and anti-positivistic approach is applied, the thesis will apply two different paradigms. Hence, the interpretive for the case study, and the functionalistic for the document study. The functionalistic approach will be applied first, and represent a deductive approach. Following this will be the interpretive approach based on induction. The interpretive paradigm serves as a means for exploring and thereby understanding the development of the small business, as seen from the individual actors. This is subjective, but adds to the understanding of the more objective findings, found when applying the functionalistic approach.

The functionalist paradigm often includes quantitative data collection, there will be no primary data collection from surveys within this part of the dissertation. Instead documents, other researchers' findings, and theory will be considered objective and used to create rational explanations of the topic. These theories will be used to shape and test the operational questions derived from the literature review.

The objective is to make suggestions on when entrepreneurial capabilities transition into firm capabilities, and how particularly processes are managed during the transition. The recommendations aim to be applicable for different organizations, hence the thesis must have quantitative traits.

Methodology

Primary Data

The background for the literature review is a document study, where the papers included in the literature review are found through a search by different key terms in google scholar, which offers an overview of citations and peer reviewed articles. The literature review will include findings from former research conducted on the topic of entrepreneurial firm capabilities that affect performance. Hence, the thesis bases the literature review on highly relevant, and peer-reviewed literature to assure a scientific and critical approach. The literature review of this dissertation is based on different key word search stream, based in whether the search is for entrepreneurial are established firm capabilities. For the entrepreneurial capabilities, the key words were related to factors affecting performance in start-ups, characteristic of start-up capabilities, performance indicators in start-ups, transition from start-up to mature company, process management in start-ups.

For the established firm business, the key words where firm capabilities affecting performance, and the aim was to find a review as this investigation solely served to clarify typical capabilities that affected performance. This was done as it seemed relevant, to understand what capabilities the start-up in the long term will transition to.

The articles were limited by starting with reviews, secondly by picking the most cited articles used in the reviews and found on google scholar. Besides citation and reviews, there was a focus on using relevant literature which lead to focusing mostly on articles that is written after 1990. and narrow the search, all relevant reviews were firstly selected.

To structure the articles, a table is created with relevant information from the articles, what keyword (capability) it was related to and who the authors are. This table is included in the review along with figures that illustrate the capabilities that affect performance in both established and new business. The key structure of this literature review is therefore based on what highly cited and peer reviewed articles have already found. The table also works as a tool for the reader to get an overview of the most important capabilities related to entrepreneurial firm performance.

Mixed Method Research

Mixed methods will be applied to answer the research question from different methodological perspectives, as mixed methods are the use of multiple methods in the research (Kuada, 2014). The methods that is applied in this thesis are both quantitative and qualitative research methods. The quantitative research is done conducted by applying existing and well documented theories, that is considered objective and universal to some extent.

The qualitative method is applied in addition in the form of an entrepreneurial case company description developed with the owners of a success-full start-up. The two methods will seek to complement each other, where one offers general explanation the other offers fine grained, detailed information, that help to explain particularities.

Case study research

Entrepreneurial growth, and how processes transition during growth, is a rather complex phenomenon, the topic has shortcomings in existing research and the aim is to both offer a general and a detailed understanding of transitioning capabilities in start-up into firm capabilities in a mature company, with processes as the main scope. This is done by selecting a mixed method design, consisting of quantitative data from existing theories and peer reviewed papers, combined with qualitative data from a single case.

The objective of the single case study is to offer detailed explanation, as this is highlighted as a strength with this particular data collection method (Blackburn et al. 1991, Pihkala et al. 1999, Huggins 2000). This will allow the dissertation to gain understanding of experiences, in this case with processes, through the opinion of the actors involved. Processes are often contextual and unique to the company, which serve as another argument for investigating through the involved actors. The qualitative method is suited for explaining processes and their development (Blackburn et al. 1991, Pihkala et al. 1999, Huggins 2000). *“The word qualitative implies an emphasis on the*

qualities of entities and on processes and meanings that are not experimentally examined or measured (if measured at all) in terms of quantity, amount, intensity, or frequency” Denzin & Lincoln (2000, p. 8).

Case studies can be applied when the purpose is to analyze different decisions: *why* were they made and *how* were they implemented (Yin, 2014). This logic fits the dissertation, as it seeks to investigate how the company transitioned through stages, in particular how processes were developed during the transition, and to what factors that influenced the processes.

In the mixed method design, the qualitative data in this study, aims to give details that allow this research to offer an understanding of the particularities of a situation. Stand alone, the qualitative research has limitations in terms of drawing general conclusions, especially with a single case. However, by combining it with quantitative data, the purpose is to both get a general understanding, and support it with subjective explanations. The strength is the ability to investigate the phenomenon in a context, and get a detailed understanding. Thereby it goes beyond measuring but towards understanding the development of processes. The aim is to draw theoretical conclusions from the case and connect it to the theory (Yin 1984, Eisenhardt 1989).

Interviews

Interviews are used as the data collection method in the qualitative part of the two-fold method. More specifically, it was chosen to do face-to-face interviews, to assure an interactive interview form, in hope of getting as many details as possible (Bryman & Bell, 2011). The face-to-face interview is within the interpretivist paradigm, and thereby is suitable for a qualitative data collection, and allow for adjustment during the interview, and make follow up questions to the answers supplied by the interviewed. This serves the purpose of offering details to particular situations. These kinds of interviews allow the researcher to adapt and adjust the interview situation to the research topic (Kvale & Brinkmann, 2009).

This project will investigate through an unstructured interview that is mostly like casual conversations, and starts with the interviewer asking a question from where the conversation drives forward (Bryman & Bell, 2015). The unstructured interview is not planned in details in advance, which also means that there wasn't developed an interview guide for this thesis. This makes the

unstructured interview very exploratory, and thereby suitable for a subjective and qualitative case study (Kvale & Brinkman, 2009).

Literature Review on firm and entrepreneurial capabilities

The purpose of this thematic literature review, is to investigate the problem statement and spot for gaps in existing research, and thereby help shape the working questions for the analysis. This review is based on a selection of literature; hence it is not an exhaustive systematic review. When choosing to focus on something, it automatically leads to the exclusion of something else. This implies a major issue for all researches, as the point of the review is to create a balanced knowledge base, to avoid biased research. To assure transparency, and replicability, the review process will be described in the level of detail that is demanded of a thematic review.

The thematic, or narrative review, is well suited when the purpose is to analyze and summarize a body of literature in a specific subject area. This is done by presenting a large background of literature within the subject. By reviewing this, the researcher can spot gaps, identify inconsistencies in conclusions, or inappropriate methods. This will help the researcher to shape a new research question, investigate this and develop frameworks (Coughlan et al., 2007). Thematic grouping of topics, create an overview of the relevant topics, however it is not as in-depth as the systematic review.

As the thematic review is less rigid than the systematic, there is less details to the search strategy. For this project, the search strategy has been based on specific keywords, and widely based on peer reviewed articles with more than a hundred citations. The critical appraisal of the body of literature is whether they are published by an acknowledged publisher, if the keywords match, and if the citations exceed one hundred. This type of review is qualitative, and therefore more prone to biases and misinterpretations, than the, often quantitative, systematic review. The thematic review is often presented as in figure 4.

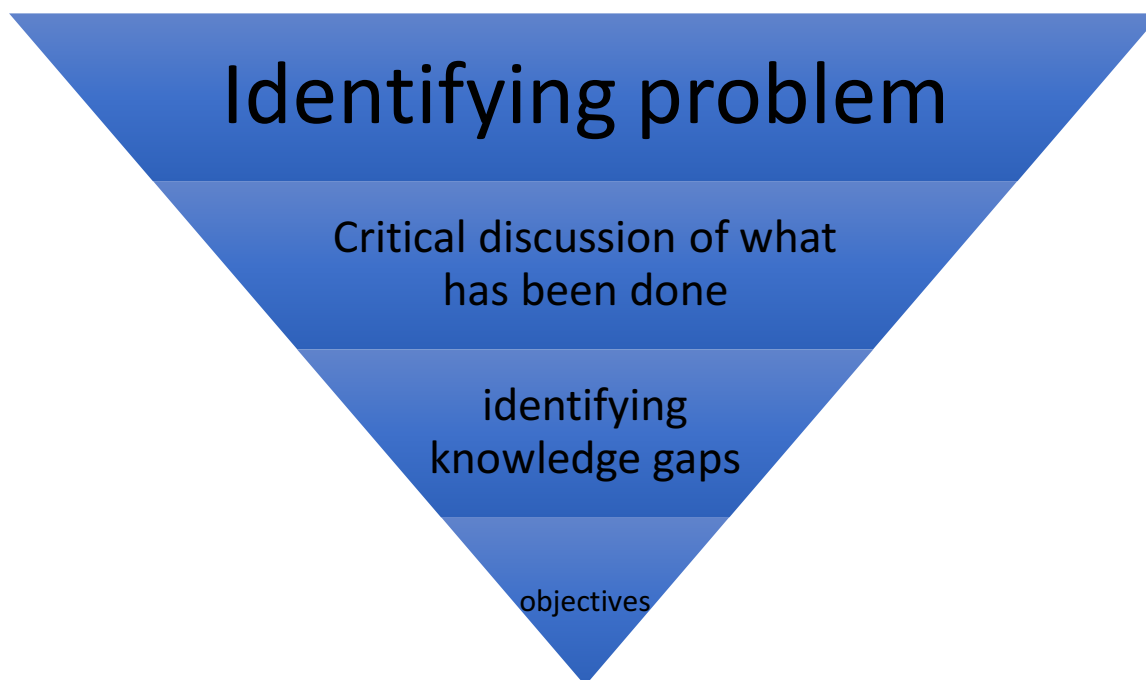


Figure 4 (Maier, p. 4, 2013) own adjustment

This implies that the review is divided into more than one part, starting from broad to identify a problem, which in this project is the lack of knowledge on the most crucial capabilities that affect entrepreneurial performance, when these capabilities transition towards firm capabilities and how it is managed. The review will be carried out by critically accessing what has been done and heading towards a narrow and scoped research question that is based on the gap in existing literature. This indicates, that in practice, the research stream for this thesis is done in streams, where the research in the first stream was based on the following keywords:

Entrepreneurial capability AND performance, Established firm capability AND performance, Entrepreneurial characteristics, Entrepreneurial factors AND performance, Entrepreneurial determinants AND performance, Entrepreneurship. The first round of search led to a body of literature that explains the individual traits of the entrepreneur. The results are, that an entrepreneur is usually gifted with abilities to spot, enact and exploit opportunities, as well as being risk takers, and a desire to control their own life (Hamel and Prahalad, 1994; McDougall 2005; Miller 1983; Sathe 2003; Shaker, et.al. 2006; Weick, 1995; Brockhaus, 1982; McClelland, 1961; McClelland, 1961; Autio et al 2011, Lewis, 2011). A small search on established firm capabilities were used, to compare the differences in capabilities of entrepreneurial businesses vs firm capabilities in mature firms. Established firm capability were in general focused with firm capabilities such as: financial

capability, innovation capability, technology/product capability, cultural capability, networking capability, human resource capability and dynamic and substantive process capabilities (Sadri, Less 2001; Hansen, Wernerfeldt, 1989; Zaheer, Bell 2005, Denison, Mishra 1995; Autio et al. 2010).

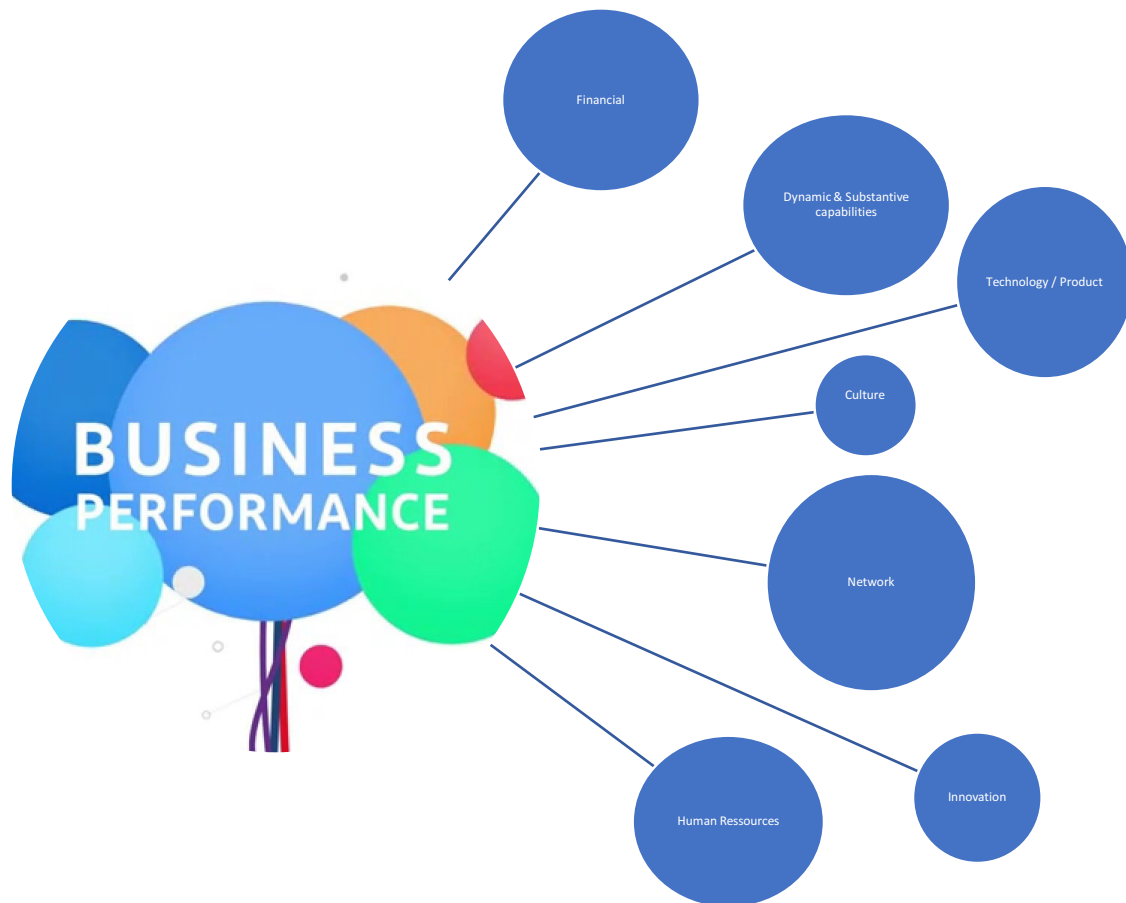


Figure 5 (Firm capabilities own summarizing from findings)

Reviewing the literature of the first research stream, it came clear that there is a gap in terms of firm capabilities in the entrepreneurial context. Most literature mainly focus' on the personal capabilities

of the owner(s), whereas established firm capabilities are concerned with *firm* capabilities. The lack of a description of firm capabilities in an entrepreneurial context, combined with the knowledge of firm capabilities as described for SME's and large corporation, led the literature search to the next stream of research. The purpose is to identify a starting point for describing firm capabilities of small start-ups.

The initial keywords were still used for the research but extracted by adding a '+' and the different firm capabilities found for established or mature company. The research led to a new body of literature where the articles and their findings are summarized in table X. The aim was to identify determinants or capabilities that have an impact on performance. Performance in this project is defined as growth in sales, growth in employees, and overall satisfaction based on subjective measures from management and staff.

Keyword	Authors	Findings
Network	Chen et al, 2009; Zhang et al 2009; Baum et. al 2000; Alvarez Barney 2001; Mazzarol et al, 2005; Lechner and Dowling, 2003; Zaher et al 2005;	Network help a small company to get access to external resources. Further it helps the company build a reputation to diminish the liability of newness
Financial	Cooper et al, 1994; Chen et al 2009; OECD 2012; Bruhn and Zia 2011; Karlan and Valdivia, 2011;	States that getting access to, and navigating through financial alternatives, is a capability that enhances growth
Culture	Mazzarol et al, 2005; OECD 2012; Denison and Mishra 1995;	Culture affect performance in different ways depending on how it is shaped. For start-ups, an absorptive external oriented culture can lead to better performance.

Dynamic capabilities	Zahra et al, 2006; Jatunen et al, 2005;	In relation to an absorptive culture is dynamic capabilities. The ability to adjust to external or internal needs are crucial for start-ups
Substantive capabilities/process management	Autio et al, 2010; Schweizer 2012***;	Substantive Processes in start-ups have not been given much attention. Neither how to achieve them. Substantive processes are important for stability and effectiveness in mature, therefore included.
Environmental factors	Mazzarol et al, 2005; OECD 2012;	Environmental factors, are not an entrepreneurial firm capability, but an external factor that affect the start-up.
Skills and knowledge of owner	Kamunge et al, 2014; Cooper et al, 1994; OECD 2012; Bruhn and Zia, 2011;	The personal traits of the entrepreneur, the skill level, educational level on knowledge level is crucial for any start-up.

The following chapter will state what the current literature states on the abovementioned capabilities, followed up with a few gaps identified in the literature during the research process.

Entrepreneurial capabilities

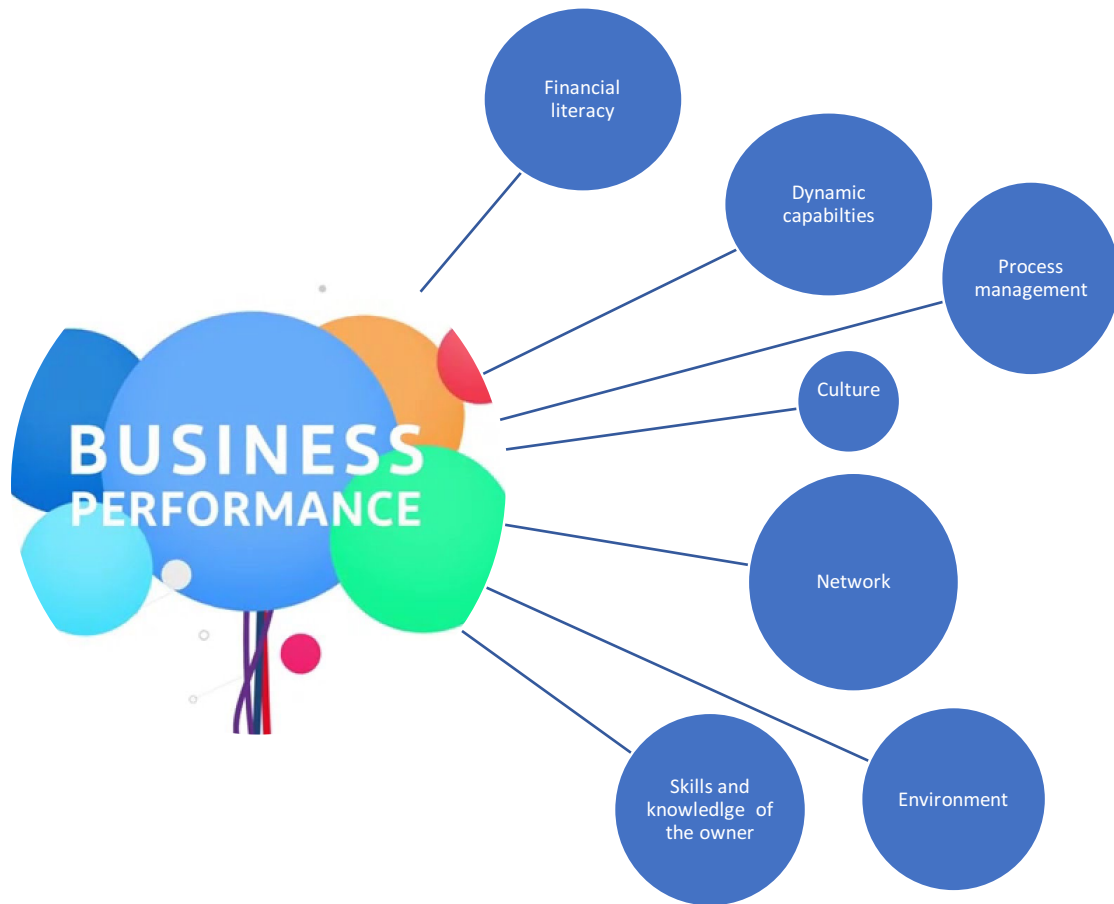


Figure 6 (Entrepreneurial capabilities that affect performance, own summarizing)

The review of literature let to identifying several capabilities that affect the performance of small business. As firm capabilities for entrepreneurs isn't paid as much attention as in larger business, it gives some implications in relation to evaluation the significance of each capabilities impact on performance. Hence, the weight of each capability isn't stated, thereby there is lack of knowledge on which capability is most crucial when it comes to affecting performance. The importance is in this context, to state a starting point for collecting indicators that affect start-ups. Each capability will be described in a small chapter. This chapter will be followed up by a gap spotting, to shape the operational working questions that will be the foundation for the analysis.

Network

Drawing on dependence theory, the new firm needs access to external resources and information to emerge, and the environment can be seen as a collection of resources (Dess and Beard, 1984; Castrogiovanni, 1996). Specht (1993) concludes that social environmental factors is one of the main

factors that affect a start-up company. And that within the social environment, the impact of networks is the most crucial (Marett, 1980; Gartner, 1985; Aldrich and Zimmer, 1986; Johannisson, 1988). Having a strong network, allow companies to grow, without having to integrate activities that are costly (Lechner and Dowler, 2003).

The size of the network that the entrepreneur brings into the company at the early stages, determines the company's ability to grow (Baum et al. 2000).

To get access to, the right network, Lechner highlights what he refers to as some necessary meta-capabilities. These are relational capability, combinative capability and absorptive capacity. The first meta capability, relational capability, is the ability to select the right partners and to establish and maintain a relationship with these. Lechner states through research, that this is a precondition for gaining competitive advantages through network. The combinative capability is the capability, to combine the resources and knowledge, which the company gets access to, through the network. Without activating the network and combining resources, the company gains little from the network (Lipparini 1995). The absorptive capability is highly related to the combinative capability, as this is stating whether the company are able to absorb the external knowledge.

Research states that the network goes from unplanned, and unstructured in the first stages, to a highly-structured network, when the company matures (Lorenzoni and Ornati 1988, Larson 1991). This implies that over time, the network is becoming an integrated part of the business.

Financial literacy

There is plenty of previous literature on entrepreneurship that have focused on access to external capital (e.g. Banerjee et al., 2010; Bruhn and Love, 2009; and De Mel, McKenzie and Woodruff, 2008). Financial factors, are a main factor and issue that affects performance in start-ups (Mazzarol, et al. 1999). The capability to navigate through the alternative solution and get access to finance through business angels, ventures or other type of equity, and picking the most fitting solution, is crucial for the performance of the company (Ahmad, Hoffman, 2007). In the working paper by Bruhn and Zia (2011) it is found, that entrepreneurs who are trained in financial literacy, and thereby has obtained knowledge before decision making, has a profit increase of 54 pct. compared to those who didn't train. Karlan and Valdivia (2011), is carrying out similar research and case observation in Peru, to test results on business training with a focus on financial literacy, and finds

that sales grows 14 pct. compared to same month year before training, and an overall increase in profits. Articles within this topic states that this is a crucial capability that does impact performance, it is found that this is crucial in the beginning and of lesser impact when the company is mature.

Culture

A study carried out in France identified that cultural values and practices were associated with the growth patterns of five single-business firms (Calori and Sarnin 1991). Further, Kotter and Heskett (1992) presented an analysis of the relationship between strong cultures, adaptive cultures, and effectiveness. Furthermore, culture is mentioned as a competitive advantage (Sadri & lees, 2001). This emphasize that culture is related to firm performance, making this a relevant capability or factor, to highlight. For culture to have a positive correlation on performance, employee values must be aligned with the company value, and aligned with what the environment expects (Sadri & lees, 2001). In extension of this, vision is mentioned to be crucial, if the company expects employees to work in the same direction. The vision allows the employees to get a common mental picture of the future the company desire (Qubein, 1990). Further a trait of culture that leads to effectiveness is involving hence appreciating employees, allowing them to work cross functional, and equal treatment (Clemente and Greenspan 1999). Culture should also be adoptable, adjusting to externalities quickly (Ahmed et al., 1999). Comparing these statements with the article *Toward a Theory of Organizational Culture and Effectiveness* by Denison and Mishra, there are some clear similarities, but also opposite opinions. Vision is non-debatable an effective tool, to achieve consistency throughout every function or layer in a company, however, how the vision is communicated might differ. Greenspan and Clemente highlights that involving and appreciating associates in the company, will build a strong culture. This is consistent with Denison and Mishras investigations highlighting involvement as a main factor, to assure employees feels connected, and some kind of ownership of the company, Denison (1984), using survey-based culture measures, showed that when employees perceive themselves involved and participating in the organization, it resulted in current and future financial performance. Denison and Mishra also highlight adaptability as a positive trait of culture, consistent with Ahmed et. al.

Culture however is not exclusively important for start-ups. The culture affects performance in both established corporation and start-ups, however the characteristics differs (Mishra, Denison, 1995).

There is a lack in terms of a thorough description of what culture is more fitting for start-ups, and what is more fitting for a mature company. Mishra and Denison is stating that involvement might be good in the beginning, but at a point in time, the company will be overly concerned with internal processes. A cultural development framework, related to a stage model for small business growth, would help entrepreneurs in developing culture to accommodate the needs in the different stages.

Environmental factors

Environmental factors are not a capability of the firm, but regulations or circumstances that the entrepreneur must adapt to. It has a direct or indirect impact on how easy it is to establish a new company. Policies may favor start-up and give tax advantages, a country such as Denmark is investing big sums of money each year in growth and entrepreneurs which is of course a positive circumstance. These factors have a crucial impact on access to finance, this is often politically decided whether investment in start-ups is on the agenda. OECD states several factors in the market and environment that impact the performance of start-ups, some of these are: administrative burdens for entry and growth, taxes, labor market regulation, competition and anti-trust laws. This is just to name a few to give an idea of the extent of affection from environmental factors. They are not a capability but still circumstances that affect performance (Eurostat).

Mazzarol et. Al explains the environment through a dependence theory perspective, and thereby explains that any new firm needs external resources and information to emerge. The environment is seen as a pool of resources; the degree of amount of environmental resources is by Dess and Beard (1984) and Castrogiovanni (1991) called environmental munificence and is proved to significantly affect start-ups. As stated in the paragraphs about network, Specht did in 93 conclude five main environmental factors affecting that affect start-ups in the formation stage: social; economic; political; infrastructure development; and market emergence factors.

The social is mainly referring to impact of networks (Marett, 1980; Gartner, 1985; Aldrich and Zimmer, 1986; Johannisson, 1988) and gaining social reputation trough connecting with the elites is very positive for the company (Gartner, 1985; Bull and Winter, 1991). Studies focusing on economic is related to the financial literacy chapter, as this is focused on the availability of capital (Cross, 1981; Storey, 1982; Gartner, 1985). Infrastructure, unemployment, education system amongst others, are also environmental influencers that have an impact of the start-up business.

Consider the discontinuing of net neutrality in the state. This can also be seen as changes in environment, and as a great challenge for new business, as they will loss visibility on the internet.

Substantive processes and Dynamic capabilities

Crucial to mention at the end, is the dynamic capabilities and substantive capabilities and processes in general. Zahra et. Al. describes dynamic capabilities as: *“essentially change-oriented capabilities that help firms redeploy and reconfigure their resource base to meet evolving customer demands and competitor strategies.”* (Zahra, et al. p. 922, 2006). The Dynamic capabilities are used when the company systematically generates and modifies its routines and processes when aiming for improved effectiveness. They are used to modify and create new ordinary *ways of doing things*, or often referred to as substantive capabilities. The substantive capabilities are the enacted well defined processes. These are often limited, and still under development and evaluation in start-ups. The purpose of the entrepreneurial company is to bring innovate products or processes, and thereby provide the market with something new. Hence, a capability that meet evolving demands and competitor strategy, is a necessary trait. Directly measuring the value of this capability is though. However, there is consensus amongst scholars that this capability produce indirect value at the very least (Hamel and Prahalad, 1994; Miller, 1983; Sathe, 2003).

The relation between dynamic and substantive capabilities, is thereby, that the dynamic capabilities ensure that the firms substantive capabilities change during time (Rindova and Kotha, 2001). This explains why it may sometimes be an indirect value, as there is no guarantee that the process is changed to a successful substantive capability. However, the ability to alter changes in accordance to external needs, is a strength. It can easily be related to culture, and the absorptive capability and is crucial to business in changing environment – for instance start-ups that is developing.

Managing processes towards substantive processes and exploiting dynamic capabilities is vaguely described in the context of small and entrepreneurial businesses, however often highlighted as crucial to SME's and large corporation. This gap in the literature is of little sense, as new ventures need unique and dynamic capabilities to survive, and gain the benefit of their innovations (Sapienza et al., 2006). For the company to adapt to the environment and assure growth, dynamic capabilities

and process management are simply crucial (Zahra et al., 2006).

Skills of the Entrepreneur and the other human resources

Crucial and central in the process of starting a business, is the founder(s) or the entrepreneur, who believes in the market gap, and are willing to take the necessary risk and put in the energy to exploit the potential of the gap. There is plenty of literature on the personal traits, and competencies of the successful entrepreneurs, as stated in the very beginning of this project. The managerial capital or business skills, are a key determinant for growth (e.g. Bloom et al, 2010; Bruhn, Karlan, and Schoar, 2010). As the other paragraphs about capabilities, this will not be described in-depth, but merely superficial, just to state how entrepreneurs differs from non-entrepreneurs and that this is a key determinant affecting performance.

In 1961, McClelland concluded that a characteristic was the need for achievement, Brockhaus added in 1980 that risk-taking is a major personality trait, and two years later added that entrepreneurs desire to control their own life, or desired autonomy, which is supported by Greenberger and Sexton in 1988. These are often the persons that will go into the entrepreneurial field. What makes them successful highly depends on their background, and the following factors of background is what impacts performance of the start-up. Previous employment is mentioned by Ronstadt in 1988 to have an impact, which relates to for instance the network chapter. The social network that the entrepreneur brings in to the company is crucial in the beginning. The great thing about social networks, besides giving access to a pool of resources, is that these relations are already trust based (Lechner and Dowling 2000). Further is mentioned education, family support, religion, (Mazzarol et al, 1999).

When searching for entrepreneurial capabilities, the above is a topic of interest to lots of researchers. This is due to the circumstances of the start-up company at the very beginning, where the owner is considered synonym with the business, he or she IS the business (Lewis and Churchill, 1983). However, within relatively short time if the company manage to survive, the start-up moves to a new stage. While still considered a start-up and entrepreneurial firm, the company can no longer depend merely on the owner to carry out every single task in the business. Somewhere along the development of the start-up, the individual capabilities of the owner are no longer sufficient, and the need for entrepreneurial firm capabilities arise in terms of trained human resources, hereunder skilled personal, and competent managers. However, when and how this transition occurs is lacking

detailed description in the current literature.

Gap

When reviewing the literature, the entrepreneurial capability is often researched and described as individual traits. However, when the company is growing it moves through the stages of small business cycle (Scott and Bruce, 1987). At some point in time, the skills of the owner must transition into firm capabilities. The capabilities that the entrepreneurial firm must achieve to impact performance positively, is highlighted in the review. However, there is great confusion as to when the entrepreneurial capabilities transition from individual towards firm capabilities.

Besides stating that dynamic capabilities are a factor that helps to constantly developing the business, little is written on how and when to develop from individual capability, towards firm capability. Processes, or process management capability is another gap in the current literature in relation to entrepreneurial business. There is plenty of focus on dynamic capabilities which is a capability that alter changes in the company. Further, there is plenty of literature stating the importance of substantive capabilities in SME's and large corporations. However, little is written directly on the importance of processes, and process management in relation to entrepreneurs, which implies another gap.

A firm's ability to build new capabilities, transform its asset base and reconfigure its processes and structures, in order to achieve new valuable resource combinations, is crucial for sustaining competitiveness in changing environments (Teece et al., 1997). Hence, engineering processes and promoting new organizational practices enhance performance. The dynamic capabilities are describing the capability to adjust in accordance to the dynamics surrounding the company. This is highlighted multiple times as an important entrepreneurial capability, that have at least an indirect effect on the firm performance. But besides stating the importance of being able to change, it doesn't support answers on when a process should be changed, or how.

When a start-up aims to growth through the stages of small business, towards becoming a mature company, one major concern is how to make processes more efficient, and repeatable, hence gaining substantive capabilities that are proved to impact performance positively. The objective is to gain substantive capabilities, as the muddling through processes (Lindblom, 1959) or chaotic, ad-hoc processes (Schweizer, 2012; Humphrey, 1987) isn't effective in the long run. When substantive

capabilities are the objective for lots of companies, and dynamic capabilities are one way to develop these, I believe that there is a gap in terms of how to properly manage processes during the stages of small business growth.

Combined, this leads to two gaps spotted in the review is:

- 1) the lack of literature investigating the transition from individual entrepreneurial capability, often referred to as entrepreneurial capability or traits, towards firm capabilities.
- 2) the lack of description on the importance of process management capability in entrepreneurial companies.

This dissertation aims to address the gaps found in this thematic review, as it is the authors' beliefs that entrepreneurs would benefit from a guidance on how to successfully transition through the stages, and develop capabilities to accommodate the need of rising efficiency of operations. During the analysis, all capabilities will not be taken into consideration, the investigation will be on, when the capabilities move from individual towards firm capabilities with a focus on how to manage processes development through the stages. This leads to the following research question for the analysis:

RQ1: When do entrepreneurial capabilities transition from individual capabilities into firm capabilities?

RQ2: How can an entrepreneurial start-up manage its' processes to become repeatable and efficient?

Theory

The thesis will include theories on small business growth as described by Lewis and Churchill in 1983 and business process management, BPM, as described by multiple authors. These will be combined with case data, and applied in the analysis to answer the problem statement.

Entrepreneurial stage model

A stage model will be included to explain the development in entrepreneurial business. It will be applied as a tool, to answer the *when* and *how* questions related to development of capabilities. Having stages to refer to when discussing the development or maturity of an entrepreneurial

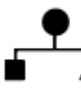




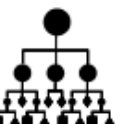






business, makes more sense than years in business, or number of employees, as entrepreneurial business develops in different speed, and have varying needs of employees.

Lewis and Churchill's stage model of small business growth

The five stages of small business growth (1983) by Churchill and Lewis, will be used as a theoretical framework in this dissertation to explain the different stages in the beginning of the entrepreneurial business. Held together with BPM, it serves to explain, when processes develop, and when the capabilities move beyond the individual capabilities toward firm capabilities.

EXHIBIT 3

Characteristics of Small Business at Each Stage of Development

	Stage I Existence	Stage II Survival	Stage III-D Success- Disengagement	Stage III-G Success- Growth	Stage IV Take-off	Stage V Resource Maturity
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organization						
Extent of formal systems	Minimal to nonexistent	Minimal	Basic	Developing	Maturing	Extensive
Major strategy	Existence	Survival	Maintaining profitable status quo	Get resources for growth	Growth	Return on investment
Business and owner*						

*Smaller circle represents owner. Larger circle represents business.

Figure 7 small business growth (Churchill and Lewis, p 38, 1983)

This framework aids in diagnosing problems and solutions to smaller enterprises, as: *‘The problems of 6-month-old 20-person business are rarely addressed by advice based on a 30-year old, 100-person manufacturing company’* (Churchill and Lewis, p. 31, 1983). For instance, new company has cash flow planning as a mayor paramount, whereas the established business is focused on strategic planning and budgeting, with coordination and operating control as crucial tasks.

The framework is developed as former stage models of companies neglected or didn't capture the important early stages in a company's origin. Furthermore, this framework considers other factors relevant for small new business when considering company size. Earlier framework would include measures related to annual sales or number of employees, this adds factors as value added, number

of location, complexity of product, and rate of change in product. All these new factors are related to the firms' potential performance.

Stage I:

The most influential concerns at this stage is, whether the company can gain enough customers, and deliver a product and service well enough to become a feasible business. Further, is the new born company able to expand from a single key customer, or pilot product to having multiple costumers. Cash is an issue as well, as any company demands cash in the starting stages, to develop the product, pay salaries and licenses, however at this stage the company rarely earns a lot. Hence, the cash concern regards whether the company can withstand the cash demand in the first stage.

Organization is simply structured, Churchill and Lewis states, that in this stage, the owner is synonym with the business, see illustration 1. Hence, the company is dependent on the owners' skill set, as he directly supervises associates, if there is any. He also provides the energy to the company, and the cash. There is low employee involvement at this stage, mainly due to the low number of employees, but further because processes and systems are not yet developed, and therefor hard to delegate. This means, that the demand for competent employees, are low as illustrated in figure 2. There is minimal or zero systems and formal planning, and the strategy at this point is to stay alive in business.

If the company gain a customer base and product capability it can transition into stage two.

EXHIBIT 5

Management Factors and the Stages

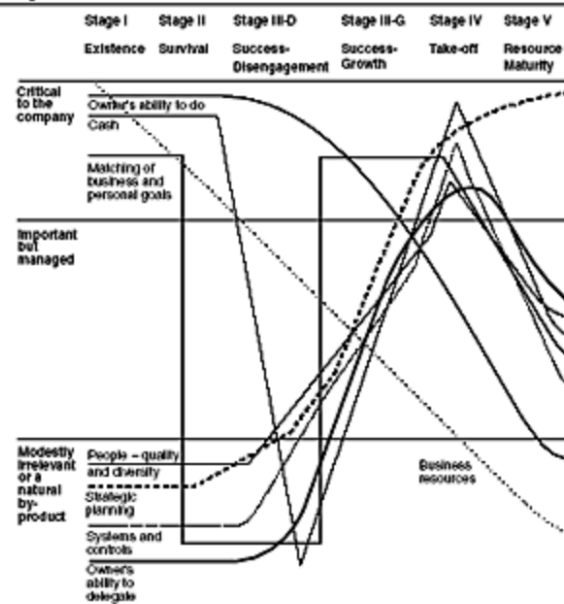


Figure 8 small business growth (Churchill and Lewis, p 42, 1983)

Stage II survival:

At this stage, the company has proved its right to existence. It has gained customers and provides satisfying products and services. Financially, the concerns change from whether there are enough financials to cover the cash demand in the start-up phase to whether they can generate a healthy relationship between revenues and expenses. Can the company break even and earn enough to grow to a sufficient size, that allows for earning a return on assets and labor?

Organization structure is still very simple, with limited number of employees, that doesn't yet get involved too much yet, but instead are carrying out orders from the owner. This means the owner is still synonymous with the business.

There is yet to be any developed systems of any kind, no processes, nor performance measurement. Planning is at best forecasting cash revenues, and the major concern is still survival.

Stage III Success:

Concerns here are whether to exploit the company's accomplishments and expand or keep the company stable. Representing the key of whether to use the company as a platform for growth,

what Lewis and Churchill refers to as a sub stage III-G company. Or as a supporting business for the owner, and partially or completely disengage from the company, a III-D company. The latter will create a supporting cash income for the owner, and he or she can continue on new projects.

III-D: true economic health is attained, it has grown to a competitive size considering the market and environment, and profit earnings are average or above. If the environment won't change and destroy the market, the company can stay in this stage forever.

Organization has grown to a size, where it requires managers to carry out some of the duties the owner used to be responsible for. Managers needs to be competent, however top managers are not needed yet, as their promotion potential is limited to the company goals. This is the stage where the first professional staff members come on board, usually as a controller in the office and a production planner. Basic financial systems marketing and production are in place. This allow the manager to carefully monitor the strategy, and in the III-D company the company is to maintain status quo.

Company and owner disengage more and more as the business mature, because managers are hired to carry out task earlier carried out by the manager. If the company want to move out of this stage, it is crucial that it can adapt to changing circumstances, otherwise it might drop a stage back to the survival stage.

III-G is not focused on maintaining status quo but on growth. The owner uses cash from the company, and borrowing capability and risks it all on financial growth.

Company must consider ways to develop managers, to meet the needs of a growing business. The company have to make sure to stay profitable, to nut out run its source of cash. Besides training managers, new managers should be hired to assure change in perspective from how to manage the company at its current state, to how should it be done in the future.

This sub stage has more focus on strategic planning, and the owner is far more involved than in III-D.

Stage IV:

Primary concerns at this stage is how to grow quick and how to finance the growth.

A mayor necessity here is the ability to delegate, involving managers and give them decision power. Organization becomes decentralized, and divisionalized, for example in sales department and production department. It becomes crucial at this stage to have key managers in the company, that are able to handle a growing business in a changing environment. Processes and systems are now much more refined than in the earlier stages, that was characterized by little or no systems.

The owner is no more synonym with the company, but still has a dominating role in the business. The demand on the owner is now a much bigger challenge, and only if he can manage the growing company, financially and managerially will it become a big business. Lewis and Churchill also states, that very often, will the owners meet their limitations at this stage, no matter how successful they have been in the first three stages. Failures at this level might be caused be delegating ineffectively, and thereby not make the company work. Or trying to grow too fast, and run out of cash. That is why the entrepreneur often is replaced at this stage.

Stage V

The concerns at this stage is control the financial gains, brought in by the growth of the company. Furthermore, it is mentioned that it is important to retain the advantages of being a small firm, that be, flexibility and entrepreneurial spirit. The company must be professionalized by more budget controls, strategic planning, management objectives and cost systems, but without losing the entrepreneurial qualities, which is a mayor paradox.

The organization is now decentralized, with well-developed processes, and skilled managers. Strategic planning is of high importance, representing that the company is now able to think long term, rather than short term focus on surviving as in the beginning stage.

Business Process Management Theory

Business process management, hereafter BPM, is crucial for modern competitiveness (Zairi, 1997). Further, it is highlighted as a current issue in the case company, and a gap in the literature within entrepreneurial research, therefor BPM will be described theoretically in this chapter. BPM isn't a single theory, rather a topic that has been described by several researchers. For this theoretical chapter, a review conducted on BPM in 1998 by Lee and Dale will be used as the basis for explaining BPM and the mechanisms. BPM is a relatively new term, as stated by Elzinga 1995, in

(Lee and Dale, 1998) *“Many companies are engaged in assessing ways in which their productivity, product quality, and operations can be improved. A relatively new area of such improvements is business process management (BPM) ”*. Developing processes, however, is not new. It is part of the European foundation for quality management, and has earlier been referred to as process-simplification, process re-engineering, improvement etc. Hence, before BPM was BPR, business process re-engineering, however BPM is chosen for this dissertation as it is the most recent and comprehensive framework, within business process thus far (DeToro and McCabe in Lee and Dale, 1998).

Processes are the activity, that link the operations of an organization to the requirements of the customers (IMI, 1994, I review). This basically means, that an organization can have world class products, but if the processes of either selling it, or delivering it the right way, or tailoring it to customers’ needs’ fails, then the operation of the organization is of very low to zero value. Processes are also happening within the organization, between organizational members, also here it’s important that processes connect departments together and function as a sort of glue between social actors.

BPM literature isn’t extensive, however enough is written to get an understanding of the topic. Several definitions are highlighted in Lee and Dale’s review and a couple of these will be included here to shed light on the term. DeToro and McCabe (1997) suggest that by implementing BPM:

“The organization is viewed as a series of functional processes linked across the organization, which is how the work actually gets done. Policy and direction are still set from the top, but the authority to examine, challenge and change work methods is delegated to cross-functional work teams.” (DeToro and McCabe, p, 113, 1997)

Here it is worth noticing, that again processes are described as *how things are carried out*, it’s the operationalization of the ideas in the organization. Further, part of the definition of BPM, are the delegating and direction. Zairi (1997) brings another definition to explain BPM:

“A structured approach to analyze and continually improve fundamental activities such as manufacturing, marketing, communications and other major elements of a company’s operations.” (Zairi, p 181, 1997)

Zairi’s definition presents that the tool is used to continually improve fundamental activities of the

company's operations, and also states it will enhance competitiveness of the business, especially if the business is global, operates with technology, and further within a field with frequent regulation.

When summarizing The BPM main purpose, according to most scholars it is to keep processes structured and aligned with overall company goals and visions, and assure efficiency and continuously improvements in all processes. With the purpose of BPM explained, the aim is now to explain how BPM works.

BPM is mainly concerned with processes that adds high value, and are concerned with leveraging. Therefore, the first thing task is to map and document the value adding processes within the organization. These will always be contingent on the type of business, for some it will be the product development, for some it might be the sale/service processes. Secondly, BPM relies on structures and documentation. This is crucial, as managing processes must be the basis of knowledge and documentation, rather than gut feeling. When the aim is to gain repeatable processes, that produces consistent quality, it is in-avoidable that processes needs plenty of testing before being systemized (Zairi, 1997). The need of managing processes often arise externally in the customer base. BPM is, much like balanced score card, based on measurement of performance indicators related to processes, and it sets up targets related to corporate vision and objectives. It is never static, but must be continuously improved, thereby BPM can be considered a managerial tool to alter and operationalize changes related to processes. However, there is still debate regarding this subject within BPM, is it a tool that must be understood by the few, or is it something that everybody in the organization must be involved in (Armistead et al. 1997). This is an unanswered question, but maybe the answer is that it depends on the culture in the organization and the degree of involvement the company practices (Denison and Mishra, 1995). The processes must be inspired by best practices in the field, to assure competitiveness, which emphasizes the importance of studying processes, and initiating simulation models for a trial-error process, and thereby developing the best-practice process. BMP is by some authors mentioned to be a paradigm that must be embedded in culture, but still without stating clearly in what organization level the responsibility lies.

Harrington (1995) states that BPM is a considered a top management task, as he says that any improvement starts at top management level, and further that it is the top management that are responsible for the vision. However, multiple other authors states, that a top down approach, will

undermine the employees, and cause resistance to change. Thus, multiple authors suggest some level of involvement of employees, to avoid resistance to change, to create a better working environment, give the employees some sense of what is going on, and use their knowledge (DeToro and McCabe, 1997; Elzinga et al., 1995, in the review article). The top down or bottom up dilemma, is basically a question of what culture the company has, or wants. Different approaches fit different contingencies and contexts. These different perspectives of BPM, will be discussed in the analysis in relation to the different stages in the small business cycle that will be presented in the next chapter in the theory section. The different stages puts' different demands on the organization in the different stages, which might offer some explanation to why there isn't consensus on whether to involve employees or only top management in BPM.

BPM activities

According to Harrington (1995), there is basically five steps in the BCM with 27 underlying activities (Zairi, 1997). To keep the chapter simple, the steps and activities are summarized in a figure, to give the reader an understanding.

Phase	Key activities	
Organizing for quality	Defining critical business processes Selecting process owners Defining preliminary boundaries Forming and training process improvement teams Boxing in the process Establishing measurements Developing project and change management plans	
Understanding the process	Flowcharting the process Preparing the simulation model Conduct a process walk-through Performing process cost and cycle-time analysis Implementing quick fixes Aligning the process and the procedures	
Streamlining the process	Process redesign (focused improvement) New process design (process re-engineering, process innovation, big picture analysis) Benchmarking the process Improvement, cost, and risk analysis Preferred process selection Preliminary implementation plan	
Implementation, measurements and controls	Finalized implementation plan New process implementation In-process measurements Feedback systems Poor-quality cost	
Continuous improvement	Major breakthrough in performance Process improvement must continue Natural work teams or department Improvement teams take over	Table I. The key activities of the process breakthrough methodology

figure 9 Key activities in BPM (Zairi, 9. 71, 1997)

According to Harrington, applying this methodology to improve processes will lead to major improvements in quality, administrative inventory and overhead cost reduction (Zairi, 1997). When implementing BPM, it is crucial to define critical business processes, as not all processes are equal. Step one might be to inventory all processes, and next identify core processes (Detore And McCabe, 1997). Someone holds a responsibility for certain processes, and this responsibility must be delegated. This assures that the process will be clearly understood, and that the process is monitored at all times, which allows for continuously improvement. The improvement will follow a plan do check act cycle that goes on as long as the company exist.

As there is no single theory for BPM, Zairi's rules for BPM will also be included, as they offer some importance that is not included in Harrington's' steps. Zairi have five steps; pervasiveness, ownership, documentation, measurement and inspection (Zairi, 1997).

Pervasiveness, is about getting the employees to understand and appreciate the upcoming implementation of BPM, and is concerned with getting an understanding of the BPM principles throughout the organization.

Ownership is much like Harrington's' first step. It is concerned with identifying all processes, and delegating these to an owner who are responsible for monitoring and improving. Documentation, is an addition to Harrington's' steps. This includes a customer perspective, which in current time is crucial to include. The processes must be modelled from end-to-end with no room for slack and improvising, to link customers to the processes and assure transparency. The modelling is based on thorough documentation related to customer needs, description of how to complete a process, control measures, what usage of information the process demands etc.

Measurement is the fourth step, and the key purpose is to measure everything possible that relates to cost, quality and time consumption. Processes are tracked in-process, meaning that there are performance measures during carrying out processes. The measures should be structured around critical steps in the processes, to meet customer demands, improve time spent, reduce variability and thereby increase efficacy.

As an on-going process, the process owners have to monitor performance and identify issues in order to fix the issues. The purpose is, as in step four, to reduce variability and enhance productivity.

The BPM will be included in the analysis, and summed up in a framework that suits start-up business during their first stages.

Analysis

In the analysis of the dissertation, the aim is to address the gaps found in the current literature. The gaps have shaped RQ1 and RQ2 and will be analyzed by applying Lewis and Churchill's small business growth model, and BPM from various scholars. Data from a single case of the growing entrepreneurial company Brandheroes will be included as well.

The review showed that many scholars have done research on the personal capabilities of an entrepreneur, their motives, and personal traits. A lot less scholars have researched the

entrepreneurial firm capabilities, but it is possibly to gather enough literature to get an understanding of the firm capabilities that affect performance in entrepreneurial business. However, there seems to be a gap in terms of when the capabilities transit beyond personal capabilities into firm capabilities, hence the first question that will be addresses in the analysis is:

RQ1: When do entrepreneurial capabilities transition from individual capabilities into firm capabilities?

The entrepreneurial capabilities that has an impact on performance, according to current literature, is as highlighted in review: culture, skills of owner, financial literacy, network, dynamic capabilities and environment as an external impact which the company must have the capabilities to adapt to. Amongst the article concerning entrepreneurial firm capabilities, very little is mentioned about process management capability, or process capability. It is however clear, that substantive capabilities, which is the power of repeatable predictable processes, is of high importance when a company goes into the maturing stage, and in both large small and medium sized business. The reason that processes isn't mentioned a lot in relation to entrepreneurial capabilities might be, that the processes are as sporadic and often changing as they are. However, gaining repeatable processes is crucial to become efficient and transit trough the stages which leads to the second research question:

RQ2: How can an entrepreneurial start-up manage its' processes to become repeatable and efficient?

When do entrepreneurial capabilities transition from individual capabilities into firm capabilities?

Starting a question with *when*, leads the thoughts towards a consideration of time, however time is not the factor used to describe when capabilities develops from personal skills to firm capabilities. When, must instead be considered in relation to the development stages of a small entrepreneurial business. The development from one stage to the next isn't following a time order, but depends on how quick the company matures and when the owner is willing or able to invest in expanding. The stages of small business growth might also help explain why entrepreneurial capabilities, in most literature, is occupied with the capabilities of the entrepreneur and not the firm. *When* can neither be

referred to numbers of employees, however growth in employees does put pressure on the business, in terms of developing procedures that can be delegated to the employees.

In the very first stage of Lewis and Churchill's framework from 1983, business and owner overlaps, this implies that the owner is synonym with the business, and at this point in time the owner(s) might also be the only employees. This is represented in the model by the white circle almost covering the black circle in the lower left corner in figure 7. As the organization consist of a small number of members, there is close to zero bureaucracy, which emphasizes the lack of need for business systems and procedures. This is mostly due to the cause that there isn't anyone to delegate to anyway, implying that formalizing *how things are done* wouldn't create value. Further, there isn't enough business knowledge to establish best practices. To be able to use best practices, the company first need an ad-hoc stage where different processes is tested, and over time it becomes clear what works, and what doesn't. If the company rushes into implementing best practices to be more efficient, these are probably not going to be well documented best practices, worst case scenario the company will implement practices that aren't appropriate and end up damaging the business. Implementing best practices from other business might not be a good idea either, as the context always impact the best way to do things (Zairi, 1997).

Considering figure 8, it can easily be derived that at stage one, the managerial/owner skill is crucial to the company, further is cash and matching personal and business goals. However, less important at this point is, the ability to delegate, quality of employees, delegation skills at the owner and systems and controls. This is much easier to understand, when considering the practicalities of a brand-new start-up, that is still operating in a basement and feeding of the energy of Pepsi and French fries and pure passion. The company IS the owner, the business is still on a project level, trying to figure out what leg to stand on, and therefore not in position to formalize or delegate anything. This gives some explanation as to, why most scholars have focused on the personal traits of the entrepreneur. Lots of articles are interested in researching motives for starting up as well as traits of personality, skills, level of education all related to the entrepreneur. The reason for the narrow focus on the person can be explained by researchers being concerned with the start-up, as it is in the very first stage explained by Lewis and Churchill (Lewis and Churchill, 1983).

Concluding on the first two stages, this isn't where the company and company owner separates, and capabilities transitions from individual to firm capabilities. Stage one is mostly dependent on the skills of the entrepreneur, and in this period the entrepreneurial capacity of the owner is crucial. These have been highlighted in the review as being opportunity seeking, risk taking behavior amongst a lot of other characteristics. Transition from stage one to stage two doesn't change anything, in terms of task allocation in the company, according to figure 8. The company has proved it's right to existence and gained sufficient customers to prove some product capability. The focus has switched from existence towards survival, which means that retaining customers and attracting new are crucial in this stage. Systems are yet to be formalized, but considerations concerning formalizing systems has begun. The owner is still synonym with the business and the number of employees are still low, and directly supervised. They are not directly involved in decisions making and simply carries out orders from the owner. Employees at this point in time is helping the entrepreneur to gain experience on the processes, and experiences may be shared with the owner. However, involvement is still on a low level, as are the responsibilities of the employees. In the case of Brandheroes, at this stage the few employees were getting a lot of responsibilities however little decision making authority was delegated. The owner delegated task that was part of a trial error process, to move towards understanding what works. At this point in time, there isn't written processes on how to do things right, which is consistent with Lewis and Churchill's stage two. The most crucial capability is still the skills of the owner, her or his ability to collect the right employees, and ability to move beyond the liability of newness and prove to customers that the product is valuable. Therefore, most of the business is still inside the head of, and deeply dependent on the owners. The company simply isn't mature enough to provide sufficient data to establish best practices. Hence, stage two is not the stage where capabilities transition from owner capability to firm capability. The company start to get more organized, as seen in the organization diagram at stage II, supervisors or middle managers are hired to take some pressure of the owner, and allow him to focus on strategic levels and attracting customers. This implies that the need for repeatable systems is becoming present.

Continuing with Lewis and Churchill's framework, as the tool for analyzing which stage entrepreneurial capabilities transition from personal to firm capability, stage three seems crucial. Stage three is divided into two sub subcategories, with different objectives. However, equal for both is the following factors:

- Need for quality employees rises.
- Owners' ability to do things on his own gets less crucial.
- Systems and controls must be developed.
- Strategic planning becomes crucial, longer perspective vs short term perspective.

The factors imply, that a major transformation of the start-up is happening at this stage. Further, the factors are interrelated, such as the owners' ability to do things is lowering simultaneously with a rising need for quality employees. As the company has become larger and more complex (figure 7), more dependent on employees (figure 8), and the day to day survival mode is exchange by longer term strategic planning, a need for systems and controls becomes urgent. It is shown in figure 8 by system transition from irrelevant to important. The degree of importance of these factors in stage three, depends on the sub-stage. Whereas Three D put less pressure on the mentioned factors, three G stresses the importance of regulating the factors mentioned. This is roughly due to the ambition level and purpose of the business, three G stage companies attempt to expand and further growth, whereas three D attempt to maintain status quo and stay in this stage (Lewis and Churchill, 1983).

In terms of transition from entrepreneurial capabilities toward firm capabilities, it might seem that three G is closer to achieving this, as there is pressure on developing all the factors in a higher degree, then in three D. However, considering the business/owner relationship in the bottom of figure 8, it becomes clear that in three D the owner and business is more separated then in three G. Further, Lewis and Churchill explains that three D is a company that somehow is closer to have achieved its' potential, and becomes a side business for the owner, as he moves on to establish new business (Lewis and Churchill, 1983). For this reason, the owner has to delegate and separate himself from the business as he now has other concerns. Therefore, it might seem that Three D business is close to have transitioned from entrepreneurial capabilities toward firm capabilities. The company has come to a state, where it is able to maintain status quo, with little intervention from the owner. Therefore, it has developed business systems to a basic level, allowing employees to continuously offer consistent quality and thereby attaining customers without focusing on gaining new customers. This type of company has transitioned towards its potential in a higher degree then a three G company, and thereby has developed firm capabilities. However, despite the fact that three D is more complete relatively to its objectives, exactly the objectives might be what separate these two companies. Three G has ambitions on further growth and expanding, and for that to be

possible, the company must continuously develop systems to meet the rising requirements of efficiency. Comparing processes in a three G and three D, the three G processes are probably more developed, however the owner has large ambitions and therefore knows that further development is needed to be able to decide on - and implement best practice processes. This explains why the company and owner is strongly attached, as the company still needs the energy and motivation provided by the owner, to keep developing. To be able to transition towards the next stage, the owner knows that systems must be developed and process repeatable and efficient, as the pressure on a mature company is even larger due to several factors such as higher quantity orders, larger customers and larger overhead cost.

Three G business however, is still climbing the ladder of achieving tremendous success. Systems are still not formalized but are developing and are even more crucial in three D business. This can be explained simply, as a business that aims to grow to a large mature business, is dependent on repeatable well documented processes, to be efficient. Only a three G business transitions into a stage four company.

The transition into firm capabilities

At stage three G several capabilities that can be considered firm capabilities appears. Financial literacy is crucial, as a major concern is to get the cash to support further growth. The Brandheroes story underlines the importance of financial literacy, as a well performing start-up is getting severe attention from investor. Choosing the appropriate financial solution, while simultaneously avoiding to give up a large stock of the company seems important. Until this stage, the owner might have been able to finance by having a side job, or borrowing from the bank and hiring low cost employees. But to develop from here, external capital is needed, therefore the company must have the capability to navigate amongst the financial alternatives.

Human resources are becoming a firm capability as well. Until this stage, the owner has been the main human resource, but to keep a high quality even when the owner isn't involved in a task, the company must attract or develop employees to a higher skill level. This is achieved at stage three (G), and therefore, the company has transitioned from skill of the owner to have *human resource capability*. The need for trained employees is stated in Lewis and Churchill's article, and the rationale is that the company is growing in terms of employees which fosters the need for middle management.

Substantive and dynamic capabilities is highlighted as crucial in the review, further it is stated that a business can't have substantive capabilities from the very beginning, hence this is more of a firm capability. The way to achieve substantive capabilities is, to have dynamic capabilities, and thereby being able to spot new and/or better ways to *do things*. At stage three, whether it is G or D, substantive capabilities have been achieved at some level. This comes clear as Lewis and Churchill states, that at this stage there is basic or developing business systems. It can be argued, that dynamic capabilities are less crucial for a three D company, as the objective is to maintain status quo. However, a three G company relies on dynamic capabilities, and thereby the skills to keep improving, staying dynamic, agile and innovative to stay on top of business. This is highly related to the culture in the company. In Brandheroes, the company is currently in stage three G and preparing for take-off. This has the practical effects, that processes are being more structured while still developing, hence more controls occurs and a small degree of micro-management becomes necessary. This creates a paradox, as it is the great energetic culture that has helped shape the company, and it is inevitable that all these changes, will affect and perhaps stiffen the culture. It transitions from a high degree of internal focus towards an external perspective (Denison & Mishra, 1995), meaning the company becomes more focused on the customers, while remaining flexible. For a three D, the culture will switch focus to establish stability and consistency (Denison &

Mishra, 1995).

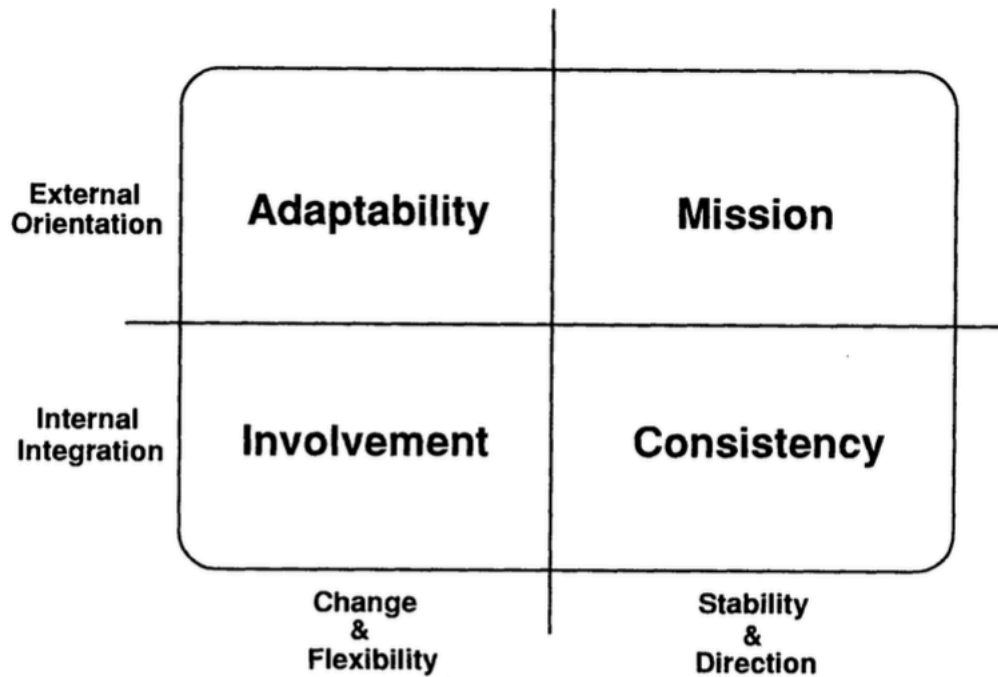


Figure 10 cultural traits (Dennison and Mishra, p 216, 1995)

The key point, when relating culture to dynamic and substantive capabilities, is that a three G company must keep in mind, that even though it aims to gain substantive capabilities, it must remain agile. Furthermore, employee values must be aligned with the corporate value, by developing and communicating vision, mission and value (Sadri & lees, 2001). Further, it is crucial that the energetic culture that helped the start-up succeed, is maintained while becoming more structured. Culture is crucial amongst all stages, but develops during the different stages of the company. There is no right or wrong culture, but it depends entirely on the objectives of the company. At stage three the culture must be formalized to scale it to new departments.

Finally the network capability develops from being a personal network of the owner, towards becoming an integrated part of the company. In the case of Brandheroes, it comes visible as the owner letting employees get the full responsible for some of his or her business relations. Further, it is expressed by formalizing business relationships by written contracts, partnership agreements etc. A three D company relies on the network that is established at this stage, while a three G still develops and build new business relationships in several ways. In Brandheroes there a position has been developed, with the sole purpose of attracting business partners to tap into their network and

thereby expanding the existing network position. At this point, the network will come handy if the business plans to expand across borders as well – having knowledge of foreign markets or a potential customer base in a foreign market is extremely valuable when internationalizing the business.

To sum up, stage three is where the transformation becomes visible to externals and to employees in the company. From here it keeps developing until stage five where the company has matured and formalized its entire business. At this point the company may start to slow down the expanding activities, and the objectives switches towards creating stability and achieving a return on the invested time and financial investments (Lewis & Churchill, 1983). At stage five, the entrepreneurial capabilities, are fully transitioned into firm capabilities.

How to manage entrepreneurial processes into becoming repeatable and efficient?

There are multiple concerns that is related to process management, a typical issue may be to know when the company has done sufficient testing, validating and documentation to establish repeatable processes. Repeatable processes are crucial for efficiency, transparency and stability, if developed properly. However, if processes are consolidated on gut feelings, and few critical success's, chances are that they will damage the company. Consider this terrible example: A company wants to deliver packages as part of their business, and currently has two employees, one is Usain Bolt, the fastest man on earth, the other is an old man in less good shape. Usain is running around daily to deliver packages, and the old man is cycling. Each day Usain gets done first, so the manager concludes that delivery processes is faster by foot then by bike. This is selecting processes on a not-well documented hence biased foundation, and will definitely harm the business.

The objective of this chapter, is to offer a tool that helps start-up developing processes continually to keep up with the demands, in their current development stage. The purpose is to combine the business process management tool with activities from figure 9, with the knowledge of the small business framework, to investigate when the timing is right to focus on the different activities in BPM.

As mentioned in the theoretical chapter, the BPM is mainly concerned with processes that adds high

value. Therefore the company should focus primarily on their core value adding processes. In the case of Brandheroes these processes are, selling activities, and influencer matching and communicating activities. Within the core functions of the business lies several key processes, and supporting process, and according to Harrington the first task in BPM, is scan for and define all the critical processes, further to select a process owner and establish measurement (Harrington, 1995). Relating this to a start-up, several issues appears. First off, the processes are still on an ad-hoc level, which practically means that there is a hundred ways of doing things. Secondly, the low number of employees makes it less crucial, as the owner is also the employee, he or she has a good feeling of what works and what doesn't. At the very first stage, the BPM can be initiated as the company starts to get aware of its critical business processes. However, these must be well documented and tested before moving on to the next phase in BPM, which is understanding the processes.

Phase two is concerned with aligning the processes, and perform a process life cycle cost analysis. Relating this to the stage model discussed in the former chapter, these activities can start in stage two. At stage two in the small business growth model, the company has proved its right to existence and is developing business systems, hereunder processes and measurements, from non-existent to a minimal. As the company has successfully transitioned to stage two, it has achieved a customer base, and is now able to reflect upon what critical events turned into a sale. At Brandheroes, the few employees at stage one was selling cold canvas style, and tested several uses of their service and several ways of explaining the use of the services. After 6-12 month, a thorough evaluation was made, to consider which selling methods and products had worked the best, and how to tweak the product into meeting customers' demands. As process management is an ongoing iterative process of hermeneutic character, quick fixes are done continuously as an optimization step. In a start-up company, the first quick fixes may occur in stage two, and the rationale for this statement is, that before fixing processes, the company must be aware of and understand its' own processes. Quick fixes may happen several times in stage two, before the company moves towards stage three. At stage two, the company has been through phases of identifying and designing processes, and delegating the process to process owners. The organizing for quality phase, or design phase as called by multiple authors, is the first step, but a step that the company will return to eventually.

At stage three (G), the company starts to improve, and build a foundation for 'take-off'. To grow into a mature business, the company must build stronger processes, as substantial repeatable

processes are crucial for efficiency. It is crucial to be aware of which processes offer value for the customers', and focus on optimizing these, as the business paradigm has changed towards customer driven (McAdam, 1996). This was the case in Brandheroes, as it was discovered that customers rather wanted full service processes, than self-service, which resulted in changing and building processes to accommodate customer needs.

In stage three, the company is able to consider phase three activities from the BPM methodology. With severe experience from multiple customers, some level of business systems in terms of process measures, cost analysis, cycle time analysis etc. there is sufficient knowledge to further improve processes, and redesign them after testing those implemented in phase two. The company is now streamlining and executing the processes while preparing them further for expanding.

In stage three the BPM activities from phase four can be carried out as well. This is, especially three G, a preparation stage, where the company streamline processes to get ready for take-off into becoming a mature company. New processes are implemented and executed, with severe quality measures. The measures and controls are meant for managers to monitor the performance of the newly implemented processes. This automatically leads the analyzes to stage four in the stage model of small business growth, this is the take off stage. It is only briefly touched in the analysis, as this is the stage after the capabilities starts to transition into firm capabilities. This comply with the processes now being developed, implemented, structured and measurable. Hence, phase four activities within stage four in the development stage, is concerned with implementing the repeatable and substantial business processes.

During stage four, and perhaps into the maturity stage five, the BPM activities are related to monitoring and optimization. The improved processes should at this point, affect performance positively as variabilities in processes has been minimized, processes are delegated to responsibility owners, and they have been under evaluation for sufficient time to state what processes were critical for success and how to carry them out.

As mentioned in the beginning, BPM activities is an ongoing process. The continuous improvement or optimization phase, may result in a redesign leading the activities back to phase one. Any company will over time, collect more and more knowledge, and data on customers, internal processes, costs etc. Therefor the optimization is an everlasting project that may occur on different scales. It may be quick fixes along the way, it may be a disruption of the operation resulting in new

process owners, and new process in general. The rationale for a continuous development of processes is, that the external world is changing, and a company must be able to adapt. Hence, the dynamic capability and an absorptive culture will impact the BPM.



Figure 11 BPM for start-ups own modelling. The stages refer to those of Churchill and Lewis, the P's refer to the phases of BPM.

Further research suggestions

Lastly in the analysis, I will suggest further research into where the responsibility for carrying out BPM activity lies amongst the actors of the company. Multiple authors suggest that it is a managerial task (Harrington, 1995), while others state that neglecting bottom up signals will disengage the employees (Armistead et al. 1997). This gives some complication, as it is stated in the cultural section that employee values must be aligned with the corporate value. Thereby, if pushing new processes and ways of doing things upon employees without stating why and how, it may give some resistance to change. It would be interesting to investigate, whether the responsibility differs, and follows the pattern and development of the culture – hence transitioning between high and low involvement dependent on the stage.

Conclusion

During this dissertation, the objective has been to investigate when an entrepreneurial company starts to build firm capabilities to improve performance. By using a stage model for small business growth, it has been analyzed when capabilities move beyond personal capabilities towards the firm capabilities that was found to impact performance. Further, the project offers some explanation to why scholars are focused on the personal traits in entrepreneurial research. Lastly, the project gives suggestions on methods for transitioning processes during growth in the different stages.

Being focused on the personal traits of the entrepreneur, may very well be explained simply by considering figure 7, this illustrates that the owner is synonym with the business at least up to and including stage two. In relation to this, it may be debated for how long a company is actually a start-up and when it is an established business. When firm capabilities start to develop and routines arises, the company may very well have moved beyond being a start-up and has successfully transitioned into an established business.

It was found in the analysis that capabilities transition from personal capabilities towards firm capabilities when, the company grows in employees and delegation and managers are needed, this gives a natural demand for more skilled personal, hence the need for HR capability arises. When the company has proved product capability and aims to further growth the start-up needs to develop some process capability, to be efficient and measurable and thereby optimizable. Further, when the company gets into the financial jungle, as funding's has become a necessity for further growth, financial literacy becomes crucial. It was found, that most of these 'needs' arises in stage three in the stage model. Further, figure 8 illustrates that in stage three, the owner's ability to do is decreasingly critical, whereas corporate concerns gets more critical. For instance, strategic considerations become of high importance along with the above mentioned.

Stage three may very well represent, the last stage of being a start-up before taking off into being a mature established company. Capabilities may not develop simultaneously, but in terms of putting a time-label of when the transition from personal to firm capabilities occurs, most of this develops in stage three.

The project also touches the subject, of how to successfully accustom processes to transition and develop with the need of the company and its' surroundings. For this, a BPM approach was suggested which function as a plan-do-check-act method that is existing as an ongoing process

during the entire lifetime of a company. Specifically, for a start-up, the entire steps of the BPM may not be carried out in each stage. The reason is, that there is sufficient knowledge to support decision making in stage one, and a crucial learning point from the BPM considerations is to base processes on critical documentations of value creation and success. Therefore, a company can't rush into developing substantive processes, even though substantive processes is crucial for growth. This is a paradox, that can only be solved by proper process overview, delegation, documentation and measures, that allow the company to develop best practice processes.

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Appendix

Case description including interview

The single case presented for this project is a company description including an interview conducted with COO, owner and founder of Brandheroes, Rasmus Arendt Nielsen.

The founders started the company in 2016 with a dream of making influencer marketing more

trustworthy, less expensive and less complicated. With a history in media bureau business, they used to engage huge influencers such as celebrity footballers, or paradise hotel personalities as part of campaigns. Quickly the big influencers found out, that they could make tons of money simply by positioning brands in their social media feed, which gave to major issues: 1) the price for collaborating with these influencers blew out of proportions. 2) The integrity lowered, as influencers participated in any campaign as long as the reward was good. However, the owner still believed that marketing shouldn't be more complicated than to put the product you wish to sell, on the coolest person in town.

This led to a conversation and an application to Instagram concerning getting permission to build a platform based on Instagram API, to be able to get data from Instagram. Based on that Brandheroes build a platform, that allowed to set a pin on any location worldwide, and get a gross list on the most influential person living in that local area.

At first the newly developed software was meant to be sold as a self-service product. But quickly sales staff found out, that it was better to offer full service, which led to Brandheroes making a coordinator/project leader department, with coordinators that were hired to identify and activate influencers.

Today, Brandheroes have executed campaigns for more than 250 brands worldwide, for instance Bestseller worldwide, Estee Lauder and their ten brands they own, Spotify, Sony Music etc.

A Major concern of Brandheroes now, is to get ready for further growth into becoming a mature business. The company has been growing from 3 employees, including owners in 2016, to 25 employees at this day. The company must be able to develop repeatable cost efficient processes, and the owners' needs competent human resources, as the entire work burden can no longer rest on their shoulders alone.

Transcription

How will you describe the processes in the beginning of your company? There really weren't any, it was all a trial-error process, based on our combined knowledge and experience in the media business.

When did you start to consider working with the processes? As soon as our customers had validated that our product had some potential, we hired employees and knew that we could no longer depend on a hope that people would find a way to gain results. We had to begin focusing on leveraging our services in a valuable way.

Did you do any cost analysis of the processes? Yes, at the beginning we had a fixed price of 1000 kr per activated influencer, however after executing several campaigns we found that the task where demanding much manpower for coordinating trough a cost analysis. Afterwards the priced where changed to 1275 per activated influencer.

What has been done to effectuate process? The company is divided mainly into two functions: coordinators and sales personal. The coordinators eventually discovered what information's where needed, and developed a brief template. This allowed the company to transition from dealing with the customers on ad-hoc basis, to develop a consistent approach. Sales employees started out selling cold-canvas with multiple services, but after six month it was discovered that not all the offerings where appreciated by customers. For instance, we started out wanting to sell the software as self-service, but discovered that customers rather wanted full service – so we started hiring coordinators to carry out the processes related to activating influencers.

How are you preparing for further growth? Post on Demand. We just launched a much more scalable service, with minimum handling. We have also set up weekly sales meeting, and weekly follow ups. We have started using tools as pipedrive, to keep track with sales, and have sheets in excel where we keep track on both sales, and activated influencers. Practical things, such as developing contact proposal to reach brand, is another thing. This allow the sales personal to simply edit the proposal to fit the brand, instead of developing proposal from scratch for each customer.

Considering the time order, what will you say you did and in what order to build processes. First, we had to simply try a bunch of things, and most of the things carried out where done by me or the other owner and we could do some self-evaluation on what worked and why. Then we started to figure out what the customers wanted, and we focused on the processes relating to leveraging and thereby developed functions in the company.

Are you done yet? No, we are just starting to really get into building a more corporate business and what follows. We don't wish to micromanage, but we want to build systems that are transparent and measurable for us to keep optimizing, and to assure consistent executed campaigns. It is no longer good enough to build new relationships, we must deliver ad quality well enough, for us to build lasting customer relationships.

Is it a top-management task? That's a tough question. I believe we have some responsibilities in drawing the bigger lines, but that we have to engage and involve the employees as well, as they build up severe knowledge when working here full time.

Did you ever consider that the company can no longer depend on your personal skills, and you need to build capabilities for the company to succeed? Yes, every time I hire a person, that is basically what's going on. As soon as we started to grow, and have proved our right to stay in the market, I knew that we had to become more professionalized and couldn't depend solely on me.

When was that? After a year or so, I couldn't manage everything no longer so we needed systems to become more efficient and to assure leverage and quality.

What will you say, where the most important things for the company at the beginning? Definitely network. And selling skills.

End