A Grounded Case of Enterprise Acquisition

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Abstract: **Purpose:** To gain 'real world' understanding of the managerial approach adopted in an established small business when taken over by another entrepreneur from that of it's predecessor. The research highlights perceptual differences internal stakeholders (employees and the new owner) have regarding the business and the managing of it. Illustrated are the commercial consequences that can ensue from the change of ownership of an established enterprise through to the managerial style perceived appropriate by a new entrepreneur, and, subsequent employees' cognitions and behaviours that ensue as reactions to changed managerial practices. Findings are reviewed against existing theories within the fields of entrepreneurship, decision theory and management. **Design/Methodology/Approach:** Situated within the qualitative paradigm, the unit of analysis being one small (nevertheless complex) organization affords the researcher opportunity to inquire deeply into case study phenomena. The unit of analysis soon develops, through the application of 'original' grounded theory methodology (utilizing depth interviews and observations), to being the human interactions of all actors within the organization. Discovering meanings and behaviours across a number of dimensions produces a rich textual account of actors' perceptions of enterprise events and subsequent repercussions to the business. **Findings:** Emergent conceptual categories and supportive properties conveyed the new entrepreneur's limited understanding of the business he had bought, along with his technical, managerial and decision-making style seemed insurmountable management impediments. Substantive theory that captured the social processes and phenomenological contentions from the grounded theory analysis conclude. Not wholly proffering generalisable pronouncements, the research presents a robust framework for further small enterprise research and grounded approaches to data capture and analysis. **Implications:** Implications of the study will be of interest to entrepreneur and qualitative researchers, interested in the findings as a contribution to the field, and, the grounded theory methodology applied in establishing ontological 'groundedness' of inductively derived at theories. **Originality/Value:** There is a paucity of such research outside the big business spectrum. Contributes at a 'substantive' level by focusing on the entrepreneur's 'post take-over' management approach, and, at a more formal level through empirical 'owner-manager-entrepreneurial' research situated within the qualitative paradigm, where a deficiency of 'depth' cases remains. And especially for this forum, the findings are the result of meticulous attention to data gathering, analysis and emergent theory building, through the application of grounded theory methodology. Grounded theory has seen limited application to-date in the small business and entrepreneurship field.

Keywords: grounded theory, small business, entrepreneurship

1. Introduction

> *The 'management' of a firm includes individuals supplying entrepreneurial services as well as those supplying managerial services, but the 'competence of management' refers to the way in which the managerial function is carried out while the 'enterprise of management' refers to the entrepreneurial function… (Edith Penrose, 1995, p.32)*

The original purpose of this reported research was not primarily to offer managerial solutions or recommendations but sought to gain deeper ontological and epistemological understanding of enterprise management within its naturalistic context. However, through the application of grounded theory methodology, much 'practical' as well as 'academic' insight emerged from the research. The case study highlights the multiple perspectives of issues believed to be affecting the enterprise and the actors within it. Such multiple realities manifest personal views and subsequent behaviours that have the potential to negatively affect the viability of a business. The illustration interestingly not only shows the influences established employees can have on the day-to-day managing of a newly purchased small business but also, inter alia, the impact decisions made by a new entrepreneur can have on the viability of a recently acquired enterprise.

2. Entrepreneurialism

Irrespective of the academic debate focusing on the construct *entrepreneur,* as opposed to being, say, 'nonentrepreneurial' (see work by Covin and Slevin, 1988), the term entrepreneur herein denotes the ostensible owner and day-to-day manager of the target enterprise, for it is he whom contentiously displays some of the characteristics addressed in contemporary entrepreneurship theory.

Reference this paper as:
Douglas, D. "A Grounded Case of Enterprise Acquisition" *The Electronic Journal of Business Research Methods Volume 8 Issue 2 2010 (pp.63-72), available online at www.ejbrm.com*

The case study entrepreneur displayed, *inter alia*, a 'need for achievement' (McClelland, 1961), a desire for; 'legitimacy of power' (Galbraith, 1969; Lukes, 1986; Weber, 1930), a 'locus of control' (Brockhaus, 1982; Rotter, 1966); being an 'innovator' (Stewart *et al*, 1998), a 'risk-taker' (Knight, 1921; McClelland, 1961; Schumpeter, 1934) with 'an intention to grow' the business (Georgelli *et al*, 2000). Conversely, the notion of the entrepreneur being someone whom has, say, a desire to achieve or be in control, as displayed by the entrepreneur, does not consider Shackle's (1966) preference to discuss the concept of entrepreneurship in terms of business, and the entrepreneur in terms of being a 'businessman'. Pertinent to the case exampled with a spotlight on decision theory and, as a pivotal concept in business management as advanced by Shackle, 'Decision-making is the act which marks out the businessman from all those who collaborate with him in production' (Shackle, 1966, p.131). Decision-making to Shackle holds a precise meaning, '…it is patent that men's decisions are not choices amongst actual but amongst imagined consequences' (*ibid*, p.126).

We can make a contrast with Kirzner's (1973) notion of the entrepreneur whom is alert to potential opportunities as they occur in an economy, with that of Shackle's view of an entrepreneur as being someone who creates through their imagination opportunities of economic advantage. Shackle's work on the distinctiveness of the entrepreneur being a decision maker, and compared with the classical-rational economic model of decision-making as proffered by Von Neumann and Morgenstern (1944) subsequently countered by the work of Kahneman and Tversky (1974) (later discussed) business decision-making whilst being a product of the human 'entrepreneurial' imagination, may not according to the Kahneman and Tversky thesis be of (economically) rational thought – and thus whilst not articulated in the work of Shackle, the entrepreneur's judgments and decisions *may not* produce desired outcomes. As illustrated in this paper, decision fallibilities emerged from the empirically grounded findings of the case exampled, with potentially undesirable effects on the enterprise.

3. Research approach and case study inquiry

3.1 Grounded theory methodology

Championing their argument for the inductive discovery of theory sociologists Barney Glaser and Anslem Strauss (1967) developed new perspectives on social science research grounded in a systematic approach to data. The practice of grounded theory beyond sociology has experienced application and discussion (if somewhat limitedly) over recent years, [for example: Connell and Lowe, 1997 (tourism and hospitality management); Charmaz, 1990 (medical studies); Douglas, 2003a (research supervision); Henwood and Pidgeon, 1995 (psychology). More specifically, the field of management research has seen some accounts of the application of grounded theory [Andriopolos and Lowe, 2000 (management's creative practices); Douglas, 2003b; 2005 (management and entrepreneurship research); Locke, 2001 (management research); Partington, 2000 (management action)]. A paucity of published accounts remains of the application of grounded theory within the multifaceted research field of small enterprise.

3.2 Case background and research design

At the time of the research the case study business employed ten full-time staff - four of which could be described as *the business*. These 'senior engineers' had developed their skills over 25-30 years with the firm and without them the company could not offer its unique core service. The remaining six employees (five with general engineering skills and an office administrator) held tenures of between three to nine years. With the exception of the office administrator the workforce was male. The entrepreneur, who had recently bought the business, had a background in large service sector corporations, admittedly knew nothing of the service or industry he had bought into. With orders falling and employee-management discord rising, he realised the business was in trouble.

Data collection and application of the 'constant comparative method' (Glaser and Strauss, 1967) of creatively comparing incident-to-incident and informant-to-informant data, which shapes conceptual categories and their properties, formed two consecutive phases. Interviews over both phases took the form of 'informational, reflective and feeling' dialogue (Charmaz, 1990, p. 1167). Phase-one discussions were mostly 'informational' in nature and established chronology of the interviewee and subsequent events within that person's historical reflection of his/her employment with the company. Data gathered were responses to questions of What?, Who?, Where? and When?. The 'what?' questioning sought identification and description of data and incidents and were the basic building blocks of constructs. The 'who? where? and when?' discussions identified the 'temporal and contextual factors [that] set the boundaries of generalizability, and as such constitute the range of the theory' (Whetten, 1989, p.492). These questions consequently set the substantive parameters on gathered data, emergent constructs and subsequent theoretical explanations. Phase-two were predominantly 'reflective and feeling' discussions in terms of 'self' and took the form of How? and Why? and sought to uncover individual's interpretation of incidents under consideration. These 'how?' and 'why?' questions were asked to establish relationships amongst the emergent constructs and to provide theoretical rationales for phenomena through the identifications of 'causal relationships' (*ibid*, p. 491). In sum, what was occurring was the accumulation of multiple perspectives of phenomena.

3.3 'Cash and clash' – where ambition meets with opposition

This section examples (accepting word limitations) some of the emergent theoretical constructs through the application of grounded theory from gathered data of all respondents within the case enterprise. The section is divided into two sub-sections: 'Employees' Conceptual Categories' and 'Entrepreneur's Conceptual Categories'. Each sub-section introduces the data and its theoretical properties. Firstly within each sub-section attention is drawn to the core conceptual categories of each of the two main data sets. The core conceptual categories are usually the last to become saturated with data and theoretical constructs and are central to the other conceptual categories, inasmuch as they act as a hub to which other constructs are linked. Due to natural publication constraints and conveying beneficial depth to this paper, each sub-category focuses on the core conceptual 'hub' categories, though not wholly discounting the remainder of the conceptual categories.

3.4 Employees' conceptual categories

The core conceptual category that emerged from the employees' textual data and subsequent analyses was 'Management Decisions and Consequences'. This was the overarching conceptual category of two sub-categories: 'Management Decisions' and management decisions' 'Consequences'. Clustered around the core conceptual category are six emergent linked conceptual categories. These categories and their conceptual properties constitute the employees' meanings across a range of issues. Figure 1 depicts the conceptual categories emergent from the employees' data set.

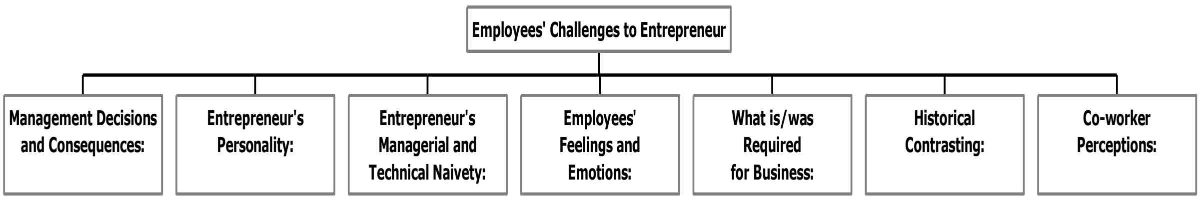

Figure 1: The conceptual categories emergent from the employees' data set

3.5 Management decisions and consequences (core conceptual category)

This category was the central conceptual category that was dominant from the employees' analysed data. The overall collective account of the decisions made by the entrepreneur and subsequent perceived decisions' consequences as described by the employees, constitute a range of resultant organizational change initiatives sub-categorised across different management decisions.

3.5.1 Management decisions

After the entrepreneur's first major decision: to buy the company, his decisions fall into three sub-conceptual categories: growth decisions, process decisions and reaction decisions. During the first three years of ownership the entrepreneur made decisions to develop the business across a number of dimensions. He physically moved the business from an old established site in the heart of town, which he owned under the original purchase of the company, to new larger industrial units out of town, with large rental costs. He also bought an existing engineering company, against the advice offered to him by the four senior engineers, with the desire to curtail contracting out detailed part production and repair [Jennifer, "Tom tried everything for him to stop buying this company, and the lads knew that it was a bad buy. But that's the way he is, that's the way he wanted to take us. It all went wrong in a very big way. They have sort of withdrawn that advice now"]. With the new facilities and the purchase of the engineering company the entrepreneur believed he created the potential to do work that the business had not been able to offer previously. The new owner sought a diversification strategy of pursuing work of a different nature. The abolition of staff meetings after the only one that was called was a reaction to the opportunity taken by some employees to communicate their negative feelings about how they saw the business since its new ownership and the decisions taken so far [Bernie, “We only had one staff meeting. There was an argument and never had any more”]. There appeared to be a multiplicity of views of the manager’s decisions, with perhaps the owner seeing a need for diversification, whilst others in the company having different views on such judgment.

3.5.2 Consequences

The entrepreneur’s decisions consequences clustered in to three disparate dimensions, accordingly asserted and labelled by this paper’s author as: ‘U-Turns’, ‘Drains’ and ‘Internalities’. ‘U-Turns’ were the result of a previous decision that resulted in another decision being made that then resulted in a reversed consequence to that of the previous decision, for example, the hiring of more employees then sacking them later. ‘Drains’ were the tangible observations that were the direct result of previous decisions that showed a net loss, for example, the moving to rented premises from buildings that were owned and retained (unable to sell) but not utilised and resulted in a substantial annual financial drain on the company [Mike, “He got the idea of selling the other premises. He’s still got it. We all moved to this new site. Attitudes have now changed”].

‘Internalities’ fell in to two groups: ‘Working Practices’ and ‘Personal Feelings and Emotions’. ‘Working Practices’ highlight changes that were believed to be responses to decisions that affected the internal working practices of the business, for example, observable cut backs in an attempt to claw back money lost by deciding to physically expand the business. ‘Personal Feelings and Emotions’ being the largest cluster of conceptual properties of the sub-categories, displayed peoples internal personal, and in the vast majority of cases negative, feelings to the decisions made by the entrepreneur, for example; demoralising, undermining and upsetting.

3.6 Remaining conceptual categories

As shown in figure 1, the remaining conceptual categories that made up employees’ constructs amounted to a further six categories, these being: ‘Entrepreneur’s Personality’, ‘Entrepreneur’s Managerial and Technical Naivety’, ‘Employees’ Feelings and Emotions’, ‘What is/was Required for Business’, ‘Historical Contrasting’ and ‘Co-worker Perceptions’. Briefly, across this range of constructs, the emergent findings were as follows:

There was a considerable opinion conveyed by employees on the entrepreneur’s *personality*. The perceived employee management problem was generally conveyed across all the employees. Along with this notion of *managerial* naïvety came *technical* naïvety, again emanating predominantly from the senior employees. Their perception of the centrality of their craftsmanship and its importance to them as highly skilled operatives contrasted to that (un-) known by the entrepreneur with regard to their expertise. Emotional emphases were of a negative nature. There were a number of instances within the employees’ data where they did express their feelings at the entrepreneur’s decisions and directed toward him at a more personal level. There was a general perception conveyed of what the business required - amongst other things the entrepreneur needed to communicate with employees, incentivise, motivate, enthuse and involve employees in the decision-making process.

Employees fell into two main categories with regards to their tenure with the company. The entrepreneur had owned the company for five years therefore the employees either fell into the category of those who preceded him or those who came after him. The employees who predated the entrepreneur also fell into two categories, ones that appeared to represent employees whom had been with the company a considerable length of time (up to 25 years before the new entrepreneur), and those employees whom had been with the company prior to the new entrepreneur but by no considerable number of years (maximum being 6 years prior to the new employer). Negatively *historically contrasting* the past with the present, the dominant cohort was the senior engineers’. Also, the senior engineers conveyed little about their perceptions of anyone else within the employees other than themselves as a group, and their commitment to their craft. They discussed other staff infrequently, with any comment made about other employees as only being yet another drain on the firm. Conversely, the remainder of employees perceived the senior engineers as being too powerful a group that not only challenged the entrepreneur in how the business should have been managed, but also because of their ability to control much of the processes of the business, which in turn affected the rest of the employees in their work.

3.7 Entrepreneur's conceptual categories

The core conceptual category that emerged from the entrepreneur's textual data and subsequent analyses was 'Self as Manager'. This was the overarching conceptual category of two sub-categories: 'Managing Self' and 'Managing Others'. Clustered around the core conceptual category are seven emergent linked conceptual categories. These categories and their conceptual properties constitute the entrepreneur's meanings across a range of issues. Figure 2 depicts the conceptual categories emergent from the entrepreneur's data set.

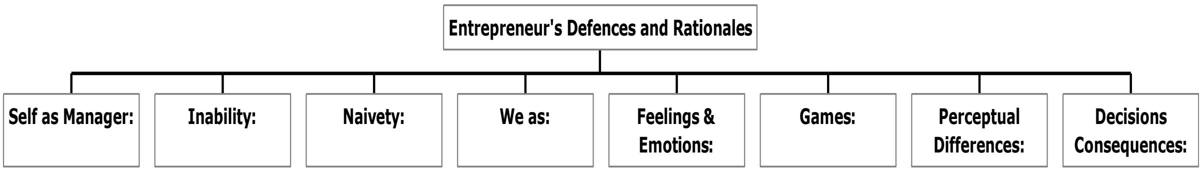

Figure 2: The conceptual categories emergent from the entrepreneur's data set

3.8 Self as manager (core conceptual category)

This core category emerged from two categories, one where the entrepreneur focuses on 'managing self', *looking in*, and the other where he focuses on the 'managing other' (employees), *looking out*. In the first conceptual category the entrepreneur reflects on himself as manager of the business and what he had done as a decision maker. The second conceptual category emerged from reflections on his post-decisional position. In that the perceived problems of attaining notional planned decision outcomes are dependent on managing employee-employer relations.

'Managing Self', and its properties emerged from the entrepreneur focusing on himself in terms of *I, Me, My* [for example, I: "*I* have instigated a lot of change, and a lot of change to people who are not used to a lot of change", Me: "The negative effect is that it is costing a lot more and that makes the business less profitable to *me*", My: "At the end of the day it's *my* company, and that's what they don't appreciate"]. Under 'managing self' constructs focused on the entrepreneur's reflections of what he *sought to* do in terms of conceptual objectives, how he conceptually *decided to* go about reaching those objectives, what he conceptually believed in *reality* had occurred, his conceptual *reflections* on the post-decisional position he found himself to be in, and finally what he conceptually perceived to be the *options*, post-decisions, available to him. On purchasing the company the entrepreneur sought to make decisions that would result in changes to the company that he believed would increase his wealth ["I want to make myself wealthy at the end of the day"]. To bring about these changes he decided to manage the processes of change from a more individualistic managerial approach and not in the main seek employees' involvement in the decision-making process ["They are terrified about security and the fact that the company will go under if I continued to make these wild decisions and take it in areas its never been before"].

The results of the entrepreneur's decisions had produced a perceivable number of outcomes that were probably best described as undesirable in reality ["It might have been a very silly thing to have done, going into a business I didn't understand. I have had to rely on the lads for everything"]. His reflections on his position and that of the business evoked emotions ["I'm feeling pissed-off with them at the moment"] that highlighted his frustrations of not perceivably realising his desires. However, his reflections conveyed his naïvety to the situation in which he had got himself ["There is a big hole on the technical side, I am not capable of filling it, I do not want to fill it. I will never be able to fill it"].

With some realisation of his position he pondered more possible decisions that he perceived as potential routes out of the position he was in. Realising that the oppositional power was predominantly from the four senior engineers and their confronting managerial decisions with intransigence, the entrepreneur considered future options: as the senior engineers won't change, then he would have to change the rules by which they work ["You cannot change their attitudes, I must therefore change the rules"]. At least in the eyes of the entrepreneur, had quite obviously resisted change, therefore he contemplated distancing himself from managing the employees directly ["I have really come down to the view of getting a guy as the shop manager. If I get the right guy they will probably accept it. I think they see it as I don't know what I'm talking about"]. However, it appeared to be a short lived decision to distance himself by indirectly managing through a shop floor manager, he had tried it before ["They took a dislike to her, she was quite aggressive, I found her helpful"]. He resigned himself to *losing* the perceived battle ["I cannot beat it so I might as well give in. It does not give me any confidence in them"] and intimated that getting out of the business could be his final *winning* decision ["If one day I want to sell the business I've got to find someone who wants to buy the business and its got to have something to it"].

'Managing others' emerged from the entrepreneur focusing on the employees in terms of *They, Their, Them* [for example, They: "I told them this, and *they* all got upset…", Their: "No one mentioned *their* pay rise, it all goes to prove something doesn't it?" Them: "I have not seen a lot of change in *them*"]. Under managing others two categories focused on the entrepreneur's conceptual perceptions of the employees. The first category reflected the entrepreneur's skewed perceptions of the four senior engineers as a group, as they were directly related to within the data. The second category was a general category that didn't highlight any particular employee or the group and is levelled at all employees generally.

The conceptual properties of the senior engineers' sub-category conveyed the entrepreneur's view that the senior engineers had adopted an oppositional stance against him as a manager of them and of the business per se ["There have been a number of things that I've done that they don't approve of, I know"]. Perceived as being under threat or siege by the entrepreneur due to his decision-making and change strategies (*sic*) ["Unless they feel they have been put upon, that they feel the need to fight back"], the senior engineers display feelings and emotions that conveyed their opposition to management ["They got very angry with me because I wanted to change"]. He realised that they had withdrawn from offering support that appeared not to have been requested by the entrepreneur and along with it they had instigated their own processes of retaining the status quo, at least in areas that they could exercise their expert power ["There is no question, they don't bust their arse"].

3.9 Remaining conceptual categories

As shown in figure 2, the remaining employer's constructs amounted to a further seven categories, these being: 'Inability', 'Naivety', 'We As', 'Feelings and Emotions', 'Games', 'Perceptual Differences' and 'Decisions Consequences'. For example:

At a technical level the entrepreneur admitted his *inability* and was un-knowledgeable of the craftsmanship that was required to do the work and realised he would never be competent to do craft jobs. Due to his lack of knowledge and competence of the craft and skills he was not capable of monitoring work. At a managerial level he conveyed his *inability* to lead and motivate people - a usual competence requirement of any people manager. An admitted *naïvety* emerged as the entrepreneur's dawning of his realization that the physical management of the business and the long established business he actually bought into had a range of issues that required concerted, appropriate, managerial competences that the entrepreneur probably had either not got, was not capable of developing or desired not to hold. Not realising when he bought the business that there were inherent interpersonal issues in buying and running a small complex company.

In discussing the collective term 'we' the entrepreneur actually referred to him, but he explained phenomena in pluralistic terms of *we as* being employees and him when a negative incident was raised. Past events that had resulted in perceivable managerially unplanned outcomes and criticised by employees were avoided being owned by the singular entrepreneur. This representation of self as a collective entity was portrayed also as what 'we' are going to do in the future whilst in actuality the entrepreneur was conveying what he was going to do. *We as* a company reified explanation of phenomena by neutralising the individual entity. However, from the data emerged the entrepreneur's negative *feelings and emotions* towards the employees and predominantly the senior engineers. He conveyed a frustration of not being able to circumvent the asymmetric power relationship he held with the senior engineers and his inability to change their behaviour. He was angry at the situation he found himself in and in actuality he felt beaten. He believed he had tried hard to keep the business going.

As part of day-to-day management of employees the entrepreneur engaged in what he termed the playing of [mind-] *games* as a strategy to gain perceived advantage over the employees, irrespective of effectiveness. He contends that the employees engaged in interdepartmental games with each other in order to diffuse attention away from them. In attempts to attain pivotal power and control over the processes of production *games* were played by especially senior staff in a belief that they could hoodwink the entrepreneur due to their depth of technical knowledge. The entrepreneur had decided that he wanted the business to broaden its service base by offering a wider range of engineering based provisions. He contended that such a *perceptual difference* resulted in senior engineers' intransigence in entering into broader based tasks and was in part their defence of their craft image, and in part the defending of any diminution of the centrality of their expertise within the company. Associated with this was the senior engineers' belief in offering their services at a price to customers that did not extract unacceptable profits. He believed jobs were deliberately extended over protracted periods but whilst finding it unacceptable felt powerless to do anything.

The entrepreneur conveyed a perceivable belief that some of his judgments did have positive *decision consequences* but may not have been apparent through employees' interpretations. He believed he had gained increased profits and turnover in the first two years from his early decisions and had created a better image for the company and better working conditions for employees. Conversely, his admitted 'U-Turn' decisions of increasing and then reducing employee numbers did not resolve the added burden of higher irreducible costs and less profits. He realised that his *decisions' consequences* had, whilst making some defence for them, created a business that necessitated change to meet increased overheads but offered no resolution in how to do so that had not already been attempted.

4. Discussion

At this juncture in a grounded theory approach it would be normal practice to introduce a 'later-stage body of literature' with which to discuss ones finding against existing theory. The preceding reporting of the conceptual categories emergent from the data sets delimit full opportunity for a thorough appreciation of emergent theory against existing knowledge. Nevertheless, a short discussion illuminating the potentiality for substantive theory development against extant literature is appropriate. Set below is a (delimited) discussion exampling the underpinning findings against entrepreneurship and decision literature, most of which were introduced earlier in the paper.

The entrepreneur's contention of the business needing to change, hence the decisions he made, was posited on his logical argument that the business needed to change to survive. It could be argued that the entrepreneur's decisions to change the business was based on his psychological drive, irrespective of costs (see 'Biases and heuristics' and 'Intransivity Axiom', Kahneman and Tversky, 1974 & 1979) to manage a business that was the product of his accomplishments and not that of others (previous or present), and, to establish a central 'legitimacy of power' (Galbraith, 1969; Lukes, 1986; Weber, 1930). In such a small business as depicted within the case, the differences between the employees' perceptions and those of the entrepreneur, affected all actors' cognitions and behaviours. The outcomes from individual cognitive differences and perceptions within the enterprise evoked feelings and emotions, evaluations, decisions, attitudes and actions. It was the emergence of such outcomes across a number of incidents with which the entrepreneur made his decisions and managed the company against how the employees cognitively evaluated his performance. All actors conveyed many perceptions of situations within which they were inherently entwined, by all being in the same naturalistic organizational environment. For the entrepreneur, his perceptions of significant business bound phenomena are arguably linked to his cognitive structuring of decisions and subsequent entrepreneurial behaviour. Maule and Hodgkinson (2003) also advance such similarities between managerial perceptions and those emanating from the field of behavioural decision-making.

Reminiscent of classical entrepreneurship theory, the entrepreneur embarked upon growth and process decisions for the business in situations that tended towards uncertainty and 'risk' (Knight, 1921; McClelland, 1961; Schumpeter, 1934). His reaction decisions were either reactions to his previous decisions or reactions to (perceived) employees' behaviours to his earlier decisions. Such reaction decisions negatively affected employees' feelings, emotions and behaviours, with ill-considered effects on the business - thus carrying risks in them selves. Because of such human differences between employees and the entrepreneur, and the senior engineers especially, due to their expertise, any attempt at explaining the restructuring of the organization by the entrepreneur had been avoided. This chasm is naturally filled by recipients' own 'sensemaking' (Weick, 1995, 2001). The entrepreneur may have embarked on decisions that could be argued as being the product of his framing of the situation. However, in retrospect, his framing has been inappropriate and he needed to

have ‘imagined’ what would have been necessary to reach his goals (Beach and Mitchell, 1990). The entrepreneur appeared to over use intuition and non-logical decision-making (Barnard, 1938; Simon, 1987) as he sought to affirm pivotal position and not have to engage with employees in ‘collaboratively managing the enterprise’ (Shackle, 1966).
Assigning considerable ‘weight’ to winning, the entrepreneur’s cognitive framing of issues is intertwined with the weight he places on gains over any loses. Wishing to establish the business as his and hold a ‘locus of control’ (Brockhaus, 1982; Rotter, 1966) encourages him to gamble in his decision-making, which appears to show him as erring towards making decisions under conditions of high risk or even uncertainty - where outcomes cannot be judged. His elicitation of information required prior to decision-making appeared limited, as he preferred not to engage in a group structured framing of decisions.

Arguably, the entrepreneur did ‘gamble’ in his decision-making (Kahneman and Tversky, 1979) as he placed higher ‘value’ (rather than ‘utility’) on winning. The entrepreneur sought to gain control through a number of individually contrived strategies that would place him as sole manager and entrepreneurial decision maker of the business, not in any *de facto* partnership. However, as every gambler knows, the ‘game’ (a term used by the entrepreneur) is one where a competitor (or combatant) can lose as well as win. The entrepreneur was applying ‘heuristics and biases’ (Kahneman and Tversky, 1974) in his decision-making. Heuristics being trial and error, he appeared to trial a number of decisions that could be interpreted as culminating in failure. He reflectively conveyed a bias that after five years of owning the business the reality was that it had not changed to meet his ‘intentions of growing the business’ (Georgelli *et al*, 2000) and achieve *his* aspirations of personal wealth creation and being an entrepreneurial ‘opportunist’ (Kirzner, 1973) owning a business flexibly responsive enough to meet potential market demands.

Tacitly or explicitly agreed decisions by the senior engineers not to comply with significant entrepreneur’s decisions, arguably gave the senior engineers organizational decision-making capabilities – at least in part. The senior engineers applied their own collective heuristics and biases, particularly the ‘anchoring’ heuristic (Kahneman and Tversky, 1974). Their initial collective starting point from which they evaluated the new entrepreneur was ‘anchored’ in historical practices. Such biases were sufficiently powerful to affect strategic and operational management of the business.
The senior engineers ‘sensemaking’ (Weick, 1995, 2001) may hold some attribution to them perceiving themselves as guardians of the company against the exigencies of the entrepreneur. Retrospectively they are measuring the entrepreneur’s performance over the time of his stewardship, subsequently measured over the time the company has been in existence. The rest of the employees measured him over individual shorter historical perspectives. Such sensemaking is either ‘belief’ or ‘action’ driven (Weick, 1995, 2001). What is occurring is ‘action-driven’ sensemaking by the entrepreneur clashing with ‘belief-driven’ sensemaking by the senior engineers. The former is action-based decision-making that generates commitments, whilst the latter is founded on arguing and envisioning decision consequences. There was no evidence of reconciliation.

In summary, the application of grounded theory methodology has surfaced a number of illustrative entrepreneurial and managerial issues when considered within the context of the substantive case. The interpretive account of the analysed data of that of the entrepreneur and the employees of the established business has afforded some opportunity for comparison of finding against established entrepreneurship, management and related decision literature.

To conclude this paper, emergent theoretical aspects of the substantive case are drawn together in the following final section for the benefit of practitioner purposes and to offer the potentiality for contributing understanding at more formal levels of enterprise inquiry.

5. Conclusions

On a practical level a number of early conclusions can be drawn that give insight into the usefulness of what can be learned from the case when an entrepreneur encounters a comparable occurrence. The major decision that the case entrepreneur made from the onset was the purchasing of the new (to him) but established enterprise. What became apparent was the entrepreneur’s lack of knowledge of the industry and specifically the enterprise he was entering in to. This aspect also focuses attention on the entrepreneur himself. Whilst he had a long established background in big business management he had no experience of owning or managing a small enterprise. It could be contended that his held belief that managing a small business is similar but in a reduced form to that required in managing (in) a bigger firm is arguably naïve. The uniqueness of the services and products the business offered and the significance of the long established and trained staff, was perhaps not considered highly enough prior to purchasing the business and his motivation for doing so.

Once the complex (with hindsight) small enterprise had been purchased, a number of incidents emerged over subsequent years. However, set against the backcloth of a multiplicity of human cognitions and perceptions by all actors within the business, entrepreneurial initiatives and managerial practices met with a variety of responses from employees. These employees' responses in themselves engendered employer' responses and at times circles of 'ploy and counter-ploy' appeared as 'ends-in-themselves'. The entrepreneur appeared to quickly drift from making judgments and decisions under conditions of 'certainty' and 'low risk' to conditions of 'high risk' and even under conditions of 'uncertainty'. Whilst trait and behaviour theory may suggest that entrepreneurs may display characteristics of being 'risk takers', the gambling metaphor assigned to the case entrepreneur may better allude to *his* personal condition rather than labelling him with the broad characteristic of being that of an entrepreneur. Measured initiatives and responses appeared to surrender to personal crusades. The costs in financial, general resources and especially human terms appeared to be all too often forgotten.

The application of grounded theory methodology surfaced a number of illustrative entrepreneurial and managerial issues when considered within the context of the substantive case. Against a backcloth of a multiplicity of human cognitions and behaviours by all actors within the enterprise, entrepreneurial initiatives and managerial practices met with a variety of actors' responses. The final outcome was a business that had potentially damaged its reputation. The interpretive account of the analysed data of that of all actors of the enterprise has afforded some opportunity for comparison of finding against established entrepreneurship, management and related decision theories. The perspectives discussed herein require circumspection. The data exampled is selectively limited, which has only proffered some possible actors' perspectives and their interpretations, as is the reflexive accounts of the paper's author. The resultant narrative set against existing theory and multiple actors' accounts give some ontological *grounding* in establishing the credibility and dependability of knowledge claims, for *this* 'substantive' inquiry.

Grounded theory may be evaluated *inter alia* in its meticulousness as a research process that, as illustrated in this case, reveals understanding of human action from the perspective of the agent (emic) rather than from more dominant nomothetic inquiries and etic interpretations. The conclusion to the application of grounded theory methodology is the emergence of conceptual categories and resultant, empirically grounded, inductive theory or theories. Such conclusions highlight theoretical explanations to human behaviour, within the bounds of a chosen substantive social investigation. What is pertinent to social research, through grounded theory, is that it seeks to approximate to the context of that being studied, in this case a newly acquired enterprise, the actors involved, and their interactions - thus conveying a conceptual understanding of issues that make up their naturalistic world. The value of grounded theory is the emergence of explanations to socially purposeful questions of *what* is happening and *why*, that are "grounded" in data.

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