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**Lancaster University Management School
Working Paper
2003/051**

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within small business growth and entrepreneurial
development**

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Exploring the nature and impact of critical experiences within small business growth and entrepreneurial development

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Abstract

This paper builds a deeper understanding of critical experiences during the growth of a small business. Based on qualitative, case study research, it suggests that greater clarity is needed in defining what makes an event 'critical'. The concept of 'critical episodes' is introduced, as the term 'critical incident' can sometimes trivialise how fundamental and prolonged certain critical experiences can be for both the owner-manager and the business. The paper goes on to examine the relationship between critical incidents and wider critical episodes, introducing several key developmental roles that critical incidents can play within broader periods of organisational transition and change. The research demonstrates that critical experiences can act as 'triggers' for both organisational growth and entrepreneurial development. The significant emotional dimension of critical experiences is then discussed, demonstrating that the concept of crises, as described by life cycle theorists, does not adequately capture this important aspect of criticality. The paper concludes by developing conceptual links between crises and critical experiences during the growth process.

Key words: Critical incidents, critical episodes, growth, qualitative, entrepreneurial development.

Introduction

The aim of this paper is to develop a deeper understanding of the nature and role of critical experiences within the processes of small business ownership and growth. Drawing on the small business life cycle literature and, in particular, the concept of 'crises', the paper will explore the impact of significant organisational events on both the business and the owner-manager. Life cycle models prove useful in beginning to conceptualise the dynamic, interactive and reciprocal relationship between the entrepreneur and the small business, primarily because they attempt to 'characterise the

way the *small organisation* develops and influences, and is influenced by, the owner manager' (Gibb and Davies, 1990; p16-17). Although the life cycle literature makes the important acknowledgement that crises are important in both business and personal terms (Greiner, 1972; Scott and Bruce, 1987), the primary focus of this literature has been to describe the effect that these events can have on the growth of the small business.

As the research reported here will reflect, running a small business is a challenging and consuming process, in which the motivations, emotions and role of small business owners are inextricably linked to the performance and success of the businesses that they *personally* create and/or develop. Consequently, the paper will demonstrate that significant events in the life of the organisation, particularly more negative crises, can impact at a deeply personal level, stimulating both personal and organisational development. In contrast to the predominantly normative character of life cycle theorising (Gibb and Davies, 1990), this paper seeks to develop a qualitative appreciation of how the owner manager changes and evolves as a result of facing significant experiences during the growth process. This paper, therefore, continues to conceptualise the nature of entrepreneurial learning and development with regard to critical incidents, extending some of the key issues first identified in Cope and Watts (2000).

The small business life cycle

Theories of the small business life cycle have been heavily criticised in recent years for being reductionist and 'speculatively normative', relying on formalistic, deductive approaches rather than inductive heuristic methods (Gibb and Davies, 1990). In particular, it is the 'deterministic assumption that all firms grow through a series of predictable series of preordained stages' (Merz et al, 1994; p49) that makes such theorising problematic. Despite the conceptual and prescriptive nature of the small business life cycle model, it is argued that this literature makes an important contribution to understanding the phenomenon of growth in small businesses (Kazanjian, 1988).

The main tenet of this research perspective is that small business growth is characterised by a number of predictable, discrete and consistent stages (Churchill and Lewis, 1983; Hanks et al., 1994; Kazanjian, 1988; Scott and Bruce, 1987; Steinmetz, 1969). These stages are sequential in nature and occur as a hierarchical progression not easily reversed

(Dodge and Robbins, 1992; Quinn and Cameron, 1983). Moreover, each stage or 'phase' is both an effect of the previous phase and a cause of the next (Greiner, 1972). The majority of life cycle models, however, are conceptual rather than inductive (Gibb and Davies, 1990; Miller and Friesen, 1984). Empirical testing of such stage models has found that whilst some small organisations do follow roughly the developmental patterns portrayed in the literature (Quinn and Cameron, 1983), it is clear that a good deal of exceptions exist (Miller and Friesen, 1984).

Although it is recognised by certain life cycle theorists that each small business is unique and the growth process complex (Churchill and Lewis, 1983), the organisational life cycle literature suggests that, in a similar fashion to organisational development, entrepreneurs face a common and fairly predictable process of change. Of particular importance is the gradual move away from operational abilities towards more strategic practices as the business develops (Burns and Harrison, 1989; Churchill and Lewis, 1983). As Steinmetz (1969) states, 'the minute he commits himself, he is on the treadmill of forced growth, growth that requires his ability to change from an autocratic to a professional manager' (p36). It is argued that the entrepreneur has to become more adept at delegating and co-ordinating from a distance (Scott and Bruce, 1987), and has to adopt a more outward, strategic focus (Miller and Friesen, 1984).

An important aspect of theorising on the organisational life cycle is that many stage models of small business growth can be conceptualised as 'metamorphosis' models (d'Amboise and Muldowney, 1988; Kazanjian, 1988), where the fundamental transition from one stage of growth to another requires considerable change. Such periods of abrupt transformation are often accompanied by, or are the result of, developmental 'crises'. Consequently, such significant organisational events must be successfully negotiated to propel the organisation into a new period of growth (Scott and Bruce, 1987). One of the most popularised life cycle models, which represents growth in terms of crisis followed by stability, is the work of Greiner (1972), which aptly describes this metamorphic process as 'evolutions and revolutions as organisations grow'.¹ Although Greiner's (1972) seminal contribution relates more specifically to larger organisations, this pattern of growth predominates the small business life cycle perspective, for there are at least

nine such metamorphosis models within the small business literature (see d'Amboise and Muldowney, 1988 for a review).

Many life cycle theorists do not explicitly use the term 'crisis', preferring instead to conceptualise such transitional periods as critical 'phases' (Steinmetz, 1969), growth 'hurdles' (Parks, 1977) or common developmental 'problems' that arise at certain stages in the development of a small business (Churchill and Lewis, 1983; Kazanjian, 1988). Upon closer inspection the terms are, for the most part, synonymous. Although such 'crises' can be either internal or external to the firm (Scott and Bruce, 1987), the general consensus is that small business owners have to contend with different problems during different stages of the growth process (Dodge and Robbins, 1992). In his 1988 work, Kazanjian not only found certain problems to be more dominant at certain points during the growth life cycle but that there was also a sequential pattern to this dominance.

The life cycle literature emphasises that such periodic crises have an important role to play in the development of both the organisation and the individual. How well the entrepreneur deals with these problematic occurrences determines how easily the organisation moves through the life cycle (Dodge and Robbins, 1992; Steinmetz, 1969). It is Scott and Bruce (1987) who highlight the importance of crises from an *individual* perspective, stating that 'these crises are extremely important to the entrepreneur in terms of both his business and personal life' (p47). Upon interpretation, it seems that entrepreneurs have to develop new behaviours and learn to think in radically different ways as a result of managing developmental crises (Greiner, 1972). As Greiner (1972) states, 'these periods of tension provide the pressure, ideas, and awareness that afford a platform for change and the introduction of new practices' (p45).

From this viewpoint, a key assumption behind life cycle theorising is that for a small business to grow, the owner-manager must adapt and modify their perceptions and actions as a result of these discontinuous events in order to facilitate organisational growth. More specifically, it seems that the demands of growth force entrepreneurs to question their established ways of doing things as the need for 'new skills' becomes apparent (Burns and Harrison, 1989; Churchill and Lewis, 1983; Scott and Bruce, 1987). As Quinn and Cameron (1983) emphasise, 'when new stages of development occur, past

strategies and behaviours become inappropriate and ineffective, and possibly even fatal' (p41). Even though such statements indicate a fundamental process of personal learning and development on behalf of the owner-manager, most life cycle theorists do not address this issue in any significant depth. For example, Steinmetz (1969) states that 'suddenly, *perhaps accidentally*, he [the owner-manager] learns how to delegate' (p32; emphasis added). Similarly, Greiner (1972) asserts that overcoming each successive phase of evolution and revolution 'results in certain strengths and learning experiences in the organisation that will be essential for success in subsequent phases' (p45). Any elaboration on these important statements remains elusive.

Consequently, the main premise of this paper is that there is a pressing need to understand the personal learning and development of owner-managers in greater depth. Rather than depicting entrepreneurial development as largely an adaptive reaction to organisational growth, which the life cycle literature tends to do, more recent work suggests an interactive developmental relationship between the owner-manager and the small business (Cope and Watts, 2000; Deakins and Freel, 1999). Furthermore, it is important to recognise and explore the complexity and potential difficulties associated with adopting new behaviours. As Burns and Harrison (1989) recognise, individuals often take a long time to develop the necessary skills and abilities to successfully manage organisational growth. They assert that 'as the company passes through each stage, the business owner also faces a roller coaster of *human problems*' (Burns and Harrison, 1989; p64; emphasis added).

The important point to draw from this significant recognition is that learning to become an effective small business owner is not always simple, or inevitable for that matter (Burns and Harrison, 1989). As this paper will go on to demonstrate, this developmental process can be extremely painful and emotional on a personal level. In conclusion, although there has been much academic speculation about the dual processes of individual and organisational growth in small firms (Gibb and Davies, 1990), 'there is still much to learn about the processes of development in organisations' (Greiner, 1972; p46). This research agenda has continuing relevance and this paper seeks to build a better understanding of the complex interaction between the entrepreneur and their business during critical periods of change and upheaval.

The research

This paper is based on qualitative, case study research into the ‘lived experience’ (Thompson et al, 1989) of six practising small business owners. The main aim of the research was to explore the potential dynamics of the relationship between organisational growth and personal learning and development during the management of a small business. A particular focus of the study was to understand the role of critical incidents within these dual developmental processes and to explore the individual learning outcomes of these events from an owner-manager perspective.² The research agenda proposed by d’Amboise and Muldowney (1988), therefore, had important implications for this inquiry.

‘More research should be devoted to understanding the manager’s values, attitudes, perceptions, motivations, goals and objectives...in terms of evolution, research should explore how the manager’s role, style and practices change as his or her business grows. In addition, theorists should address the benefits and perils of growth, how to control it, how to stabilise it’ (p237).

The case study was employed as the primary research strategy, with six small business owners representing the cases (Stake, 1995).³ In strengthening the research design, triangulation techniques were incorporated into the research framework, described by Patton (1990) as a ‘combination of methodologies in the study of the same phenomena’ (p187). In-depth, unstructured ‘phenomenological interviewing’ (Thompson et al, 1989) was the primary methodology used during the fieldwork phase of the research. As Thompson et al (1989) state, with the exception of an opening question, the phenomenological interviewer must have no a prior questions regarding the topic. This form of interview, therefore, bears strong resemblance to the ‘depth interview’ (Jones, 1985) and the ‘informal conversational’ interview (Patton, 1990), where ‘questions emerge from the immediate context and are asked in the course of things; there is no predetermination of question topic or wordings’ (Patton, 1990; p288).

A critical incident methodology was also an integral part of the research process. Several important factors influenced the decision to concentrate on critical incidents during the research process. Firstly, as Woods (1993) points out, the significance of critical incidents in people’s live is clearly evident. Sikes et al (1985) describe these events as

‘highly charged moments...that have enormous consequences for personal change and development’ (p230; cited in Woods, 1993; p1)). Given the aims of this research, these events appeared to be an obvious focal point for the study. Secondly, it was hoped that these events would remain quite clearly in the memories of the participants, for as Chell (1998) asserts, ‘the fact that the incidents are ‘critical’ means that subjects usually have good recall’ (p55). In discussing such dynamic and continuous processes as learning, growth and personal development, once again critical incidents provided a useful focus to explore these complex issues.⁴

The aim of the interview was to cover a broad experiential perspective, focusing on the circumstances surrounding start-up and the subsequent developmental history of the business. Following a phenomenological interview format, at the beginning of the interview the participants were merely asked to recall their motivations for starting a business and what it felt like to open and run their own business. The wish to explore critical incidents “at some point” during the interview was also made explicit, but this request was phrased in more familiar terms, by asking the participants to describe the best and worst times that they had experienced since they had started the business. Thus, a more informal and emergent approach to studying critical incidents was adopted during the interview. This stands in contrast to the more structured application of the critical incident technique (CIT), as described by Chell (1998), where participants are asked to select three critical incidents, two positive and one negative, at the beginning of the interview.

Defining criticality

Before engaging in a discussion of the developmental role of critical experiences within small business ownership and growth, it is first useful to explore the nature of these occurrences in greater depth. In particular, it is important to understand what is meant by the term ‘critical incident’ and to consider the criteria employed to determine what makes an event ‘critical’. Although several researchers highlight the importance of critical incidents (Burgoyne and Hodgson, 1983; Deakins and Freel, 1998; Preskill, 1996; Snell, 1992), and numerous studies within the field of entrepreneurship have applied the Critical Incident Technique in their work (Chell, 1998; Chell and Pittaway, 1998b; Curran et al.,

1993; Garud and Van de Ven, 1992; Tjosvold and Weicker, 1993), more consideration needs to be given as to how researchers decide what makes an event 'critical'. At the most basic level, these studies and previous work by the author (Cope and Watts, 2000) have not provided a working definition of a 'critical incident'. It is important, therefore, to provide a broad characterisation of the events narrated by the participants which begins to conceptualise the nature of criticality within the domain of small business ownership.

A critical incident is a positive or negative 'event' with certain perceptual and chronological parameters that is memorable to the individual concerned and has perceived significance in personal or business terms, or both.⁵

It must be emphasised that this description is not without its problems, as some events can be more memorable or more significant than others. As this research has found, the researcher is also an active participant in the collection, interpretation and representation of these significant moments. Furthermore, the analysis of the critical experiences discussed by the participants illustrated that these occurrences are not always clearly defined or obvious 'events', where the perceptual and chronological boundaries can easily be identified.

The existence of critical episodes

Although the above definition provides a useful starting point for conceptualising the nature of criticality, an important theoretical proposition to emerge from the research is that the term 'critical incident' does not always capture either the complexity or fundamental significance of certain critical experiences. The participants described several emotionally intense and sustained periods of turmoil and upheaval that are not adequately captured by the notion of a discrete and easily definable 'event'. Within this research, the reliance on the term 'critical incident' tended to trivialise what could usefully be described as wider 'critical episodes', within which several more obvious critical incidents often occurred. Consequently, clearly differentiating between a critical incident and critical episode can prove problematic, as many of the events described in the research did not occur 'out of the blue'. Rather, they were inextricably linked to a complex set of circumstances and represented the culmination of certain perceptions, activities and internal or external changes to the business. For example, as described in

Cope and Watts (2000), one of the participants, Simon, made a marketing mistake within his business that resulted in an extreme crisis.⁶ As he states,

‘Everything was up on securities...the company was facing liquidation [and] I would have been facing bankruptcy. The bit of luck was that it was Christmas and over Christmas everything shut down for a bit, so I had enough time to think but...it was the end...Anyway, I went away and I came out with a scam, a way round this and within two weeks of [the crisis] starting, I needed to persuade a lot of people to do a lot of things and...they did and the net result of it was bad...for another one of my partners actually...he ended up in big [trouble]’ (Simon1, p28).

It could be interpreted that the critical ‘event’ was when Simon made the initial mistake or when he finally left the failing company, although these were clearly not isolated incidents. It is evident from this narrative that this ‘crisis’ happened over a period of time and involved a complex series of incidents. This experience, therefore, could be described more usefully as a ‘critical episode’.

A similar sequence of significant events can be observed in some of the critical incidents described by Chell (1998), although the notion of prolonged critical episodes is not acknowledged. Similarly, in the work of Curran et al (1993), the existence of wider, difficult periods of transition is clearly apparent in their data, together with more discrete critical events. A key premise of this paper is that a conceptual distinction is necessary in order to distinguish between more sustained critical episodes of change and more ephemeral critical incidents.

Within the entrepreneurship literature, the concept of a ‘critical episode’ has not been acknowledged to any great extent, although it has clear similarities to Rae and Carswell’s (2000) notion of entrepreneurial ‘learning episodes’, where entrepreneurs interviewed recalled ‘periods’ when significant learning took place. Within the crisis literature, certain similarities can be observed in terms of Parsons’ (1996) notion of ‘sustained crises’, which ‘often last for weeks, months or even years’. It is within the context of teaching and learning, however, that Woods (1993) explicitly recognises the existence of ‘critical periods’. Woods (1993) makes the important acknowledgment that there *might* be a higher proportion of critical incidents during wider critical periods. Rather than explicitly exploring this concept of critical periods, Woods (1993) goes on to examine the

significance of critical 'events', which 'unlike critical incidents, critical events are in large measure intended, planned and controlled' (p2).⁷ The research reported here lends credence to Woods' (1993) theorising, demonstrating that during wider critical episodes several successive critical incidents can occur, which is an important reason why such episodes may be characterised as 'critical'. Furthermore, the concept of critical episodes reinforces the highly contextual nature of critical incidents and the need to understand and interpret these events in relation to the circumstances in which they occur.

Exploring the relationship between critical incidents and critical episodes

Several of the participants represent small business owners who have endured a sustained and tempestuous critical episode of upheaval and change during the management of their businesses. Together, these cases shed some light on the complicated and inextricable link between critical incidents and critical episodes. More specifically, an analysis of the participants' experiences illustrate that critical incidents can have very similar yet distinct roles to play, in terms of stimulating both personal and organisational development, within wider critical episodes of 'metamorphic' change.⁸

A critical incident as an 'eruption'

In conceptualising the relationship between critical incidents and critical episodes, certain types of critical incident can be viewed as 'eruptions' within such fundamental episodic transformation. This type of event can represent the culmination of an important, unresolved issue, particularly an increasing pressure or conflict within the organisation that has been slowly building for a prolonged period and suddenly flares up and reaches a crisis point. From a personal perspective, the entrepreneur often perceives such an incident to be the 'final straw'. This type of critical incident is synonymous with Parsons' (1996) notion of an 'emerging' crisis, which is described 'as an event that may be slow in coming to a head...The difficulty here lies in identifying the issues and piecing together the often disparate clues that a crisis...is about to erupt' (p26).

Such a critical event can be observed in David's business, specifically the departure of his partner from the business. This significant event was part of a broader critical episode during the growth of the business, within which several critical incidents occurred. A

particular feature of this case, therefore, is the complex link *between* critical incidents that can occur during a critical episode. To explain, David's business is in the travel and tourism sector, and this emotional period centred on the impending acquisition of an Airtours Operators Licence, which was needed to ensure the continued success of the company. Part of the reason why the relationship between David and his partner failed was that David felt that he was the only one to see the urgency of the situation and how crucial the licence was to the business. This was compounded by his partner's failure to grasp that both men had to use their homes as collateral in order to raise sufficient finance to secure the licence.

This growing external pressure was also combined with increasing internal problems within the business. As David explains, he was becoming tired and a 'bit brain weary' (David1, p27) from the mounting routine administration that accompanied growth. As a result, David was becoming progressively more frustrated with his partner, not only because of his partner's lack of awareness and commitment regarding the future of the business, but also his inability to help alleviate David's intense workload. These growing personal conflicts 'came to a head' during a critical incident within the business, where David's partner made an innocent yet damaging mistake regarding the purchase of a photocopier. What is clear is that this particular critical incident was not only important in business terms, but also represented a critical 'eruption' of the significant tensions between David and his partner.

'I'd begun to grumble at him, or to hassle him, which retrospectively wasn't the way to support the guy. He was actually having a job making decisions, financial decisions, advertising decisions, and the crunch came when some smooth talking bloody photocopier salesman came in, really smooth talked him. I was flying around doing operational stuff, and before I knew he had signed away this bit of paper about a photocopier lease that actually cost us two and a half thousand quid...I just went apeshit, and it was just an horrendous thing and that more or less finished it [the relationship]...two thousand five hundred quid at that stage, where we were probably working all year to make five thousand pounds profit, was big...But I think there was a side to it that I made his life pretty unpleasant' (David1, p24; p26).

In understanding the importance of this event, interpretation suggests that the reason why this mistake was so intolerable for David was that to him it epitomised why he was 'the

only one making things happen' (David1, p24) within the organisation, thereby magnifying the feeling that he was unable to delegate any responsibility or decision-making to his partner. As David recognises, he found this mistake almost impossible to deal with and his partner left shortly after this incident. On reflection, however, David describes this failed relationship as his 'one regret', stating that 'it was sort of an emotional thing, I can just remember being confrontational and uncompromising and not very pleasant' (David1, p25). On a lighter note, shortly after the departure of his partner, a positive critical incident occurred, in that the licence was finally obtained, which was a 'big occasion when it first came through' (David1, p26).

A critical incident as a 'watershed'

In conveying the finer nuances surrounding the concept of criticality, critical incidents can also have a slightly different role to play within wider critical episodes, although the concept of a 'watershed' has striking similarities to the event described as a 'critical eruption' above. This type of critical incident can also represent the climax of an underlying conflict but in some cases the event can have a more positive outcome than the example given above. To explain, the data suggests that a critical incident can sometimes act as an 'emotional release mechanism'. The growing tensions and frustrations within the business are channelled through the incident and are finally brought out into the open and confronted, rather than remaining unspoken and left to magnify even further. A good illustration of this theoretical proposition is the conflict that occurred between Andrew and his manager. Andrew is the owner of a company that specialises in the provision of language communication skills training for managers and professionals in Europe, particularly Scandinavia. In relating the development of Andrew's business to the life cycle literature, interpretation suggests that the problems that Andrew experienced with his manager were endemic of the difficult transition towards an enterprise that is professionally managed, rather than still being dominated by the personality and abilities of the owner-manager.

The root cause of the disagreements that Andrew experienced with his manager was that Andrew was struggling to negotiate his own position within his company and was both confused and permanently angry as a result. These relationship problems also occurred

around the same time that Andrew came into conflict with several of his employees. Consequently, he describes this period in the business as ‘two years of turmoil, two years of conflict’ (Andrew1, p11). As Andrew recognises, he was having real problems ‘letting go’, which meant that he was continually in disagreement with the manager he had personally recruited, who was struggling to live up to Andrew’s very demanding personal standards. As Andrew states,

‘So if I asked [manager] to sort this out, I’d be like why didn’t you do this, why didn’t you do that, why are you doing this on a Friday morning, it’s not logical. So he was just getting a load of flack’ (Andrew1, p18).

This on-going conflict culminated in what Andrew describes as a ‘situation’, where he felt that his manager had made a serious judgment of error regarding the placement of one of their students, the outcome of which Andrew narrates below.

‘So I fired off a furious fax to [manager] and said...don’t ever do that again and I’m really, really concerned about your bloody judgment and I want a meeting with you...So he came to the meeting and we basically argued. He said I can’t do any more, I work hard for you...I won’t die for you. He said I’m stressed out...anyone who starts shaking...He said it’s not worth it and I said well it’s not worth it if you can’t produce the results for me. So...we both had a go at each other and we then kind of agreed that we would always have a meeting every week to talk about things. The only thing that I should concern myself with was the evaluations of the students. How [manager] gets the evaluations, that’s his journey. Those are the two basic principles we agreed. We haven’t had a bad word since then. Two, two and a half years ago’ (Andrew1, p19).

As the above narrative demonstrates, this proved to be a very emotional event for both Andrew and his manager, where both individuals openly expressed their feelings and unleashed their frustrations, which had the beneficial effect of managing to ‘clear the air’ completely. This incident proved to be extremely critical, as it was the first time that Andrew explicitly accepted his changing role within the organisation and finally relinquished a good deal of responsibility to his manager.

To illustrate the complex relationship between critical incidents and wider critical episodes, it is important to locate this event in context. What must be highlighted is that this sudden realisation alone did not radically alter Andrew’s behaviour. In the months after this transformational event, Andrew experienced a significant period of positive

reinforcement about his manager's ability to run the business. However, this critical meeting represented the stimulus for a positive episode of change and learning for Andrew and his manager and marked the beginning of a new chapter in the development of his business. 'So my role then became quite clear as sales, marketing, planning and sharing dreams with people...my role had changed' (Andrew1, p21).

A critical incident as a 'catalyst'

Another important role that critical incidents can occupy within small business, and one that is plainly evident in the example above, is that such events have the capacity to act as turning points or 'catalysts' for some form of organisational change and progression. What is apparent from comparative analysis of the data and the examples given here is that a critical incident can prove to be a revolutionary event within a wider, seminal episode of business transition and can rapidly accelerate the interactive processes of individual and organisational development. The case of Richard and the encounter he had with his accountant is another important example of how a critical incident can prove to be a fundamental 'turning point', both for the individual and the business.

The circumstances surrounding the critical meeting between Richard and his accountant is a powerful illustration that the term 'critical incident' can sometimes trivialise the extent of the critical experiences that small business owners can face in building a viable venture, as Richard experienced what could usefully be described as a particularly prolonged critical episode during the growth of his business. To explain, prior to starting a computer cabling company, Richard had worked as a senior manager in a large organisation, which strongly influenced the way he managed his own venture. In particular, during his first few years in business Richard subcontracted all the work he secured and, as a result, it was contractors who were making all the profits. Richard was unaware of the severity of the situation and thought that his business was finally starting to grow, until he met with his accountant and was informed that his company had made an £18,000 loss. This sudden realisation acted as a 'catalyst' for Richard to change the structure of his business, encouraging him to 'get back to basics'.

'So, I came away feeling not very happy at that time [after the meeting], and the serious problem was that the people that were doing the work were making all the money...the

contractors were too expensive. So, Richard got out his tools and his boiler suit and his boots and tin hat...we then started to see that the only way to do it was...no labour costs, do the work yourself and start buying things in' (Richard1, p16).

The critical aspect of this meeting is that it marked the beginning of a new chapter of growth and restructuring for the business and stimulated Richard to redefine his role within the business, having to move away from being the 'guy on the end of the phone in a suit' (Richard1, p16). Once again, what is so interesting about this case is the ability of critical incidents to stimulate both personal and organisational development. Not only did Richard's business change significantly as a result of this event, but so too did his self-perceptions and behaviour within the business.

In summary, this discussion has demonstrated the complexity surrounding the concept of a critical incident and the need to understand these experiences within the context that they occur. In beginning to conceptualise the nature of critical events, the term 'critical episode' has been introduced to capture significant transitional periods in the growth of a small business that transcend the notion of a more obvious and identifiable 'incident'. There is a clear need to understand the relationship between critical incidents and wider critical episodes in greater depth, and this paper has merely begun to explore the role that discrete events can play within more prolonged periods of organisational 'revolution' (Greiner, 1972). A common theme that runs throughout the data, and is clearly evident in these case examples, is the high emotional content to many of the events described. This paper suggests that one of the most significant and fascinating aspects of critical experiences is their ability to generate intense and profound feelings, both at the time and on reflective interpretation. This emotional element of criticality is also important because it goes some way to explaining why these experiences are so meaningful and have such a fundamental impact in terms of personal learning and development. Thus, the following section will explore the affective dimension of critical experiences in greater depth.

The emotional dimension of criticality

A significant theme that runs through the six cases is how emotional critical incidents and critical episodes can be for the owner-manager, particularly in terms of the more

‘negative’ critical incidents that are often associated with the more popularised notion of ‘crises’. As Richardson (1993) explains, ‘crises involve emotions of an intensity not envisaged in the rational decision-making model of ‘the manager’ (p139). In the entrepreneurship literature, the emotional aspect of critical incidents has received little attention. Although Chell (1998) does briefly acknowledge the emotive content of critical incidents, the case examples presented here highlight that this issue deserves further attention. As argued in Cope and Watts (2000), a critical incident is essentially an emotional event. A fundamental element of critical incidents is their ability to generate such strong and profound emotions, particularly extreme fear, anger or excitement, reflecting the negative and positive nature of these events.

Several possible reasons emerge as to why critical incidents are so emotionally laden. One reason is that, in some respect, the majority of the experiences described by the participants concerned business relationships. More specifically, several participants described critical events that occurred as a result of relationship *conflicts*, all of which had a clear emotional dimension. The cases of Andrew and David, for example, demonstrate such internal discord in terms of relationships with employees, managers and business partners. Similarly, one reason why Simon found the near bankruptcy he faced so disturbing was his ability to be so ruthless and uncompromising, and save himself and his family at the expense of his partner, a realisation that he describes as quite ‘frightening’.

This leads onto a further reason why critical experiences can be so emotional, particularly more negative crises; namely that these events can impact at a deeply personal level and have the capacity to affect the owner-manager’s family and private life, as well as their working life. Just as the financial wellbeing of the owner-manager and his/her family is often inextricably linked to the performance of the business, so too is the emotional and social wellbeing of these individuals. During times of crisis when the business is experiencing difficulties, the levels of personal exposure are often heightened and exactly what is at stake is brought into sharp relief.

A critical incident experienced by another participant, Luke, demonstrates this notion. Due to a simple administrative error, Luke thought that he had £2,000 with which to pay

his creditors, when in reality he was £2,000 in debt and clearly unable to pay the cheques he had issued. In metaphorical terms, it could be interpreted that Luke was looking into the 'abyss' during this financial crisis, envisaging exactly how bad it could be if he was unable to remedy the situation. As he states, 'I was a bit concerned, well its one of my...top five worrying moments and shit I might not be here next week' (Luk1, p20). Furthermore, Simon recognises that another reason why the financial crisis he faced was so emotionally fraught was because this experience had the potential to seriously affect not only himself and his business, but also his wife and children. Not only was his business at risk, but so too was means of subsistence and supporting his family, his house, his career and, potentially, his credibility as a business owner. The capacity for these events to impact on such fundamental aspects of life and self indicate why critical experiences can prove to be such emotional events.

In thinking about such issues in relation to the work of life cycle theorists on the nature of crises, an important factor that tends to be overlooked in this literature is how traumatic and painful such 'metamorphoses' can be to surmount. For example, several life cycle models emphasise that the owner manager learns how to delegate (Churchill and Lewis, 1983; Greiner, 1972; Scott and Bruce, 1987), or that eventually individuals recruited at start-up can begin to behave in ways detrimental to the business (Steinmetz, 1969). Such developmental issues are clearly apparent in the growth of Andrew and David's businesses respectively. Little consideration is given, however, as to the personal impact of these developmental 'problems' (Kazanjian, 1988). What comes across very strongly in the transcripts is that although these transitions are often necessary for the sustained growth of the business, on a personal level such crises can prove extremely difficult to manage and overcome. As Andrew commented,

'I had lost my role, I had no role, what's my role? What do I do?...I'd done everything before, so you take away half of everything and then I'm left with a vacuum and so I was confused and angry and I didn't know what to do and I ended up...issuing fairly terse directives...I think it was this painful process of learning how to delegate. You delegate and then you immediately look for ways in which the person has carried out the task differently or not as well as you might have done' (Andrew1, p18,19).

As Burns and Harrison (1989) state, ‘the skills needed to manage successfully the growth of a firm are diverse. It is not an easy task. Indeed it places great *pressures* and *strains* on owner-managers and requires them to change their role as the firm develops’ (p71; emphasis added). The research suggests that the affective dimension of critical experiences represents an important reason why they sometimes tend to be both prolonged and complicated. Although the existence of crises is a fundamental element of the life-cycle theorising, it is argued here that the conceptualisation of these phenomena within this literature does not adequately capture how draining and stressful certain critical experiences can be for the owner-manager. As the case examples illustrate, these ‘pressures’ and ‘strains’ can become quite overwhelming at times.

Distinguishing between the concepts of criticality and crisis

In light of the complex relationship between critical incidents and critical episodes during the growth process, a key issue in this paper is the need to differentiate critical experiences from the concept of crises, as described by life cycle theorists. Greiner’s (1972) influential model, for example, postulates that organisations face only five predictable, sequential crises during the organisational life cycle. Clearly, critical incidents are not so easily defined, as not only do they happen more frequently and sporadically, but critical events can also happen *during* growth stages as well as towards the end of each growth stage. Hence, Kazanjian’s (1988) assertion that dominant problems tend to overlap growth stages has significance in terms of this current research.

It is necessary to explore further what is meant by the term ‘crisis’ within theories of organisational growth, for as with so many concepts introduced in this paper, crises are clearly complex phenomena with significant personal and business outcomes. It is important, therefore, to unpack this notion of ‘crisis’. If the typical developmental crises postulated to occur during the growth of a small business are examined more closely, such as those described by Greiner (1972) and Steinmetz (1969), it becomes clear that they are not really tangible or obvious ‘events’ or incidents as the term may suggest. Rather, they represent wider transitional processes and developmental ‘hurdles’ that an organisation must overcome as they move through the growth life cycle (Parks, 1977).

Scott and Bruce (1987), for example, describe one of the most likely crises during the 'growth' stage of the small business life cycle to be the 'demands of expansion', which stretch managerial and financial resources. 'To cope with this the organisational structure will need to change again and for the first time a professional rather than entrepreneurial approach may be necessary' (Scott and Bruce, 1987; p50). The only recognition by Scott and Bruce (1987) as to how difficult this important transition can be is that they state that this is 'easier said than done' (p50). Such a simplistic understatement does not begin to express the difficulties associated with this process, as the two years of emotional turmoil that Andrew experienced stands testament to.

The notion of 'crisis', *as described by life-cycle theorists*, is therefore very different to that given by many other theorists who explore the phenomenon. Parsons (1996), for example, identifies different types of crisis and yet states that 'crises, by their very nature, are unexpected and brief' (p26). Similarly, within the context of entrepreneurship it is clear that certain theorists interpret the term 'crisis' to mean more discrete and obvious events.

'Crisis, however, involves a sudden performance drop, involving a major downward shift in performance trends. Therefore, crises are more perceptible, more rapid, and appear to be more immediately threatening to the firm' (Chowdhury and Lang, 1993; p8).

The complex and sustained nature of the critical episodes experienced by the participants and their personal significance does not necessarily equate with these particular conceptualisations of 'crisis'. Greater clarity is therefore needed in understanding critical experiences in relation to 'crises' during the growth process in small businesses. Juxtaposing the concept of 'crisis' within life cycle theorising with the concept of criticality, it is suggested that these crises have distinct similarities to the concept of critical episodes developed in this paper. In contrast, critical incidents are often more defined, obvious and discontinuous *events* that occur within these wider critical episodes or crises.

An important conclusion to arise from this analysis is that critical incidents are often connected to, and yet are very different from, the notion of crises as described by life cycle theorists. It appears that such events are often the *result* of owner-managers trying

to overcome the developmental ‘crises’ outlined in this literature. The case examples of both David and Andrew demonstrate critical incidents that can occur as a result of needing to delegate responsibility. For Richard, it could be interpreted that the meeting with his accountant was a direct result of what Scott and Bruce (1987) describe as the crisis of ‘overtrading’, which regards uncontrolled growth and the earning of marginal returns. Thus, the conceptualisation of a critical incident as an ‘eruption’, a ‘watershed’ and a ‘catalyst’ demonstrate the significant and *critical* consequences that can arise from trying to move through the growth process and manage developmental problems and hurdles.

Conclusion

The fields of entrepreneurship and small business have witnessed the recent emergence of theorising that attempts to understand entrepreneurial activity from a dynamic learning perspective (Cope, 2001). More specifically, several authors have identified the importance of significant ‘events’ and ‘periods’ in stimulating entrepreneurial learning and development (Deakins and Freel, 1998; Rae 2000; Rae and Carswell, 2000; Sullivan, 2000). This article has engaged in a deeper exploration of critical experiences during the growth of a small business, focusing on the developmental outcomes of these phenomena for the owner-manager and the business.

In examining the multifaceted nature of criticality, this article has sought to provide greater clarity in differentiating between more ephemeral ‘critical incidents’ and more prolonged and sustained ‘critical episodes’, within which several critical incidents can often occur. It has only begun to unravel the complexities of this relationship, demonstrating that specific events can have similar yet distinct developmental roles to play within wider episodes of organisational transition and change. Clearly, there is a pressing need for further conceptualisation in this area.

Theories of the growth process in small businesses, particularly small business life cycle models, have received heavy criticism in recent years (Merz et al, 1994). Gibb and Davies (1990) argue that the prescriptive nature of life cycle modelling obscures many real issues and much remains to be tested, in particular small business ‘growth triggers’. Similarly, a central premise of this article is that very little has been done to explore those

‘triggers’ that stimulate entrepreneurial development. In response, this empirical research has reinforced the importance of critical experiences, demonstrating their developmental significance in both personal and business terms. In juxtaposing the concept of ‘crisis’, as described in the life cycle literature, with the concept of criticality presented here, this article has emphasised the continuing relevance of crises. However, several important issues have emerged.

Primarily, what is missing from life cycle theorising with regard to crises is any explicit recognition of how emotional these experiences can be, particularly how traumatic and painful these discontinuous occurrences can be for the owner-manager to overcome. The case examples introduced in this article have demonstrated not only how long and drawn out certain critical episodes can be but also how emotionally meaningful these experiences can be on a personal level. Secondly, this research has illustrated that the concept of crisis depicted within the life cycle perspective does not describe specific ‘events’. Rather, these phenomena represent broader transitional process and therefore have distinct similarities to the concept of critical episodes introduced here. In contrast, more obvious and discrete critical incidents often result *from* the owner-manager trying to overcome wider critical episodes or crises.

In conclusion, it is apparent that the emotional dimension of critical experiences represents an important and fascinating area for further research. The critical episodes and incidents introduced here, for example, all involved significant relationship conflicts and problems, which was a significant reason why they were both emotional and critical. It would be interesting and beneficial to explore in greater depth those factors that impact on the ‘emotional intensity’ of the critical experience and to explore the dynamics of the relationship between emotional intensity and resultant learning and personal development.

Footnotes

¹ This is the title of Greiner's (1972) work. Upon interpretation, the logic of this title derives from the perceived nature of organisational growth. The term 'evolutions' suggests more incremental and relatively stable periods of growth. The term 'revolutions' indicates much more radical change, stimulated by periodic crises during the growth process.

² It is not the purpose of this paper to engage in a detailed discussion of the learning outcomes of critical incidents. For a more in-depth learning analysis of discontinuous events, refer to Cope (forthcoming).

³ For a more detailed discussion of the research design and some of the broader findings from the study, refer to Cope and Watts (2000).

⁴ A more detailed discussion of the critical incident methodology employed in the research can be found in Cope and Watts (2000).

⁵ This statement is not offered as a definitive conceptualisation of a 'critical incident'. Rather, it is offered as a basis from which to build a better understanding of the nature of criticality and to demonstrate some transparency in terms of how the events described in this paper were interpreted as 'critical'.

⁶ Unlike Cope and Watts (2000), where initials were used to identify the participants, in this paper the participants have been given first name pseudonyms. This particular critical experience is described in greater depth in Cope and Watts (2000), appendix 2, case 3, where Simon was previously referred to as HM.

⁷ Unlike Woods (1993), the term event and incident are used interchangeably in this research.

⁸ The critical incidents discussed in this section were first described in Cope and Watts (2000) appendix 2, namely cases 6, 2 and 5 respectively.

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