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**Change Management Applications
for SMEs Building Dynamic Capabilities
using SME Lifecycle Stages**

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Introduction

Many SMEs fail during the early stages of their development and others do not attain high levels of success (Cooper, Gimeno-Gascon, and Woo, 1994; Artinger and Powell, 2016; Franco et al., 2010; Headd, 2001). Indeed, it has been shown that around half of SMEs do not survive for longer than five years and only a third are still operating after a decade (Small Business and Entrepreneurship Council, 2019). Therefore, it is extremely important that SME owners and entrepreneurs integrate key resources in order to build solid capabilities that allow their business to adapt to external changes (Teece et al., 1997). From the perspective of Dynamic Capability Theory, it is necessary for SMEs to build capabilities (Eisenhardt and Martin, 2000; Laamanen and Keil, 2008; Chang et al., 2013). These capabilities provide organisations with the opportunity to change and transform in line with external environmental changes, and so survive. Filippini et al. (2012) explain that owing to resource constraints and market competition, the dynamic capabilities of SMEs tend to be focused on change and development initially. It is extremely important to be ready to manage the changes that occur during the SME lifecycle stages: creation, market entry, development, and sustainability. Change management involves moving from the current situation to a target situation. For SMEs to increase their chances of success and achieving their objectives, it is crucial for entrepreneurs to understand the changes an organisation will go through when progressing from one stage to another during the lifecycle of the business. This paper proposes research regarding the SME lifecycle in relation to change management practices and Dynamic Capability Theory, using empirical data collected in Kuwait, demonstrating the importance of entrepreneurs to understand the current state of their business and in order to react effectively to external market changes during each lifecycle stage. This understanding also provides SMEs with a snapshot of the resources available to assist managing the change.

Research Background

The Kuwait Context

Kuwait's leaders are thinking ahead as they attempt to move the country's economic dependence away from fossil fuels to innovative industries. Kuwait's speedy development into a leading economy provides expanding opportunities in trade and investment that will take the country forward through the 21st century. The country's government is encouraging the labour force to take the challenge of turning their innovative ideas into small and medium businesses, particularly through the use of the country's National Fund for Small and Medium Enterprise Development with an investment value of KD 2 billion (£4.9 billion). Although employment levels are high, there is a heavy reliance on public sector jobs. As a consequence, the private sector is very limited and still highly dependent upon the government for support. The productivity in the labour market needs to increase and one way of achieving productivity growth is to create the environment in which small and medium enterprises can grow in size and scale.

Change Management and Dynamic Capability Theory

According to Armenakis and Harris (2009), change management is the process by which an organisation prepares to shift from one management system to another. The process entails an evaluation of a company's adaptability to change, the impact the change will have within the organisation and a general assessment of the new changes before implementation. Change management is the process of coordinating workers of an organisation, along with other factors of production, to be able to react to external business environment changes (Feng et al., 2016). Change management refers to training of employees to enhance their capabilities regarding the effective deployment of organisational resources (Gist et al., 1989; Hoşgörür, 2016).

A study by Farjoun (2007) hypothesises that change management does not only involve adopting new changes but also includes implementation of existing strategies to suit organisations. Change management is about training the workforce, assessing their needs, using technology effectively, and providing performance evaluation by upper management (Al-Abrow and Abrishamkar, 2013; Lee et al., 2013). The process entails exploration of an organisation's capabilities and competencies, as well as strategies for improving them. In other words, it is the act of an organisation to make inquiries to move to the targeted situation or maintain current best capabilities (Bhasin, 2012). Ashurst and Hodges (2010) posit that change management is a process wherein an organisation identifies elements that cause any form of change in an organisation, as well as their influence over the process of change. After identifying the causal agent, organisations take appropriate actions to ensure change is achievable (Whelan-Berry and Somerville, 2010). Ben-Menahem et al. (2013) present change management as the efforts of organisations to align external business environmental factors with internal factors, in order to achieve a favourable business environment. Change management enables companies to gain entry to new markets (Kempster et al., 2014; Sghari, 2016; van den Heuvel et al., 2017).

For the purposes of this research proposal, change management is defined as processes by which organisations strategically improve the capabilities and competencies of staff members, along with other resources, in order to respond positively to external changes (Armenakis et al., 1993; Weick and Quinn, 1999; Armenakis and Harris, 2009; Bhasin, 2012; Feng et al., 2016).

Dynamic capabilities theory (DCT) argues in favour of organisations incorporating internal and external resources to create sustainable competitive advantage, something which is difficult to replicate in the marketplace (Teece et al., 1997). The original work on dynamic capabilities by Teece et al. (1997) identifies capabilities as those with which organisations integrate, construct, and rebuild internally and externally, in order to adapt to rapid environmental changes. These capabilities are described as dynamic due to the need for organisations to respond to external environmental changes by redeveloping skill sets, procedures and resources (Chang and Wang, 2013; Kim et al., 2015).

Eisenhardt and Martin (2000) explain that dynamic capabilities refer to recognising the strategic processes bringing together resources necessary to create value in terms of products and capabilities. These scholars argue that dynamic capabilities are a set of specific and identifiable processes such as product development, strategic decision making, and alliancing. Ashurst and Hodges (2010) show that an organisation improves its capabilities to succeed in change and transformation processes.

Teece (2013) explains that dynamic capabilities theory concentrates on the creation and modification of resources and assets while dealing with issues of competition. Teece's theoretical model focuses on the growth and coordination of intangible resources and assets — knowledge, expertise, skills, and processes — rather than the tangible business elements emphasised in other approaches.

DCT has a number of limitations and there is no universal agreement regarding its definition (Gärtner, 2011). Some scholars believe that this theoretical viewpoint does not have an articulate framework to underpin it, leading to an unscientific mix of different theoretical models. Tallott and Hilliard (2016) state there is a lack of empirical support for dynamic capabilities to be recognised and capitalised upon. However, the research proposed here aims to provide empirical evidence that shows the importance of the application of change management from the perspective of DCT within SMEs.

SME Lifecycle

Many scholars have studied the SME lifecycle and have offered a variety of explanatory models (Torbert, 1974; Lewis and Churchill, 1983; Mintzberg, 1984; Miller and Friesen, 1984; Hanks et al., 1993; Dodge et al., 1994; Lester et. al, 2003; Rutherford et al., 2003). For example, Lewis and Churchill (1983) offer a model using the stage headings of Existence, Survival, Success, Take-off, and Resource Maturity; Rutherford et al. (2003) carried out an empirical study of 2,903 SMEs to identify stages regarding No Growth, Low Growth, Moderate Growth, and High Growth; Lester et al. (2003) present a five-stage organisational lifecycle model with the categories of Existence, Survival, Success, Renewal, and Decline; while Phelps et al. (2007) consider organisational lifecycles in terms of People Management, Strategic Orientation, Formalised Systems, New Market Entry, and Obtaining Finance.

We believe that clarity of direction and relevant roadmaps serve as critical factors entrepreneurs, SMEs on one end and SMEs regulators and funding bodies on the other end of the SME Sector in Kuwait to succeed in attaining their objectives; therefore, for the purposes of this research we have developed a framework that brings together the previous work regarding the SME lifecycle and identify four main stages: creation, market entry, development, and sustainability (the details of which are set out in Table 1 below).

(INSERT TABLE 1 PLEASE)

The European Union has its own classification system for defining SMEs. Under this system a medium-sized business has a maximum of 250 employees. A business with fewer than 50 staff members is designated as small, and any company with fewer than 10 employees is categorized as a micro-business. The EU classification system also considers the turnover and assets of the business.

(INSERT TABLE 2 PLEASE)

SME's success and failure has received considerable attention by scholars. It is well documented that entrepreneurs and small business owners must be prepared and have sufficient entrepreneurship knowledge, skills, and experience to manage and run their business successfully. Entrepreneurs face a number of challenges which create barriers to success, including: the need for start-up skills; lack of adequate strategic and managerial skills; competition; lack of proficient advisers and consultants; low operational assistance; acquiring new customers; managing new employees; handling the budget; being a key competitor a particular sector (Kunene, 2009; Fatoki, 2014; Mabhungu and Van der Poll, 2017).

Proposed Research Methodology

The empirical research study proposed here aims to develop a framework that will SME survival and growth. The framework brings together two distinct concepts: the lifecycle of an SME and specific roadmaps to develop and sustain entrepreneurial businesses. Entrepreneurs need to understand each stage of the lifecycle and put in place a roadmap of measures that will support the entrepreneur during that stage of their journey. The following research stages and activities are proposed in order to gather and analyse empirical data relevant for developing the framework:

(INSERT TABLE 3 PLEASE)

Research Outcomes

As outlined above, this research aims to show the importance of integrating change management, dynamic capability theory and the SME lifecycle. The main aim of this project is to develop SME Lifecycle Roadmaps Framework. This framework consists of the main stages that any SME and entrepreneurship lifecycle go through. The framework and lifecycle roadmaps will be available online for both entrepreneurs and the Kuwait National Fund's staff. It will provide a clear and structured roadmap for each stage of the SME lifecycle that entrepreneurs need to follow as a guide that supports him/her in managing and running their business successfully. Each stage will be mapped in the following way:

- The steps required to be completed
- Guidance for completing the roadmap steps
- Different scenarios that enable the entrepreneur to assess current business situation and predict the next stage
- The challenges that the entrepreneur may face, along with tools to overcome it

Conclusion

The Kuwaiti economy is in transition. The government and society at large recognise that reliance on oil revenues has to reduce and people have to become more self-sufficient. The government has invested heavily to support entrepreneurs to start and grow their business. Yet, little is known about how entrepreneurs perceive the critical building blocks and lifecycle stages of small and medium size enterprises. It is important to provide help and support where it is needed by entrepreneurs for the right reasons, at the right time, in the right way and to the right extent. To achieve this level of sustainable entrepreneurship is extremely difficult. Further empirical research is required to develop a roadmap of the types of change faced by SMEs and how best to deal with it to maximise outcomes and utilise resources, as this is key to long-term survival. As a result of the development and deployment of this framework, the authors believe that Kuwait will be the first country to have a sustainable entrepreneurship model; there will be better use of the country's National Fund's investments; entrepreneurs will enjoy greater success when making applications to the National Fund for support; and human capital in Kuwait will be developed.

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Tables

Stage No	Stage Title	Stage Definition
1	Creation	This stage includes generating ideas for the business, exploring different business models and options. It requires viability analysis to test ideas rigorously and to select the best idea to take forward, and the identification of funding needs to support the analysis of ideas. This stage creates prototypes of the product or service. Entrepreneurs experiment with different options and undertake some market testing, seeking feedback from their customers and stakeholders. Then, a feasibility study is used to consolidate the idea. Via trial and error, the entrepreneur(s) learn what works and what doesn't.
2	Market entry	This stage involves gaining regulatory and license approvals, while gaining funding for market entry. The supply chain, processes and systems will be developed and put in place. The business will be launched, leading to initial sales and income generation. Comparisons will then be made with initial plans and budgets. Funding support will be sought to keep the business going by way of working capital.
3	Development	Now that the business is more established and financially independent, investment in innovation and R & D will be required, allowing for expansion into new products and markets. Funding needs are now core capital projects. The business grows and may expand nationally and internationally. Willing investors are identified to fund and grow the business.
4	Sustainability	During this stage, the business becomes stable and mature – growing at a steady rate over time.

Table 2: SME Lifecycle Stages (Source: paper authors)

Business Type	Number of	Turnover	
	Employees		
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

Table 1: EU SME Definition (Source: European Commission)

Empirical Research Stage	Activities
Stage 1	<ul style="list-style-type: none"> • Develop the lifecycle framework in the Kuwait context • Create roadmaps that are suitable for Kuwaiti entrepreneurs and meet local needs • Create supporting tools and methods for the National Fund to use
Stage 2	<ul style="list-style-type: none"> • Test the lifecycle and roadmaps • Obtain feedback from the pilot studies • Adapt and prepare final lifecycle and roadmap framework

Table 3: Research Stages and Activities (Source: paper authors)