

THE KNOWLEDGE GAPS THAT PREVENT MICRO-FIRM OWNER-MANAGERS' FROM DEVELOPING THEIR BUSINESSES IN NUTS-3 AREA

by Kai Hänninen¹, Martti Saarela² and Anna-Mari Simunaniemi³

Micro-firms are a dominant group in every economy. However, in the current literature, little attention has been paid to this small and medium-sized enterprises subgroup.

This study is a longitudinal case study detailing the experiences of a real-life experiment in which micro-business owner-managers participated in face-to-face networking events in the North Ostrobothnia, Finland. North Ostrobothnia is NUTS 3 region and lags behind the rest of the country in terms of economic growth and innovative capacity.

As a result, eight (8) knowledge gap categories were identified. After analysing each knowledge gap category, it was determined that the micro-business owner-managers felt they primarily had a lack of knowledge in issues related to entrepreneurship, followed by marketing and sales.

Keywords: micro-firm, knowledge gap, business development; NUTS

Introduction

Hence, although micro-firms account for a large majority of micro-, small- and medium-sized enterprises (SMEs), they remain comparatively under-researched (Gherhes et al., 2016). Numerous historical and contemporary studies testify to the importance of developing entrepreneurship in micro-, small-, and medium-sized enterprises (Adekunle, 2011; Coase, 1937; Nishimura and Tristan, 2011; Schumpeter, 1934).

Micro-firms (less than 10 employees) are significant considering that they represent 92.7% of all enterprises in the 28 countries in the European Union. However, one finding in the literature was that micro-firms are often not distinguished from larger enterprises (Falk et al., 2014).

There is an urgent need to generate fact-based knowledge about micro-firms in order to remove real barriers to growth and enhance new business avenues. This study aims to provide a sustainable regional business landscape to support micro-firms and to boost business opportunities by capturing knowledge. Developing a profitable business requires entrepreneurs to actively identify and adopt new business-related know-how. The challenge is how to inspire hectic micro-firm owner-managers to place greater focus on increasing their own information base.

¹ Kai Hänninen is a post-doc research fellow, ² Martti Saarela is a researcher and ³ Anna-Mari Simunaniemi is a research director for Micro-entrepreneurship Center of Excellence MicroENTRE, at the Kerttu Saalasti Institute, University of Oulu, Finland.

Address correspondence to: Kai Hänninen, University of Oulu, PL 8000

FI-90014, Finland. E-mail: kai.hanninen@oulu.fi.

The challenge of implementing knowledge caused by the disparity between academic theory and management practice (Huff, 2000; Van De Ven, 2007) has been an increasingly popular topic of discussion within the academic community for many years (e.g. Beyer and Trice, 1982; Duncan, 1974; Starkey and Madan, 2001).

Entrepreneurship literature has placed a great deal of attention on the importance of entrepreneurial networks, which are shown to be essential to start-ups and to the growth of a new firm (Drakopoulou and Anderson, 2007). SMEs are often associated with high economic growth in different countries (Beck et al., 2005; Ciemleja and Lace, 2011; Robson and Bennett, 2000). Thus, SMEs have a significant impact on employment (Ayyagari et al., 2007). While Gibrat's Law states that firm growth is random, most current researchers have disproved this law (e.g., Lotti, Santarelli and Vivarelli, 2009).

Robust evidence suggests that firm performance and growth are supported when organisations successfully perform key processes, including continuous improvement, market orientation, internationalisation and market development, alliance and joint venture formation and management, mergers and acquisitions processes and general functional and strategic management (Koryak et al., 2015).

To be successful, business development requires cooperation among several different stakeholders. Public advisory services (PASs) are an element of the local innovation environment (Kolehmainen, 2006). One challenge is that small businesses are often unable, or unwilling, to pay for the private provision of advisory services (Cumming, 2015). Samujh (2011) argues that micro-business owner-managers tend to not engage with external support agencies. However, micro-business operators need support, particularly emotional support, to move from survival to success (Samujh, 2011). The ability to access external expertise is crucial to the development of small firms (Viljamaa, 2011).

The significant nature of knowledge, competitiveness and globalisation, and the overall availability of information technology, drives micro-entrepreneurs to use different networks. In general, networks are better adapted to knowledge-rich environments because of their higher information processing capacities in comparison to traditional mechanisms of governance (Achrol and Kotler, 1999; Jarillo, 1993). Jokela et al. (2015) argue that, in micro-sized companies, innovations provide a challenge to the regional innovation system, especially in how to reach innovators at the early stages of the innovation process.

Nomenclature of territorial units for statistics (NUTS) is a hierarchical system for dividing up the economic territory of the European Union (EU) for the purpose of:

- The collection, development and harmonisation of European regional statistics
- Socio-economic analyses of the regions
 - NUTS 1: major socio-economic regions
 - NUTS 2: basic regions for the application of regional policies
 - NUTS 3: small regions for specific diagnoses
- Framing of EU regional policies (NUTS, 2013).

This study investigates the business-critical knowledge needs of micro-firm owner-managers with businesses in NUTS 3 area.

RQ: What type of knowledge gaps do micro-firm owner-managers need to identify?

Methods

This study used a case-study research design, which can help identify and define a problem or question. Case-study research builds theory by combining existing theoretical knowledge with new empirical and practical insights (Eisenhardt, 1989; Yin, 2009). Yin (2009) distinguishes between exploratory, descriptive and explanatory cases. Eisenhardt (1989) acknowledges the importance of description, but stresses the role of cases when

generating and testing a theory. We decided to employ an inductive research design to examine the information needs of micro-entrepreneurs.

Thus, we seek to determine what kind of know-how micro-firm owner-managers are interested in obtaining during face-to-face networking events. The network events are organised by a university research team. Each monthly event has a specific business-related theme, which micro-firm owner-managers discuss freely. The meetings are facilitated by the research team and local PASs. Depending on the selected theme of the event, external experts could also be invited to give a keynote speech.

Northern Ostrobothnia Province, Finland, NUTS code is FI1D6 and rated in level 3 as a small region for specific diagnoses. Northern Ostrobothnia Province consists of seven sub-regions in which there are a total of 30 municipalities. The total population of the province is approximately 410,000 inhabitants, and it covers an area of 44000 km². The geographic landscape of the study consists of three sub-regions, Oulu South (OS), Raahe and Oulu Northeast (ON), which are divided into 11 municipalities.

The survey was conducted after 40 network events that were held during the research period 2015–2016. The network consists of 122 micro-business owner-managers operating in the sub-regions. We received 128 replies to the question: What kind of know-how do you want to obtain from future networking events?

Results

This paper presents the results of a recent exploratory study aiming to present the knowledge gap of micro-firm owner-managers' operating in Northern Ostrobothnia. Province's NUTS level is 3 and a region lags the rest of the country in terms of economic growth and innovative capacity.

Micro-business owner-managers played an important role in selecting a topical theme for the networking events. One main idea was to identify topics that could benefit a larger group of the participating micro-business owner-managers. Thus, networking events, where entrepreneurs meet one another, provide the stage that makes it possible to discuss relevant knowledge related to business development and growth.

As a result, eight (8) knowledge gap categories were identified. The categories consist of 124 business-related topics in which more information is needed. After analysing each knowledge gap category, it was determined that the micro-business owner-managers felt they primarily had a lack of knowledge in issues related to entrepreneurship, followed by marketing and sales.

The knowledge gap related to economics for business clearly indicates that micro-business owner-managers have the intention to increase turnover. Issues related to human resources indicate that recruiting new employees and ensuring effective human resources management is a challenging task for micro-business owner-managers.

Issues related to digital tools and processes indicate that micro-business owner-managers are also focusing on the development of a company's business infrastructure. Moreover, knowledge gaps related to development, management and leadership and internationalisation were identified.

Discussion and Conclusions

Entrepreneurship is the driving force of the economy; however, only successful business activity offers a wide range of benefits (Staniewski and Awruk, 2018). Micro-firms' impact on the national economy is substantial (Muller et al., 2015). Micro-firms are numerically dominant in every country's economy. Even though micro-firms account for a large majority of SMEs, they remain comparatively under-researched (Gherhes et al., 2016).

This study is a longitudinal case study detailing the experiences of a real-life experiment in which micro-business owner-managers participated in face-to-face networking events facilitated by scholars and PASs in the Northern Finland. SMEs, and especially micro-businesses, are heavily dependent upon their regional business context where proximity plays a key role for innovation, in particular for the spread and acquisition of tacit knowledge (OECD, 2011).

According to Samujh (2011), micro-businesses need support from community-based networks. Most micro-firms employ only a few people. Self-employment is a common mode of employment in micro-firms. Hence, micro-firms need to pay significantly more attention to knowledge sharing, innovation and networking than large companies. Moreover, there are challenges associated with micro-business owners' time management. Hence, these networks could reduce micro-business owners' sense of isolation while providing an opportunity for them to share their experiences, especially about the problems they encounter (Samujh, 2011).

This study contributes to the literature on micro-entrepreneurs' social interaction and use of networks to boost the profitability of their businesses. According to Steyaert and Landström (2011), entrepreneurship scholars should strive to conduct research in the field, close to where real business decisions are made and actual business practices occur.

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