

SERENDIPITY AND ENTREPRENEURIAL MARKETING IN FAST GROWTH FIRMS: EVIDENCE FROM IRAN

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Introduction

In this study, we explore how successful entrepreneurs grow their firms by investigating 10 fast growth firm cases in Iran. Using a causal mapping technique, we find that fast growth is a direct result of entrepreneurial marketing (EM) practices and indirectly influenced by serendipity. Serendipity is an element observed in many firms that generally occurs at the initial phase of firm formation and could bring great opportunities but indirectly linked to fast-growth. The ability of entrepreneurs to use serendipitous opportunities and entrepreneurial marketing practices in terms of innovative products and activities/process is the main contributor to fast growth. Other elements such as knowledge and experience, network, and perseverance could have a direct or indirect influence on growth.

Growth is an important consideration for any business and more so for small and entrepreneurial firms. Many studies have investigated growth and its relationship with other organizational activities and measures such as profit, market share, sales, number of employees, age, and assets (see Beck et al. 2005; Liedholm 2002; Weinzimmer et al. 1998). Many fast growth firms are entrepreneurial and pursue growth using innovative strategies (Das and He 2006; Miozzo and DiVito 2016), however growth is a broad area and many aspects of growth still remains under investigated. This study investigates how and why entrepreneurial firms grow and what elements are common in fast growth firms in the context of a developing country. Our country of interest is Iran, the second-largest country in the Middle East and the 17th-largest country in the world with over 81 million inhabitants and a land area of 636,372 square miles.¹ Given this situation, Iran offers a rich area of study that is unique in terms of its composition, culture and economy.

¹ <http://worldpopulationreview.com/governments/iran/> accessed 15 March 2019

Understanding how growth occurs in Iran and the role that entrepreneurs play are important contributions to both literature and economic development of the region.

Literature

It is generally observed that successful entrepreneurs exert more effort in pursuit of their goals (Przepiorka 2016) thus are usually hard-working and tenacious people (Glauser and Holland 2016). Some essential characteristics such as entrepreneur alertness (Glauser and Holland 2016) and industry knowledge and experience may result in better opportunities for growth. Networks are an important factor in financial success of the firm (Banerji and Reimer 2019) and offer benefits in relation to growth and firm success (Coviello and Munro 1997; 1995). Studies have predominantly conceptualized growth in terms of “change in amount” (e.g. size, employees, assets, export, number of products, market share, etc.) as opposed to the process of change and necessary factors for growth (Davidsson et al., 2005; Penrose, 1995). In other words, the primary focus of researchers in entrepreneurship has predominantly been on different measures of growth rather than finding why many entrepreneurial firms grow (Westhead and Wright 2011). Dynamic environments can create bigger opportunities for entrepreneurs and growth is a function of entrepreneurs’ motivation and market opportunities especially in niche markets for small firms (Wiklund and Shepherd 2003).

The concept of *fast growth* is sometimes ambiguous and often used interchangeably with high growth (Cooney and Malinen, 2004). There is no consensus on the definition or measurement of fast growth, but various measures have been developed in different studies (Achtenhagen et al. 2010; Coad et al. 2014). Although entrepreneurial firms seek to find ways to grow fast, they seldom experience substantial growth (Moschella et al. 2018) and continuous growth is an unusual phenomenon where just 6% of small firms grow ceaselessly (Garnsey and Heffernan, 2005).

Storey (2011) attempts to explain the growth of entrepreneurial firms based on optimism and chance (OC) where he considers optimism as an integral part of entrepreneurship and chance as a driver to continue the businesses. In OC theory, the entrepreneur is like a gambler sitting in front of a roulette wheel and desires to invest his money on the game. They continue staying at the table as long as they have sufficient resources to invest, buy the ticket and withdraw from the game afterward. Daunfeldt and Halvarsson (2015) posit that fast growth happens when firms are younger and as they age, the probability of growing fast decreases. Glancey (1998) also found that growth

is a function of location, industry and profitability, and where younger firms experience a higher rate of growth than older firms. Scholars have not agreed upon what factors really affect fast growth and point out that the literature is very fragmented in this area (Delmar 1997; Wiklund 1998).

Overall, existing literature that investigates how entrepreneurial firms or small businesses grow as well as how they manage to grow rapidly, revolves around four main important elements: entrepreneur's characteristics, firm attributes, culture and resources, industry and environment, and the existence of a strategy or willingness to grow (Littunen and Niittykangas 2010; Brown et al. 2005; Hinton and Hamilton 2013). These all appear to be important elements for fast growth although contextual. Some scholars believe that there is no integrative and unique theory that can explain fast growth and suggest that it may simply be a matter of luck or chance (Coad et al.; Dobbs and Hamilton 2007; and Brüderl and Preisendörfer 2000).

Chance may play a role in entrepreneurship. Following Storey's (2011) OC theory and Coad et al.'s (2012) study based on Gambler's Ruin theory, chance is regarded as an integral part of entrepreneurship and its role in optimism and entrepreneur motivation to continue the business should not be ignored. Glancey (1998) observes that there are scholars who consider growth in small firms as a stochastic process, that is the result of market turbulence, managerial ability, diversification, and pure chance. Wagner (1992) finds the "persistence of chance" in terms of growing fast exists, if a firm has had faster growth in the past. It means that chance affects growth, but he indicates that further research is required to examine whether it is pure chance or something else that results in a successful firm. A suitable concept to use is serendipity.

Serendipity is not just pure chance and entrepreneurs differentiate serendipity from chance. Serendipity is fortunate accidental discoveries (Friedel 2001) but it happens to prepared minds (Van Andel 1994). Brown (2005) strongly proposes that serendipity may explain success in entrepreneurial firms and argues that "perhaps it's time to abandon our fixation with customer focus and start taking serendipity seriously" (p.1233). In a recent study, Mirvahedi and Morrish (2017) coined the phrase "entrepreneurial serendipity" and report that serendipity is a common phenomenon in businesses but is not necessarily the main element of success. An important element is marketing practice. Entrepreneurs develop their own style of marketing (Stokes, 2000) in terms of marketing practices and this is the practical layer of being entrepreneurial (Gilmore,

2011; Gilmore and Carson, 2007; Morrish, Miles, and Deacon, 2010). *Entrepreneurial marketing* (EM) incorporates different dimensions (Morris et al 2002) has been found to be an effective strategy in turbulent and dynamic environments (Morrish 2011) where rapid growth could be achieved.

Methodology

Our study explored the main elements of fast growth in Iranian firms using multiple case study design (Eisenhardt 1989; Yin 2009). Data was collected via semi-structured interviews (Riege 2003; Storey 1996) with founders of 10 fast growth entrepreneurial Iranian firms sourced from a consulting institute in Iran. Our focus is on revenue growth as a measurable and tangible index. These firms have an average growth rate of 300% and belong to various business sectors. We used causal mapping to analyze interview data (Ackermann and Eden 2011; Axelrod 1976; Narayanan and Armstrong 2005) building cause and effect relationships between concepts and illustrates mental models (Axelrod 1976; Barr et al 1993; Eden 1992). We largely applied central concepts and cluster analysis to analyze data.

Findings and Discussion

Our findings show that *serendipity* is an integral element of the businesses in the study and all participants believe in some form of serendipity in their day-to-day business. They indicate that serendipity cannot be ignored in their business. The cluster analysis showed that serendipity potentially brings new opportunities to the firm and entrepreneurs discover and exploit these new opportunities using their skills, ability, alertness, and opportunistic point of view. To this end, entrepreneurs tried to keep themselves informed about their market and the changes in it. Serendipity acts as a catalyst or facilitator of growth occurring at the start of the growth process. This is depicted in the model below (Figure 1).

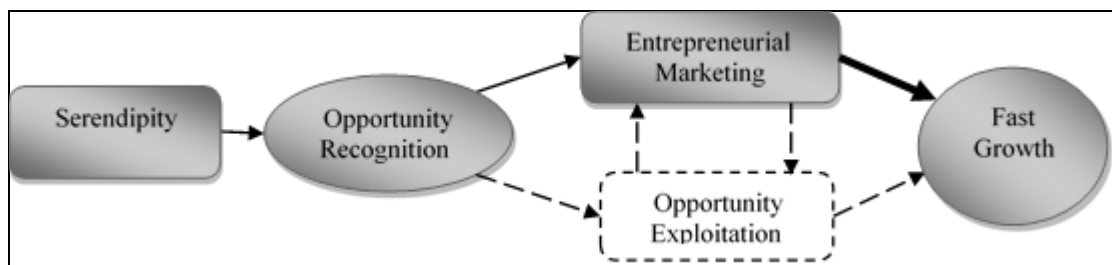


Figure 1. A serendipity and EM fast growth process

The way entrepreneurs exploit serendipitous opportunities could determine its growth. While the causal maps seemed to show a direct link between serendipity and fast growth at first glance, further analysis show some mediating elements between serendipity and growth. These are the firm's ability to exploit new opportunities and implement effective marketing strategies.

Elements of *entrepreneurial marketing* were observed in the causal maps of firms with limited resources but a willingness to grow. Entrepreneurs in this study thought and behaved in their own style, rather than employing traditional marketing practices. They used the framework of traditional marketing, but adapted it in a way to service their market faster and more efficiently in terms of their cost and benefit. For instance, offering premium quality products and services along with higher prices was one of the strategies that the firms employed. In addition, entrepreneurs constantly looked for new opportunities through their available means and market intelligence gained by keeping close to the market and by looking for subtle changes that were likely to affect their business. Similar to the concept of “managing by walking around” (Peters and Austin 1985). Entrepreneurs spent plenty of time around the market to strengthen their relationship with their customers. Most of the practices they do could be categorized as entrepreneurial based on the elements reported in previous studies (Morris et al 2002; Kilenthong et al. 2015; Sahid and Habidin 2018). Our findings show how entrepreneurs applied innovative marketing practices (e.g. the marketing mix) to the benefit of their firms, how they achieved efficient use of available marketing resources, and achieved good returns for their marketing expense. Additionally we also report how relevant knowledge, experience, networks and perseverance have influenced their rapid growth to varying degrees.

Iran in context. Entrepreneurship research in Iran is growing dramatically (Bagheri and Akbari 2019) and this demonstrates the need for building practical theories in all aspects of entrepreneurship. The role of small and entrepreneurial enterprises in Iran like most of the other countries are very crucial and economic growth and job creation have positive relationship with entrepreneurship development (Rezaei-Moghaddam and Izadi 2019). According to ISIPO, the contribution of SMEs in Iran is about 98% and demonstrates a vital share of entrepreneurship. Although entrepreneurial firms are growing, the effect of sanctions should also be considered (Cheratian et al. 2019).

References available upon request.