

# **Action Research: A Complementary Approach to the Evaluation of SMEs**

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# **ACTION RESEARCH: A COMPLEMENTARY APPROACH TO SME EVALUATION**

## **INTRODUCTION**

This paper seeks to address a range of issues relevant to a specific research topic – that of SME evaluation. Its main purpose is to discuss how Action Research (AR), as a complementary approach to such evaluation, is an appropriate methodology both from a theoretical and practical perspective. A complementary approach to research is mainly based on the writings of Neils Bohr – a Danish physicist. In physics, the principle of complementarity refers to the potential of different theories (*e.g.* the wave and particle theories of light) to account for differing aspects of the same phenomenon, when no one theory can account for the whole. Bohr remarked that, based on scientific observation at a quantum level,

... we must, in general, be prepared to accept the fact that a complete elucidation of one and the same object may require *diverse points of view* which defy a unique description (1934:96 – emphasis added).

This sets a precedent for considering the possibility that viewpoints seemingly opposed or contradictory can, when properly considered in their frames of reference, prove complementary and lead to a more comprehensive evaluation of the subject of research. Bohr asserted that the principle of complementarity could help to clarify issues “far beyond the special domain of physical science” and has profound implications for “general philosophical thinking” and for the conceptual tools and research methods of all scientific endeavours (1958:1).

One of the key issues for researchers involved in the evaluation of SMEs is that of access – of itself a qualitative concern. Access is critical for the success of any research project (Buchanan *et al.* 1988:53). It can be difficult to gain access to sensitive information, even when the researcher is already closely involved with the subject organisation. Individuals may be reluctant to disclose commercially relevant information to researchers because of suspicions regarding its dissemination. (Coughlan and Brannick 2001:51). Also, as Easterby-Smith *et al.* have noted, “managers tend to be powerful and busy people” (1991:5).

In the complex, turbulent environment in which SMEs operate (Liao, Welsch and Stoica 2003), managers and other stakeholders are so busy dealing with practical matters that they often do not have the time, nor the inclination, to become involved in a process that is driven by researchers who are primarily concerned with theoretical issues (Saunders *et al.* 2000:114-15). AR is proposed here as a methodology that can overcome these difficulties regarding access to SMEs for researchers.

AR was first introduced as a research methodology by Lewin (1948). It attempts to achieve the twin objectives of (i) solving practical social problems and (ii) contributing to the body of theoretical knowledge (Rapoport 1970). It can help firms to understand, plan and implement change (Coughlan and Coughlan 2002). Researchers who wish to gain access and closeness to firms can create ‘win-win’ situations by working with other stakeholders to improve their capacity to deal with change. This means that each party, even though they may have opposing viewpoints and perspectives, can gain mutual benefits from the process (Grant *et al.* 2001). The notion of mutuality underpins the complementary approach advocated in this paper (see also Murdoch 1987:59).

The paper is organised as follows. The next section contains a summary of the issues relevant to the evaluation of SMEs. This is followed by a discussion of AR and its complementary aspects. The conclusions of our research are included in the final section the paper.

## **THE EVALUATION OF SMEs**

Palepu, Healy and Bernard (2000:193) claim that the basis “for a systematic analysis of a firm’s performance is its return on equity (ROE)”. Traditional economic and accounting-based methods of evaluation tend to rely on historic financial information in determining ROE, employment growth *etc.*, as a means of assessing financial performance and position. This approach does little to help us evaluate newer, smaller companies where “informed guesswork and compromises are the order of the day” (Richards 1997:93). Penrose (1995:19) has used the analogy of comparing caterpillars to butterflies to highlight how inappropriate it is to study small firms using models developed for large organisations.

Although there may be a large quantity of academic literature on the performance of SMEs (Chaston 1997), not everyone is impressed with its quality. Storey has remarked that “our theoretical and empirical understanding” of the characteristics of these smaller firms “remains somewhat sketchy” (1994:121). More recently, Orser, Hogarth-Scott and Riding (2000) commented that research had not yet fully explained SME performance in terms of growth or failure. Other researchers have noted the need for further inquiry into the management of smaller firms and “how this relates to the concept of entrepreneurship and firm performance” (Sadler-Smith *et al.* 2003:57).

Mainstream research on the assessment of SME performance is based on a neo-classical approach (Barkham *et al.* 1996:7-9). This approach has been criticised on many fronts,

especially for its unrealistic assumptions (Hall and Elliot 1999). One of its key assumptions is homogeneity but, as Storey has pointed out, the diverse range of performance levels amongst the large number of SMEs emphasises that the sector “cannot be considered a homogeneous group” (1994:112).

The entrepreneur plays a key role in the performance of SMEs (Mitchell *et al.* 2002, Arthurs and Busenitz 2003), and research in this area should focus on entrepreneurial behaviour (Gartner 1985). The main source of the diversity in the performance levels of SMEs is the behaviour of the entrepreneurs as they evaluate opportunities subjectively (Krueger 1993), and respond in different ways to “the rapidly changing environment” (Choueke and Armstrong 1998:127). Not only does the entrepreneur respond to change (Kirzner 1982) but, according to Schumpeter, is “the initiator of economic change” (1934:65) and “destroys the existing economic order” (Bygrave 1989:10). This implies that any method for the evaluation of SMEs that ignores the pivotal and disruptive role of entrepreneurs in the market process will not be able to account for the changes brought about through their innovations (Barkham *et al.* 1996:9).

Studies of entrepreneurship and SMEs require input from other disciplinary perspectives (Gartner and Gatewood 1992). The next section below considers how complementary diverse points of view can help provide a more complete understanding of any topic and a theoretical basis for the evaluation of SMEs.

### **The Evaluation of SMEs and Complementarity**

SMEs are founded by individuals or groups that contain diverse competencies combined in an effort to introduce new ideas in the form of products/services. These new ideas amount to

new knowledge, at least in terms of invention, if not always of innovation. Even in the cases of imitation applied in different contexts, they constitute attempts to tackle perceived problems. As Popper (1972:23) has insisted, the growth of our knowledge proceeds from problems and our attempts (both successful and otherwise) to solve them. The feedback from these activities – whether positive or negative (McGrath 1999) – prompts reflection and evaluation, causing us to consider new problems and their possible solutions that arise from entrepreneurial actions.

These entrepreneurial actions and innovations require the generation of new ideas and the ability to acquire and assess large amounts of new information. In the context of an existing SME, this will involve allowing “wider participation in the development of the organisation” (Choueke and Armstrong 1998:129). Such an approach implies recognition of the firm as an open system that allows feedback and diverse ideas to enter the organisation. Bohr explained that, contrary to conventional belief, even the fields of the natural sciences are open systems.

In the natural sciences ... there can be no question of a strictly self-contained field of application of the logical principles, since we must continually count on the appearance of new facts, the inclusion of which within the compass of our earlier experience may require a revision of our fundamental concepts (1934:97).

This open and complementary approach is consistent with the views of some writers involved in the area of research into entrepreneurs and SMEs. For instance, Chandler and Lyon call for “greater emphasis on multiple-source data sets” (2001: 101). Ropo and Hunt were perhaps more radical and more in tune with the principle of complementarity when they proposed that managers and researchers should engage in “Janusian thinking” (1995:92). They explain that this is exemplified by “the two faces of Janus – where two contradictory thoughts can be true simultaneously” (*ibid.*).

For this complementary approach to be applied to research and learning at firm level, managers of SMEs must be prepared to actively search for and to evaluate diverse sources of evidence. This approach is based on the previously described principle of complementarity (Bohr 1934) incorporating Popper's (1972) encouragement of scientific criticism. These sources may then contradict previously held beliefs. However, this ideal is difficult to envisage in the case of visionary, independent entrepreneurs who prefer to manage in a style consistent with a high internal locus of control (Rotter 1996). Such entrepreneurs are, naturally, reluctant to take advice from researchers who may base their findings on theoretically abstracted notions of static, rational firms.

On the other hand, a well informed researcher who engages openly with the entrepreneur and other stakeholders can help them to deal with the issues and problems that they face (Choueke and Armstrong 1998, Grant *et al.* 2001). Of course the researcher must also be open to fresh ideas and be prepared to learn from the experiences resulting from this research process. In this scenario, there is the possibility of a mutually beneficial relationship arising from a complementary approach to evaluating SMEs based on openness to diverse viewpoints.

## **ACTION RESEARCH**

When conducting research on SMEs, it is imperative that the methodology employed is appropriate for the unique characteristics of each firm (Clarke 1997). Research in this area should also "take account of the relatively dynamic business environment in which they exist" (Grant *et al.* 2001:66). The purpose of this section is to consider if AR is an appropriate methodology for the evaluation of SMEs and to discuss some of its complementary aspects.

Following on from Penrose (1995:24), SMEs are viewed as a collection of physical and human resources, the study of which requires a methodology that facilitates a process of reflection and learning in a dynamic environment.

It is the heterogeneity... of the productive services available or potentially available from its resources that gives each firm its unique character (Penrose 1995:75).

In a similar vein, Barney (1991) focused on the unique bundle of resources that gave each firm its competitive edge. Wernerfelt (1984) viewed resources in terms of strengths and weaknesses and thus provided us with a starting point for an evaluation framework. Other writers claim that the attention of SME researchers should be directed at the “entrepreneur and the unique resources that he or she brings to a venture” (Arthurs and Busenitz 2003:158). This presents challenges for researchers. If we are to consider the impact of the entrepreneur (an agent of change) as part of an evaluation of a firm (a unique bundle of resources), then our research methodology “must be able to handle nonlinear, unstable discontinuities” (Bygrave 1989:28).

AR assumes that social phenomena are “continually changing rather than static” and that the researcher and the research activities “are then seen as part of this change process itself” (Easterby-Smith *et al.* 1991:33). As a research methodology, AR endeavours to facilitate the analysis of the subject organisation by examining the dynamics and key interdependencies between internal processes and the external environment (Clarke 1997:67). This is in contrast to traditional static research techniques that are more concerned with “facts” and (codified) “procedures” for standard problems (Schön 1988:25). The use of these traditional quantitative methods in an SME environment will alienate entrepreneurs and others involved in the firm



(Grant *et al.* 2001:70). This will make it very difficult for the researcher to gain insights into the “integrative and complex” factors that influence SME performance (*ibid.*).

Empirical research by Choueke and Armstrong (1998) revealed that owner managers of SMEs preferred ‘action’ approaches to organisational development. They found that a collaborative, stakeholder approach to management learning – involving researchers and practitioners as equal partners in the process – helped the organisation to perform more effectively and “respond positively to the rapidly changing environment” (1998:129). An examination of the stated aims of AR provides some indications as to why this methodology would be acceptable to both practitioner and researcher. Rapoport gives a comprehensive summary of the aims and aspirations of AR.

Action research aims to contribute both to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a mutually acceptable ethical framework (1970:499)

Baskerville and Wood-Harper (1996) elaborate on this and include the improvement of competencies in their definition. They explain that AR simultaneously “assists in practical problem-solving and expands scientific knowledge”, in tandem with “enhancing the competencies of the respective actors” (1996:239).

Thus, for practical purposes AR has much to offer. It can create a ‘win-win’ learning situation of mutual benefit for all parties involved and the researcher can gain access to the change process as it occurs within the firm. For an academic interested in the evaluation of SMEs, this will provide insights into the factors that have an impact on performance. As noted by Baskerville and Wood-Harper above, AR also seeks to improve the competencies of those involved in the organisation. This can take the form of action learning programmes for

management or other methods appropriate to the needs of the SME (Choueke and Armstrong 1998). Hence, the AR process will enhance the performance levels of the firm, providing practical benefits for owner-managers and other stakeholders. Such a methodology implies acceptance of Freire's famous educational dictum: *No one has all the answers and no one is totally ignorant* (1993:57).

However, this open and collaborative approach to practical problem-solving is a cause for concern for some researchers on theoretical and methodological grounds (e.g. Cohen and Manion 1980, Dickens and Watkins 1999). In the words of Jönsson, "this is nothing but consultancy!" (1991:393). Other researchers have questioned if AR can qualify as a scientific method (see Heller 1993; McKay and Marshall 2001; Kock 2004). Susman and Evered (1978) provide an extensive summary of the issues involved. They point out that when measured against the standards set by positivism, AR "is found not to meet its critical tests" (1978:582). There are many forms of AR, some of which can be categorised as "client dominated quest" (Heller 1986:57). This gives rise to unease among academics that researchers intervening in a social process may place an over-emphasis on practical issues at the expense of theoretical concerns such as independence and use of 'unscientific' methods.

In response to some of these criticisms, Susman and Evered highlight the fact that positivism itself is based on the assumption that "its methods are value free" (1978: 585). This presupposition can be dismissed as *scientism*, which is akin to a blind faith in the 'objective' traditional methods of classical Newtonian physics and natural science. Bohr pointed out that the quantum discoveries of Planck, combined with Einstein's 'Theory of Relativity' were "destined to reveal the subjective nature of all the concepts of classical physics" (1934:97). As Strauss has succinctly stated:

The value judgements which are forbidden to enter through the front door of political science, sociology or economics, enter these disciplines instead through the back door (1959:23).

To assume that true science depends on strictly detached observation and analysis, completely disregarding the possibility, or desirability, of intervention, is to imply ultimately that the impractical, irrelevant and absurd researches of the academy of Lagado in *Gulliver's Travels* (Swift 1998) represent the scientific mindset.

As previously indicated, AR attempts to bridge the gap between 'scholars' and 'practitioners' (Rapoport 1970). While typically scholars are seen as preoccupied with philosophy and general theories, practitioners are viewed as being more concerned with problem-solving and 'bottom-line' techniques. Without a view to practical application, however, theory belongs in Swift's metaphorical flying island of Laputa, but, without theory, practice can be no more than a series of *ad hoc* solutions to individual problems, much like early mathematics before the advent of Greeks such as Pythagoras, Archimedes and Euclid.

All theory has contextual dimensions and practical implications, while all practice is based on some theory, no matter how rudimentary or implicit. Concerning the derivation of practical applications from theoretical developments in an organisational context, Winter has noted that:

Theory and practice are not two distinct entities but two different and yet interdependent *complementary* phases of the change process (1996:24, emphasis added).

In order to avoid the criticism that AR is merely "consulting masquerading as research" (Baskerville and Wood-Harper 1996:239), we must ensure that the core procedural

components of the research process remain present. These include cognisance of existing theory; a clearly specified research question; and “the collection of empirical evidence” (Brannick and Roche 1997:2). This is consistent with the complementary approach to research incorporating Popper’s view of science as a process of speculations put forward as conjectures subject to logical and empirical testing resulting in possible falsifications (1983:34). In this way, AR projects can be seen as a series of ‘experiments’ (Gill and Johnson 1991:58). In the case of the evaluation of SMEs, the experiments are designed to discover which theories about the firm’s performance and position are most appropriate. Like all experiments, the findings should be open to scrutiny and subject to further testing and possible falsification.

Based on these observations, we can now state that the criteria of positivism are not appropriate standards for evaluating the scientific merit of AR. Susman and Evered (1978) propose a number of other philosophic traditions upon which AR can look to base its scientific legitimacy. One of these traditions is *existentialism*. A key theme here is “that behind every action, individual choice is based on human interest” (1978:596). This is of direct relevance to our area of research (SME evaluation), because the actions and choices of individual entrepreneurs will have a direct impact on the performance and position of the firm.

While the importance of the individual entrepreneur’s role is well recognised in recent years (*e.g.* Mitchell *et al.* 2002, Arthurs and Busenitz, 2003), there is also a need to consider the wider cultural context in which the entrepreneurial actions take place (Lounsbury and Glynn 2001). Towards the end of his life, Lewin illustrated his appreciation of the complementarity between individual and group actions.

The American cultural ideal of the self-made man, of everyone standing on his own feet, is as tragic a picture as the initiative-destroying dependence on a benevolent despot. We all need each other. This type of *interdependence* is the greatest challenge to the maturity of individual *and* group functioning” (quoted in Marrow 1969:225-26 – emphases added).

The next section of this paper discusses this previously neglected aspect of the literature on AR: the interdependence/complementarity between the individual and the group. Its relevance to SME evaluation is explained in terms of the relationship between individual entrepreneurs and other members of the firm and the wider business community.

### **INDIVIDUAL AND GROUP COMPLEMENTARITY**

Many of Bohr’s ideas were influenced by his knowledge of eastern philosophy (Honner 1994:141). In *The Tao of Physics*, Capra (1991) traces the parallels between Eastern mysticism and quantum theory. In reference to experimental evidence of the instantaneous interaction of separated light photons, Capra writes that Einstein’s view of physical reality as consisting of independent, spatially separated elements is incompatible with the laws of quantum theory and the resultant outlook that the universe is fundamentally interconnected, interdependent and inseparable (1991:346). Gellner articulates the latter viewpoint when he states that “all things are connected and form a whole”, and, in order to comprehend phenomena, it is necessary “to see them as partial aspects of that whole” (1979:237).

One of the most significant debates in the history of science took place between Einstein and Bohr (see Murdoch 1987 for a comprehensive account). Einstein believed (mistakenly in the view of this writer) that there was a finite distinction between subject and object and between a ‘whole’ complete element and its constituent ‘individual’ parts (Capra 1991:346). On the other hand, accepting the evidence from quantum discoveries combined with an appreciation

of eastern philosophy enabled Bohr (unlike Einstein) to become aware of, and to acknowledge “the impossibility of making an absolute separation between subject and object” (Honner 1994:141). This allowed Bohr to develop the concept of mutuality that was to replace wave/particle duality as the cornerstone for the principle of complementarity (Murdoch 1987:59).

Campbell’s (1991) writings on the insights provided by Nietzsche (1968) on the topic of mythological studies are of relevance here. Campbell found that hero myths from different parts of the world reveal the mutuality between individual and group with universal application. This was acknowledged in Gellner’s recognition of the importance of “local-temporal versions of what are perhaps archetypal attitudes of the human spirit” (1979: 237).

Campbell credits Nietzsche as being the first philosophical writer to recognise “the force in the Greek heritage of an interplay of two mythologies” – (i) the tragic and archaic myths that eulogised group rites and (ii) classical and patriarchal myths that advocated the value of individual self-knowledge (1991:141). Campbell writes approvingly of Nietzsche’s acuity in this regard.

The glory of the Greek tragic view, he [Nietzsche] perceived, lay in its recognition of the mutuality of these two orders of spirituality, neither of which alone offers more than a partial experience of human worth (*ibid.*).

For Campbell, the classical/patriarchal, individualistic point of view, which he associates with herdsmen, can be distinguished from the earlier tragic/archaic view which he links to crop-growing (1991:26). The former viewpoint emphasises the setting apart of pairs-of-opposites as though they were absolutes in themselves and not merely aspects of the larger

entity of life (1991:27). A song from the musical *Oklahoma* may serve to express the message in an alternative way: *The farmer and the cowboy should be friends*. Campbell also writes that the archaic Bronze Age philosophy of the collective which has survived in the East is, “in its developed, higher forms”, the most important single creative force in the history of civilisation (*ibid.*). He asserts that “its impact is experienced immediately in the ultimate mystical rapture of non-duality, or mythic identification” (1991:57).

Campbell notes that Western society’s tendency to idealise individualism (as represented in classical Greek myth) can be contrasted with Eastern society’s emphasis (as exemplified in the archaic myths of Greece and in myths of India) on the individual’s unity with nature and the group as an ideal. In order to illustrate the difference between the Western and Eastern worldview as regards the relationship of the heroic individual and the group, Campbell refers us to the conclusion of the classic Greek myth the *Odyssey*.

[H]ad Odysseus been a sage of India, he would not now have found himself alone, floating at sea, on the way back to his wife Penelope, to put what he had learned into play in domestic life. He would have been united with the sun – Noman forever. And that, briefly, is the critical line between India and [classical] Greece, between the way of disengagement and of tragic engagement (1991:173).

Campbell’s insights can help us to understand the role of the ‘heroic’ entrepreneur in Western society, where great individual achievement is idolised and rewarded in spite of what may be underlying flaws exposed when the ‘tragic engagement’ occurs after the hero returns to society.

After starting a business, the individual entrepreneur’s main task is then to lead and organise others as they seek to apply the lessons and knowledge from the earlier success of creation. Times change, but the heroic entrepreneur may not adapt and the qualities that brought about

previous achievements – independence, bravery, perseverance and a visionary creativity – are now perceived as fatal flaws: insensitivity, recklessness and stubbornness. Unless the central figure can learn to adapt and examine rationally whatever counsel is received from appropriate advisors, we will have another tragic fallen hero.

Applying these insights to the context of SME evaluation, it can be noted that the survival of the firm depends on the entrepreneur learning that the skills and attributes necessary to start a venture need to be transcended in order to manage a business in the long run. Writing on the relationship between management behaviour (Gartner 1988), entrepreneurial style (Covin and Slevin 1988) and small firm performance, Sadler-Smith *et al.* assert that:

...entrepreneurship and managerial competence represent two important and *complementary* strands of small firm research and practice that appear to have led largely separate existences” (2003:48 - emphasis added).

Involving the entrepreneur in an AR project will enable the researcher to gain insights into the complementarity between individual and group behaviour that could not be attained using other methodologies. Not only will it expose strengths and weaknesses in the entrepreneur as a manager, but it can also reveal how the actions of the entrepreneur and the responses of the other firm stakeholders in relation to the needs of the organisation are a manifestation of the universal dynamic tension and mutuality between individual and group referred to by Campbell (1991:141) above.

In a business context, the collection of individuals would not have come together to become involved in the ‘group’ (*i.e.* the firm or wider business network) without the original act of innovation carried out by the individual entrepreneur. However, the innovation would not have become a marketable product or service without combining a number of resources and



this necessitated the involvement of others. Furthermore, business survival past the initial start-up phase requires the individual entrepreneur to engage and interact with others. In a turbulent, complex business environment it is increasingly important for the entrepreneur to collaborate and work in teams (Cooney and Bygrave 1997). In this way, the individual entrepreneur, out of necessity for business survival, becomes at least partly assimilated into the group but, paradoxically, this absorption into the group could be fatal for both individual and group.

Due to a constantly changing environment (competition, technology *etc.*) the firm will not survive in the long run unless some individual – either the original entrepreneur or some other ‘maverick’ – is sufficiently distant from conformity to carry out *another* innovation to ensure that the firm stays ahead of, or at least keeps up with, changing trends in the marketplace. This is the context for entrepreneurial behaviours where innovating individuals make decisions and undertake risky activities that they see as necessary in order to ensure their firms’ survival and growth. Awareness of the complementary nature of the relationship between these individual actions and group/organisational concerns can improve our understanding of the SME research and evaluation process.

## **CONCLUSIONS**

The aim of this paper was to consider the practical and theoretical merits of AR as a complementary approach to the evaluation of SMEs. The majority of the discussion has focused on theoretical issues but their integration with practical concerns has also been addressed.

Since evaluation is a subjective process, there is an implied need to gather a wide range of views from various stakeholders involved with the firm. The principle of complementarity emphasises that when alternative and sometimes contradictory perspectives are combined they may provide a more complete evaluation of an event or an entity. AR, as a methodology, can facilitate this approach by incorporating contrasting viewpoints into the research. However, there are other aspects of complementarity that need to be considered along with some issues arising from the unique nature of each SME.

One of the distinguishing characteristics of SMEs, as opposed to larger organisations, is the dominant influence of the entrepreneur who starts the venture. The entrepreneur, by carrying out Schumpeterian ‘new combinations’ of resources, is an agent of change and a source of disequilibrium. Thus, on their own, traditional methods of evaluation (based on historic financial data and the assumption of static equilibrium) are inadequate for the subject of our study. We need to consider the context in which these accounts were calculated and the ever-changing circumstances pertaining to the firm’s performance and position. AR can meet this requirement insofar as it recognises that all organisations are dynamic social systems and that the best way for a researcher to evaluate any system is by trying to change it. This will involve collaborating with the entrepreneur and other stakeholders as the researcher seeks to improve their capabilities to manage the change process.

However, this collaborative and practical approach has led to criticism from positivist researchers that AR lacks impartiality and rigour, and is context-bound. This paper examined the philosophic basis of these criticisms and reasserted that the positivist view of science as completely objective and ‘value-free’ is an illusion. All research is contingent upon some shared context of the ‘viewer’ and the ‘viewed’.

The concept of *individual-group complementarity* is also relevant to the evaluation of SMEs. The action researcher seeking to evaluate an SME will need to assess the entrepreneur's ability to start and to manage projects. In order to understand the actions of the entrepreneur in these dual roles, we need to be aware of their context. Individual, innovative initiatives are remarkable because they contrast starkly with group conformity. In a business context, the firm and its stakeholders can be seen as a collection of individuals involved with the commercial exploitation of these innovative ideas. As a group they would not have come into existence without the initiative of the entrepreneur. The individual entrepreneur needs the wider group network in order to develop the innovative idea. Over time, in order to efficiently co-ordinate the relevant resources, this interaction with the group leads to varying degrees of assimilation. In some cases, the individual entrepreneur will be lauded as a hero. However, if the individual firm is to survive in the long run it will need creative responses to challenges arising from the turbulent business environment. This will require some form of individual innovation which will again involve some form of non-conforming behaviour.

At a practical level, after observing and reflecting on how the entrepreneur and others manage these tensions and situations, the researcher will then be in a better position to evaluate the resources of the firm. Theoretically, knowledge and appreciation of individual-group mutuality can help the researcher to place observed entrepreneurial behaviours into context.

This paper has drawn together writings from diverse sources in an effort to place the issues relevant to the action researcher, concerned with the evaluation of SMEs, into context. Based on these observations, the conclusion of this paper is that AR, informed by awareness of its complementary aspects, is an appropriate methodology for the evaluation of SMEs.

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