

Growth Opportunity Development in High-Tech Entrepreneurs

Business Objectives, Human Resources Orientation and Competitive Advantage

¹Benjamin P. Fath, ²Antje Fiedler, ³Glenn Simmons, ⁴Hugh Whittaker, Ph.D.,
and ⁵Philippe Byosiere, Ph.D.

¹²³⁴University of Auckland, Business School, 12 Grafton Road, Auckland, New Zealand

⁵Doshisha Business School, Doshisha University, Karasuma-Imadegawa, Kamigyo-ku,
Kyoto 602-8580, Japan

¹ b.fath@auckland.ac.nz, ² a.fiedler@auckland.ac.nz, ³ g.simmons@auckland.ac.nz,
⁴ h.whittaker@auckland.ac.nz, ⁵ bbyosiere@mail.doshisha.ac.jp

Abstract

The relationship between business objectives, human resources orientations, growth limitations and competitive advantage is investigated for four past-future growth opportunity types (exhausted, turnaround, maturing, continuing) for Japanese High-Tech entrepreneurs. The results indicate that entrepreneurs perceiving continuing growth opportunities show clear all-embracing relationships between business objectives, human resources orientations and competitive advantage with a thoughtful concern for growth limitations. Firms characterized by exhausted, turnaround and maturing growth opportunities show less comprehensive relationships among the four constructs. Concluding, we find that the past performance is driven by a relationship between the business objectives of the founder and competitive advantage, while the perceived future growth opportunity is largely determined by the strength of the relationship between the founder's business objectives and HRM orientations.

The concept of opportunity has become the central concept in entrepreneurship research. In particular, the question as to why some people and not others perceive opportunities for wealth creation has become paramount to entrepreneurship research (Gregoire, Noel, Dery, & Bechard, 2006; Schildt, Zahra, & Sillanpaa, 2006). In a recent review of the literature on opportunities Short, Ketchen, Combs Jr., & Ireland (2010) argue that the study of opportunity has yielded great insight in the past whilst providing a capacity for future development.

At the same time, studies in the field of entrepreneurship have become increasingly interested in questions about the sustainability of the entrepreneurial business. Ardichvili, Cardozo, & Ray, (2003) argue that entrepreneurs develop opportunities over time and that the process of opportunity development is influenced by a number of personnel and situational

differences. First, there is evidence on the personnel level suggesting that the growth motivation and business objective of the entrepreneur affect growth opportunities (Baum & Locke, 2004; Wiklund & Shepherd, 2003). Second, there are number of situational factors influencing perceived future opportunities such as the perceived competitive advantage (Choi & Sheperd, 2004), the human capital within the business (Ireland, Hitt, & Sirmon, 2003), or the perceived limitations of the business.

We developed a typology based upon the past financial performance and the perceived growth opportunity four types of entrepreneurial growth opportunity were identified as presented in Figure 1.

<i>Growth Realized Opportunity Decline</i>	<i>Maturing Opportunity -3</i>	<i>Continuous opportunity - 4</i>
	<i>Exhausted opportunity -1</i>	<i>Turnaround opportunity -2</i>
	<i>Absent</i>	<i>Perceived Future Growth opportunities</i>

Figure 1: Past-future growth opportunity typology

The four specific types being: **Exhausted opportunity**, representing a situation in which entrepreneurs experienced a decline in the business over the last two year, and do not see further opportunities to grow. In other words, the opportunity is exhausted. **Turnaround opportunity**, entrepreneurs have experienced a decline in past financial performance but perceive future growth opportunities worth pursuing. Hence envisage a turnaround in financial performance. Contrary to the first two conditions in which past financial performance declined the next two conditions are based on increased financial performance. **Maturing opportunity**, despite increased past financial performance the entrepreneur does not expect growth in the future. **Continuous opportunity**, entrepreneurs have experienced increased financial performance and foresee a continued growth opportunity in the future.

Based on results of our previous research (citation withheld) we apply a theoretical model including four constructs reflecting past growth and perceived future growth in terms of the entrepreneur's business objectives and the competitive advantage facilitated and/or constrained by the internal and external environment. More specifically, the vision (personal business objectives) of the entrepreneur is widely considered to be a precursor to innovation and growth ambition leading to a form of competitive advantage. HRM orientations/philosophy by the entrepreneur and external environmental limitations may facilitate or hinder growth of entrepreneurial firms. (Citation withheld).



Figure 2: Theoretical model

The central thesis in our paper is whether the relationship between the founder entrepreneur's objectives and sustaining competitive advantage differs for firms that have exhausted, turnaround, matured and continued growth opportunities.

Methods

The company, sample and survey instrument

The data were collected through a self-administered paper and pencil questionnaire from 170 founding CEO entrepreneurs in high technology environments in Japan. The final sample yielded 59 continuing, 55 turnaround, 24 maturing and 32 exhausted growth opportunity entrepreneurs. The questionnaire comprised of several sections regarding entrepreneurship and SME strategy, and was developed on the basis of qualitative interviews with founding entrepreneurs in order to reflect the different types of opportunities and business creation, collaborative efforts, entrepreneurial orientations and innovation start-up firms ought to possess in order to function effectively in today's competitive environment. Based upon the predetermined past-future growth opportunity typology we focus on four sets of variables and the relationship among them: 12 items measuring business objectives, 11 items measuring the competitive advantage, 10 items measuring the HRM orientations and 10 items measuring growth limitations of the firm (Figure 2).

Exploratory Factor Analyses: (Factor analyses not included due to space constraints)

Business Objectives: Three factors reflect the founder/CEOs business objectives They are “Japan principles/Stake (business which will exist without me, balance between work &

home life, stable/positive environment for employees, build reputation for excellence), “social contribution and satisfaction” (make a contribution to S&T, prepare for exchange listing, contribution to well-being of society, maximize enjoyment/satisfaction) and “founder investment” (maintain involvement in business, maximize returns for owners)

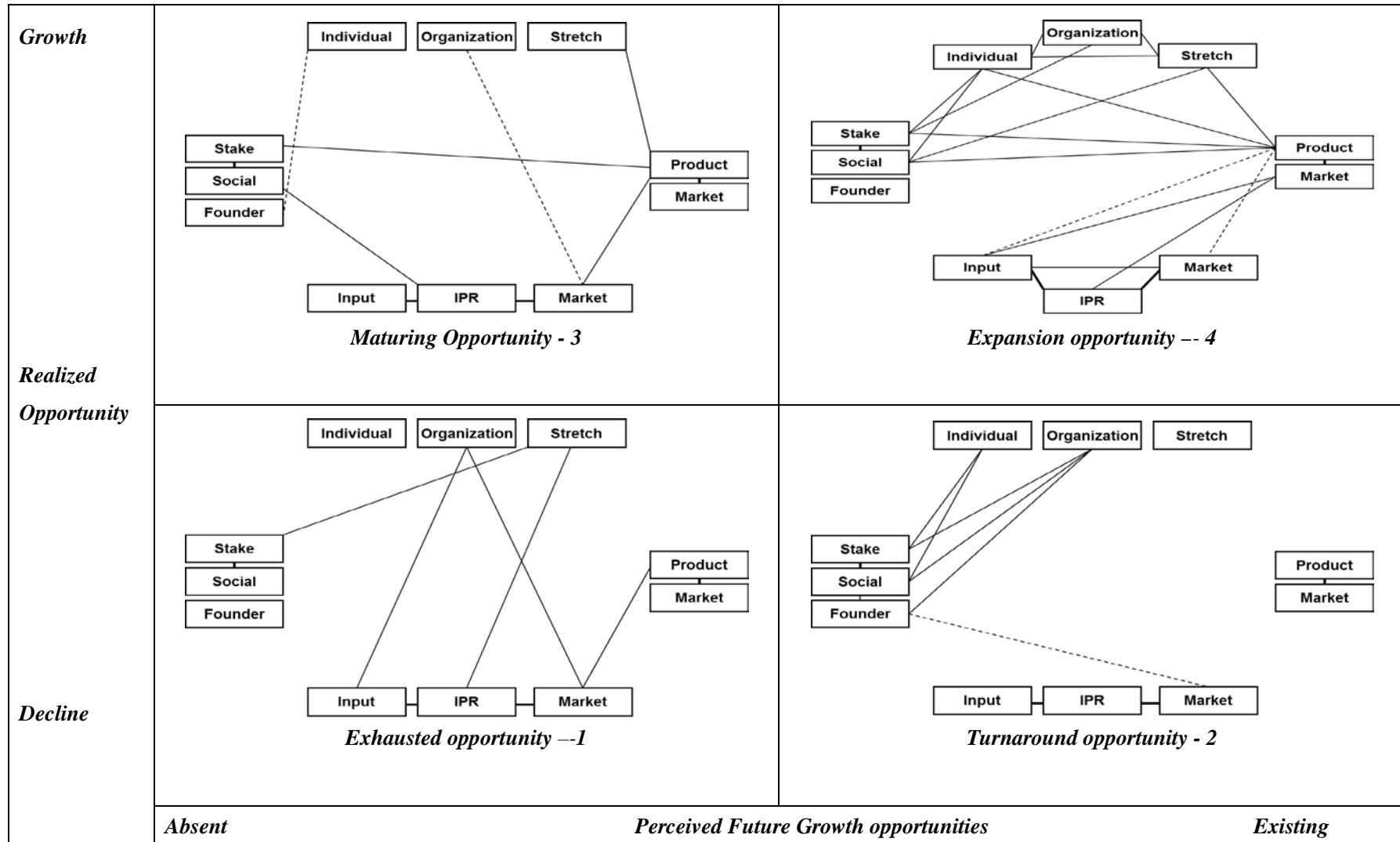
Competitive advantage: Two factors represent the founder/CEOs perception of the firms competitive advantage. The two factors are “superior product” (technological/scientific expertise, first in market, design, price/cost) and “market presence” (marketing and promotion, speed of service, established reputation, range of products/Services).

HRM orientations: Three factors represent the orientations and beliefs regarding human resources in the firm. They are “organizational” (attractive physical working environment, good welfare and fringe benefit package (foreground), flexible/family-friendly work arrangements, stable and supportive work environment (background), “individual” (autonomy in decision-making, incentives for individual excellence, training and education, giving employees a financial stake in the company) and “effort–reward stretch” (paying top rates, giving challenging job assignments).

Growth Limitations: Three factors are retained representing the limitations founder/CEOs face in growing their business. They include “input limitations” (management skills, manual/clerical labor, S&T expertise, finance), “technology and new markets” (new technology, growth in demand, new markets, sales/marketing skills), “IPR” (IPR protection, acquisition).

Regression Analyses

In order to determine the effects of business objectives, human resources orientations, growth limitations on the founder/CEOs perceived competitive advantage we conducted hierarchical regression analyses for each of the four types in the past-future growth opportunity typology. The results reveal significant regressions for all types and very interesting differences between them. For purposes of clarity, rather than providing the regression models (not included because of space constraints), we opted to include a visual representation of the results revealing the relationships between the business objectives, human resources orientations, growth limitations and competitive advantage for each of the four types (Figure 3).



Results and Discussion

The relationship between business objectives, competitive advantage, HRM orientations and growth limitations are discussed for each of the four past-future growth opportunity types. The first type represents firms that are characterized by a past decline in growth which are named **exhausted opportunities**. These entrepreneurs are also not confident that are able to reverse the decline in the future. The model reveals that there is a clear disconnection between the entrepreneurs' personal business objectives on the one hand, and their HRM orientations and competitive advantage on the other hand. The entrepreneur has become largely alienated from the business and its market. There is no relationship between the entrepreneur's objectives, the competitive advantage and the market resulting in a situation where HRM orientations as well as the competitive advantage are mainly determined by growth limitations rather than by the business objectives of the entrepreneur. Hence, the business constrained from growing.

Second, entrepreneurs who perceive a **turnaround opportunity** are also disconnected from the market. Despite a decline of the business performance over the past two years, these entrepreneurs are optimistic that they have future growth opportunities. Instead of focusing on the market they foster strong relationships between their business objectives and the internal HRM orientations of their firm. As a result, the entrepreneur clearly controls the internal environment of the firm. But, this internal focus comes at a cost - the business remains disconnected from the market, and neither the HRM orientations nor the personal business objectives influence the competitive advantage. This situation implies that the entrepreneur is over-integrated in the business. The strong focus on the internal strength of the business, however, results into a positive assessment by the entrepreneur of future opportunities for growth.

In contrast, entrepreneurs who perceive a **maturing opportunity** are concerned about the future and believe that the future performance of their business will remain stable or decline, in spite their past growth. The model shows a positive relationship between business objectives and the competitive advantage, indicating that entrepreneurs' objectives are aligned to their competitive product advantage. However, entrepreneurial objectives and HRM orientations are negatively correlated. This means there is a negative relationship between the entrepreneur's objectives and his HRM orientations, which suggests the entrepreneur is disconnected from the business. This indicates that the entrepreneur believe that the opportunity matures due to internal rather than external constrains.

Finally, for entrepreneurs that perceive a **continuing opportunity** there is a fit between the entrepreneurial objectives and the business, which is represented by a

positive relationship between the entrepreneurs' objectives and HRM orientations. There is also a positive relationship between HRM orientations and the competitive product advantage. Hence, there is a fit between the business objectives, the internal environment and the competitive product advantage. Furthermore, there is a positive relationship between the competitive market advantage and market limitations. Therefore, entrepreneurs that perceive a continuing opportunity are also aligned to their external environment in terms of the competitive market advantage. Interestingly, limitations neither influence the business objectives nor HRM orientations. They only influence competitive advantage.

To conclude, the evidence suggests that the past performance is positively influenced by an existing relationship between business objectives and the competitive advantage. This relationship does not exist for entrepreneurs who experience a decline in their business, but is significant for firms that experienced past growth. For a perceived future growth opportunity, on the other hand, the relationship between the entrepreneurial business objectives and HRM orientations is crucial. Entrepreneurs that have a positive perception about their future performance have a relationship between these constructs, while this relationship is weak or missing for those that have a negative perception about future growth opportunities. Overall, the model shows that the perception about future growth opportunities is primarily driven by the fit between the founders' business objectives, and internal HRM orientations.

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